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Globalization and the Wage-Working Conditions Relationship: A Case Study of Cambodian Garment Factories

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Abstract

The wage premiums for firm-level foreign exposure (exporting and foreign ownership) have been well documented in the literature, and their potential sources have been studied in depth. Compensating differentials and efficiency wages are two distinct explanations (with radically different implications for worker welfare) for wage gaps that persist between firms despite controls for firm and worker characteristics. We use a comprehensive dataset of working conditions and wage compliance in Cambodia's exporting garment factories to explore (1) the impact of foreign ownership on wages and working conditions, (2) whether the relationship between wages and working conditions within these exporting factories more closely resembles efficiency wage or compensating differential theory and (3) whether the wage-working conditions relationship differs between domestically owned and foreign-owned firms.

We find that foreign ownership increases compliance on both wages and working conditions, contradicting the contention that higher wages in foreign-owned firms compensate workers for worse working conditions. In addition, we find a robust positive relationship between wages and working conditions in the sample as a whole, suggesting that efficiency wages or a similar theory more accurately explains the behavior of these exporting firms than compensating differentials. This positive relationship is stronger in domestically owned firms than in foreign-owned firms, but the relationship remains positive, fairly large, and statistically significant even in foreign-owned firms. Due to the lack of evidence in support of compensating differential theory, we conclude that both foreign ownership and exogenously imposed improvements in working conditions improve net worker welfare.

Despite the conventional wisdom that foreign-owned factories in developing countries operate as "sweatshops," paying low wages and providing unpleasant work environments, many studies have shown that wages are higher in foreign-owned firms than in their otherwise identical domestically owned counterparts.[1] The literature has also shown that exporting firms pay higher wages than non-exporting firms,[2] lending further support to the notion that working in a "globalized" firm benefits workers. These results are encouraging, but they do not necessarily imply that exposure to foreign markets improves worker welfare overall. If higher wages compensate workers for poor working conditions, workers may be no better off in these firms. If, on the other hand, wages do not decline as working conditions improve, workers may be made better off by working in a foreign-owned or exporting firm. Determining the presence (or absence) of compensating differential relationships in exporting and foreign-owned firms is thus critical to understanding the impact of globalization on workers in developing countries.

The literature consistently reveals positive wage premiums in exporting and foreign-owned firms relative to non-exporting and domestically owned firms, but the source of these wage premiums remains unclear. Using a detailed dataset of exporting factories in Cambodia, this paper explores (1) how wages and working conditions differ between domestically and foreign-owned firms, (2) whether compensating differentials explain the wage changes that occur within the full sample of domestically and foreign-owned exporting firms over time and (3) whether the relationship between wages and working conditions differs between domestically and foreign-owned firms. We find that foreign-owned firms are more compliant than domestically owned firms on both wages and working conditions, suggesting that compensating differentials cannot explain the foreign ownership wage premium in these factories. In addition,

[1] See, for example, Aitken et al. (1996), Girma and Görg (2007), and Sjöholm and Lipsey (2006).
[2] Bernard and Jensen (1995), Glick and Roubaud (2006), and Schank et al. (2007) are a few examples.

good working conditions are positively related to wages within firms, suggesting that improvements in working conditions do not induce firms to reduce wages. This positive relationship is stronger in domestically owned firms, but is also positive, relatively large, and statistically significant in foreign-owned firms. Due to this evidence contradicting compensating differential theory both between domestically and foreign-owned firms and within firms, we move one step closer to the conclusion that both foreign ownership and improvements in working conditions make workers in these factories better off overall.

Firms exposed to foreign markets tend to pay higher wages, even when controlling for a variety of factors. Several studies, in both developing and developed countries, have shown that foreign-owned firms pay higher wages than their domestically owned counterparts, controlling for many firm and worker characteristics. Aitken et al. (1996), Girma and Görg (2007), and Sjöholm and Lipsey (2006), are just a few examples of such studies.[3] Exporting firms also tend to pay higher wages than non-exporting firms, controlling for a variety of firm characteristics. Several studies have verified this trend in a variety of contexts, from manufacturing plants in the U.S. (Bernard and Jensen 1995) [4] to Export Processing Zones in Madagascar (Glick and Roubaud 2006) to exporting firms in Germany (Schank et al. 2007). Though a few other studies have failed to show evidence of this relationship, the preponderance of the evidence seems to suggest that exporting firms pay higher wages than non-exporting firms.

