

2nd assignment
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I have never known what to think about labor unions. I was not alive or maybe too little when labor unions started to fight for worker's right in Brazil. I confess I did not like them a lot. I thought they were against reform, bureaucratic and against development in general. Therefore, I was never unionized when I worked for Embrapa (Brazilian Agricultural Research Corporation). **Beckman's** article (2002) changed my ideas about labor unions. First, he says that despite unions' limitations, they constitute one of the few "institutions capable of representing the interests of large popular strata". More important, they were pioneers in "establishing forms of popular organizations". Through organization, they are able to represent workers, to bargain and to solve conflicts. The importance of popular organization became clear to me after my trip to the sisal region in the semi-arid region of Bahia. Forty years ago, all rural unions in that region were ruled by politicians. With the help of an ngo and two Italian priests, workers took over the unions. The movement to get control of the unions was the first attempt to organize local rural population. Those unions not only increased political awareness of workers (which is essential in rural areas of Brazil dominated by politicians) but were responsible for the creation of several other organizations. **Greenhouse's** articles (2004, 2006) show how politicians and other actors try to politicize unions and how important it is to workers to be mobilized. He says that a half-century ago, the mafia killed the Culinary's president (a Las Vegas' union) because he opposed mafia efforts to take over the union. Mobilized workers from that union not only kept fighting for the union's autonomy but got

industries to sign good contracts. Without the work of the union, it seems that Las Vegas workers would be in a much worse situation. I made up my mind that if I go back to Embrapa, I will join the union. Despite the problems that they have, now I see that they are the only ones that represent workers' rights. It was intriguing to realize that I was on the side of Embrapa's authorities, exactly those people who have no interest in defending my rights as a worker.

Damiani (2003), **Greenhouse** (2004) and **Yardley** (2005) articles struck me because they made me realize how economic interests are at the core of everything. Damiani mentions that it is very difficult to replicate the Petrolina-Juazeiro experience. In that case many factors worked together to generate a positive outcome, such as federal active state involvement, innovative practices, strong labor organizations and international pressure to have better labor standards. In Damiani (2003), Greenhouse (2004) and **Gonzales** (2003) articles, unions seem to play a major role. However, Fetape and Culinaria seemed to have achieved the best results in terms of improving labor rights because there was a balance of power between unions and employers because of economic interests. This balance of power happened in cases in which workers could affect economic gains of employers.

In Damiani's case, there was a high demand for scarce skilled labors and there were worries that strikes would reduce the quality of products. There was also a concern about the fruit producers' international image. In Greenhouse's case, casino's image was the most important thing for owners' profits and they could not afford to deteriorate their

images with protests and strikes. Chinese workers, as described by Yardley, have also increased their bargaining power because labor supply was much lower than its demand. In Gonzalez's case, banana workers did not have any bargaining power and it made their fight much more difficult. In the cases of Gonzales, **Knauss** (1998) and **Pires** (2007) there was no balance of power. However, it was really interesting to learn about a second element that could minimize the differences of power between the two parties. This second element is the presence of government mediators who are able to enforce regulation through sanctions. In Pires' cases, though results were not the same as in Damiani case, labor inspectors were able to improve workers' conditions through a combination of pedagogical and coercive approaches. It was interesting to see how mediation (and regulation) made by the government sector was important to improve workers' conditions. Therefore even though none of his cases were as successful as Petrolina Juazeiro case (because of lack of balance of power), workers were able to achieve more rights than they would have without mediation. I would say the outcome was between the high road and the low road. For instance, in the case of cordeiros, labor inspectors were able to at least get firms to give individual temporary contracts and to provide safety and health equipments. In Gonzalez and Knauss cases, there was no balance of power and no mediation and the path was then the low road. The situation of workers at the sisal region in Brazil is also low road development. When I was there, it struck me that small farmers and the owners of the engine that extract the sisal fiber were unionized, but the workers who worked cutting the sisal plant were not. Those workers do not have any bargaining power because anyone can do their job (as opposed to work on the engine). Also, they do not own any land. With no economic power and no

government intervention, I started to wonder how the work condition of those workers could be improved. Apaeb, the local cooperative, has done a good job at improving small farmer's income but has not reached the other workers. Even worse, small farmers are not their employee as they are hired by the owner of the engine who is also a poor worker. They are also not visible to society (as the *cordeiros* are). It really strikes me as a situation that I do not know how could be changed as it does not have any elements of the successful stories mentioned above.