Compensating differentials and efficiency wages, two theories with opposite implications for worker welfare, are the literature's dominant explanations for wage gaps that persist between firms despite controls for firm characteristics. The evidence supporting the efficiency/fair wage

[3] See Brown et al. (2002) or Lipsey (2004) for a more comprehensive review of the literature on the ownership-wage relationship.

[4] The wage premium in exporting firms persists despite a variety of controls and plant-level fixed effects. Though the bulk of the premium is explained by other firm-level controls like plant size, capital intensity, hours per worker, industry, and location, the premium for exporting firms remains.

model is extensive, indicating that firms often pay above-market wages to harness productivity gains. Empirical evidence has shown that paying efficiency wages reduces shirking (Cappelli and Chauvin 1991), increases worker effort (Goldsmith et al. 2000), increases worker productivity (Fuess and Millea 2002), and increases the firm's market share through those productivity gains (Konings and Walsh 1994). Arai (1994) finds indirect evidence that firms are using higher wages to reduce shirking, showing that Swedish inter-industry wage differentials are strongly and positively related to levels of worker autonomy. The literature thus suggests the presence of efficiency wage behavior among firms, a sign that higher wages could signal a net improvement in welfare for the workers receiving them (since the higher wages yield output increases for the firm, thereby eliminating the need for cost-cutting working conditions reductions in response to the wage increases).

Empirical tests of compensating differential theory, meanwhile, have turned up mixed results. While many have found evidence of compensating differentials for accident risk (Cousineau et al. 1992; Marin and Psacharopoulos 1982), occupation- and industry-level work-related mortality risk (Leigh 1991), hard, physical, or stressful work (Duncan and Holmlund 1983; Duncan and Stafford 2002 [1980]) and inconvenient work hours (Duncan and Holmlund 1983; McNabb 1989; Altonji and Paxson 1988), others have found little evidence of compensating differentials for these working conditions and others (Brown 1980; Dorman and Hagstrom 1998; McCrate 2005).[5] In addition to its inconsistent support for compensating differential theory, the literature is also entirely comprised of worker-level studies despite the firm's essential role in determining wages and working conditions. The mixed results in the literature may be due in part to this lack of firm-level studies. Nonetheless, the results suggest

[5] A few studies apply compensating differential theory to industry-level export wage premiums (using worker-level data), and they too find little or no evidence of compensating differentials in El Salvador (Robertson and Trigueros-Argüello 2008), Indonesia (Robertson et al. 2008), and Cambodia (Robertson and Neak 2008).

that workers might gain a net increase in welfare from higher wages, but the higher wages sometimes compensate them for otherwise worse working conditions.

The scarcity of firm-level working conditions data has so far meant that studies of the firm's choice between employing efficiency wages or compensating differentials in worker compensation are very rare. Furthermore, the minimal diversity of working conditions measures available in most datasets, even at the worker level, has prevented a close examination of the full package of wages and working conditions offered. Finally, while many have compared wages in domestically and foreign-owned firms, none have studied whether the higher wages in foreign-owned firms are connected to worse working conditions. This paper, using a comprehensive dataset of working conditions in Cambodia's exporting garment factories from the Better Factories Cambodia (BFC) program, explores this wage-working conditions relationship to evaluate the net impact of foreign ownership and working conditions improvements on worker welfare.

The influence of the Better Factories Cambodia program (described in section three) in these firms provides a unique situation with great empirical potential. While most firm-level studies must rely on various immeasurable or random exogenous shocks for their data variation, BFC provides a common and known shock across firms, applying pressure on all firms to improve working conditions and wage compliance.[6] With this great empirical strength of the dataset, however, come two limitations of note. First of all, the dataset contains only measures of wage compliance, not of worker compensation itself. We therefore use an index of five measures of wage compliance (explained in detail in section three) to proxy for wages. Secondly, because the dataset is entirely comprised of exporting firms, we cannot explore both

[6] This is not to say that the BFC effect is uniform across firms, but we account for the heterogeneity of the BFC effect with firm-level controls for the cumulative number of BFC visits and their frequency.

the exporting and ownership dimensions of the effect of foreign exposure on the wage-working conditions relationship.