As I mentioned before Damiani's case seemed to be the "perfect one" as unions had power to negotiate, workers counted on Fetape expertise and the Ministry of Labor was a mediator. It was interesting to see that in those not-so-perfect cases, government and the market needed to work together if economic development was to be conciliated with social development. This idea of having the government and the market working together took me to **Freeman and Gottschalk** (1998) and **Schmitz** (2004) readings. Even though they talk about different issues, the main lesson I got from them was the same or that we need to combine different literatures to promote and understand development. Freeman and Gottschalk talk about the conciliation of demand and supply drive policies. They say that demand drive policies cannot work alone and the most effective cases show that workers need to be empowered through training and education. I also thought it was very interesting that Schmitz mentions that there are two opposing views, the neoliberal view of a free global market economy and the view pro regulation and intervention. Like the author says, neither view represents reality. There is a mix of them. Therefore, to deny that market and globalization have good qualities (like protesters in front of the World

Bank and IMF do) or to deny the importance of regulation (as some scholars do) is to deny reality. Those articles definitely opened my mind and helped me to think less in terms of dichotomies and more in terms of what we can learn from different points of view.

It was interesting to read **Locke et al.** (2007, 2007) and **Elliot and Freeman** (2003) papers after reading the papers above. They made me see the importance of a vibrant civil society. I have worked in the government and I have never had experience with the private sector or third sector. Therefore, when I was thinking about how workers could be empowered, it only crossed my mind what the government could do but not what the other sectors could do. It was striking to hear Professor Locke explain in class that the more effective way to improve labor standard in the case of multinational companies like Nike is through “exposé”. The media and NGOs are essential because they are the ones that make the consumer aware of labor practices. That is how Nike cancelled some contracts with suppliers. Elliot and Freeman only reinforce the importance of activism and information and how it is possible to conciliate globalization with labor standards through codes of conduct. The idea of exposé made me think about how MOC, a NGO in the sisal region of Brazil, and the government were able to eradicate child labor in the sisal plantations while in other parts of Brazil the program failed. The program was able to succeed in the region only because of MOC’s partnership with UNICEF, ILO and the government. Together they were able to: expose the situation to local and international actors; to show to the local population that child labor was wrong; to come up with economic alternatives to compensate for the end of child labor and; to provide schooling

during all day for children. I do not think the civil society alone or the government alone would have been able to reach the same positive outcomes that they did through their partnership.

Just like **Stiglitz** (2000), I thought that high road would necessarily lead to more stability and productivity of firms. I was struck with **Bailey and Bernhardt** (1997) case studies in which they came to the conclusion that “high road production practices do not necessarily entail high-road human resource practices”. To be honest I have never really thought about the concepts of high road and low road before. After doing the readings I realized that many firms in Brazil choose the low road path. The construction sector for instance is characterized by informal low wage workers who earn at most minimum wages. Many do not have any documents. It came to my mind that if high road always were economic efficient, why wouldn't those firms improve their labor standards? Therefore, Bailey and Bernhardt's article made a lot of sense to me.

Readings about small firms and business associations really struck me. Before doing the readings, I was pretty sure that small firms did not have any political power whatsoever. I was surprised to see in **Cammett's** piece (2005) that small exporters in Morocco were able to get organized, to have a high influence in government policies and to stand for their rights against the traditional elite. As Cammett explains not all small business are able to organize themselves but the fact that some of them can exert a strong political pressure struck me. The readings gave me the impression that what **Brown et al.** (1990) said for the US case - “political observers have long remarked on the power of small business

lobbies to influence the course of legislation in Congress” – applies to many developing countries.

I was also struck by Brown et al. and **Andrews** (2004) pieces because they say that small firms are not “job machines” as many people like me believed. Most of those jobs are short term jobs and small firms have a high incidence of shutdown. I started to think about it and surprisingly it matched the business experiences of my relatives. Five relatives of mine had or have businesses: a paper store, a clothing store, a tennis shoes store, a fast food franchising, and a diet food store. Two of them, the tennis shoes store and the fast food franchising prospered. They rapidly bought more stores and started employing more than a hundred people. Now, they cannot be considered small businesses anymore. The other three had between 1 and 5 employees. Two of them closed and the third one (the paper store) will be closed next January. Their owners said they were incurring in debts and not having any profits. They lasted on average 7 years.

While doing the readings I started to try to find reasons for why two of them prospered and three of them went bankrupt. I found two major differences between those two groups. The ones in the first group are run by relatives who had a lot of capital from the start and that also know how to be entrepreneurs. They know how to make money. They are just to employers but they are not close to them. The second group of store’s owners was made of people who were not good business people. The owner of the paper store used to give discounts to the whole family and friends. The one in the diet store would order food products from other states just to please a single client. The three of them

would put up with unacceptable behavior of employees such as skipping workdays without any good reason, lying, etc. Those owners knew how to be nice but they did not know how to run a profitable business. They also did not have a lot of capital. Brown et al. define very well the five business of my family when he says that:

It is not surprising if one recognizes that existing firms – and especially small ones – are on average shrinking, but that many new firms enter each year to offset that decline. Moreover, really successful small businesses grow until they become large – and no longer contribute to small businesses’ share of employment.

I do not think it ever crossed the minds of the ones that went bankrupt to be a member of a business association. Now that I learned more about associations, I think it would have been good to them to be part of a group that had the same type of problems and that would try to come up with solutions together. On the other hand, I know that the owner of the tennis store is associated with other businesses and the owner of the fast food franchise has monthly meetings with other franchisers all over Brazil. Therefore, I do not know why some business prosper and other not but it is clear to me that the smaller ones (in my family) did not have a sense of entrepreneurship present in the cases showed by Camett, Tendler, Brown and Doner and Schneider.

Another surprise was the fact that heavy regulation is not necessarily an obstacle for small business sustainability. I thought that small firms were victims of the regulation burden and that was the reason for why those firms did not contribute more to poor countries’ economic development. I thought that President Lula should have included in

his economic plan - PAC (Plano de Aceleração Econômica) massive taxes reductions for small and micro enterprises and that was the only way to make small business viable in Brazil. It was very intriguing to read **Tendler's** paper (2002) because she mentions that there are alternatives to promote the sustainability of small business other than the decrease of regulation. Mainly, she talks about the design of sector specific strategies. Also, she mentions that small firms should not be treated as a single category. Now I see how it makes sense. After reading Tendler's piece I was even surer that if the owners of my family failed-businesses had got together with other similar business and tried to come up with strategies, to learn how to run their business and to be more competitive, they would have had a better chance of survival.

Doner and Schneider's paper (2000) about business association made me think about Sindifibras, the sisal industries association located in the Brazilian State of Bahia. The authors say that "under certain conditions business associations have contributed to economic development without intending anything more than defense of their members". Since I became familiar with the sisal region I have never understood why Sindifibras does not have a project with small farmers that aim to increase the quality of the sisal fiber in Brazil. Brazil is known to have worse quality sisal than its competitors in Africa. The Brazilian sisal industry is directly affected by it. Many are the reasons for sisal's low quality but one of the main reasons is related to the way small farmers manage their sisal crops. Therefore, it would be in the sisal industry interest to work with farmers to improve production management of plantations. I became intrigued to find out why they do not do that if it would be in their own interest.

The articles by **Schmitz** (2004) and **Humphrey and Schmitz** (2002) were interesting to me because they bring together different bodies of literature. Most of the literatures tend to focus on a subject without acknowledging interconnection with other literatures.

Whenever I did research for school or work, I thought about which specific literature I should focus on. I remember that I had to study clusters while I was working at the Ministry of Integration in Brazil. It did not cross my mind to try to link it with global value chains and I do not remember seeing that link in any articles that I was reading at that time. After reading those articles, the idea of studying local and regional development, global value chain and global standards all together seems to me not only interesting but the only way to understand everything that impact regional development.

Economic x ethic was a debate that came to my mind when I read **Rodrik**'s article (1997). He worries about social implications of globalization including in the United States (for instance, the negative impact on the ability to solve internal conflicts). I did not know much about social implications of globalization, so I was curious to know how social integration could be reconciled with globalization and competitiveness. I was looking forward to see experiences where countries were able to do that. So, it was surprising for me to learn that "the United States effort to take advantage of low cost Caribbean and Central American labor in the 1980s provoked a countervailing effort to defend and expand the rights of the region's workers in the 1990s (**Schrank**, 1997). Most interesting, that countervailing effort triggered the reform that led to better performance of labor inspectors. Therefore, in that case, globalization was an indirect cause (direct

causes were moonlighting, professionalization and the pedagogical approach) to better social practices. This finding was intriguing because it shows that Rodrik's worries are very important but also that competitiveness and ethic are not necessarily opposite forces. After reading Schmitz, I revisited Schrank and Rodrik articles and I realized that I do not have to take a stand on the debate globalization x social issues but I should try to analyze them together.

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