Instead, we explore the impact of foreign ownership within this sample of exporting firms in three steps. First (in section four), we identify the positive effect of foreign ownership on both wages and working conditions in these firms, controlling for observable firm characteristics. This finding contributes to the limited literature on the foreign ownership wage premium, but says nothing about how the firms choose combinations of wages and working conditions over time, particularly in response to a shock. We therefore examine the wage-working conditions relationship within firms over time, revealing the firm's choice between the compensating differential and efficiency wage approaches to worker compensation. In section five, we explore this wage-working conditions relationship within the entire sample of foreign-exposed (exporting) firms.[7] In section six, we examine how that wage-working conditions relationship differs by the dimension of foreign exposure for which our dataset contains variation – ownership. Before we proceed with the empirical results, however, we will lay out a firm-level theoretical framework to illustrate the contrasting predictions of the compensating differential and efficiency wage models, and then describe the dataset used to evaluate these theoretical predictions.

2. Conceptual Framework

To compare the predictions of the wage-working conditions relationship presented by the theories of compensating differentials and efficiency wages, we apply a basic isoquant production framework that is based on five assumptions. First, firms respond rationally to an

[7] This component says nothing about the *effect of* foreign exposure, but examines firm behavior in selecting combinations of wages and working conditions within a unique dataset of foreign-exposed firms.

exogenously imposed positive shock to working conditions.[8] Second, firms differentiate themselves according to output quality, as demonstrated specifically in exporting firms by Mandel (2008). Third, firms can improve output quality by eliciting more effort from workers. Fourth, workers will put forth more effort if they receive greater compensation, which is comprised of combinations of wages and working conditions. Finally, workers are willing to trade off wages and working conditions as inputs in their "production" of effort for the firm.

There are many combinations of wages and working conditions that a firm can offer to elicit each intended level of quality/effort from workers. Because workers trade off wages and working conditions in their effort production function, wages and working conditions are negatively related within a given level of quality/effort. A graphical depiction of the firm's problem is illustrated in Figure 2a. A firm aiming to elicit a low level of effort might operate anywhere on the Low Effort isoquant. One such firm, starting at some combination of wages and working conditions represented by point P, has two broad options for the path it takes in wages/working conditions space when an exogenous improvement in working conditions is imposed. It can reduce wages in response to the higher costs of improving working conditions (move down along the Low Effort isoquant to point N) or it can hold wages constant or even increase them (move to the High Effort isoquant, to point M). Moving along a given effort curve represents the wage-working conditions tradeoff, or the compensating differential relationship. A shift to a higher effort curve, meanwhile, illustrates the essence of efficiency wage theory:

[8] This theoretical analysis considers an exogenous improvement in working conditions as prompted by the Better Factories Cambodia program. The conclusions would be the same if we considered an exogenous improvement in wages and its impact on working conditions, because this analysis considers the *relationship between* wage compliance and working conditions, not the causality therein. In other words, for each improvement in either wages or working conditions made by the firm, this model considers the two possible effects (negative or nonnegative) on the other form of compensation.

increasing total worker compensation can be profit-maximizing for the firm when it produces greater worker effort.

As a result, the relationship between wages and working conditions within firms over time can reveal their choice between a compensating differentials approach (which holds worker welfare constant despite changing compensation mixes) and alternative approaches such as efficiency wages (which improve worker welfare). The next section describes the data that we will use to explore this wage-working conditions relationship in Cambodian garment factories.

3. Data

In this section, we detail the data that we use to empirically examine the relationships between foreign ownership, wage compliance, and working conditions compliance. First, we describe the source of the dataset, its contents, and the design of the program that supplied it. Next, we describe how we combine the numerous working conditions and wage compliance measures into a few comprehensive indicator variables for empirical analysis. Finally, we provide summary statistics of the variables we use.

3.1 Data Source

The data come from the Better Factories Cambodia (BFC) program of the International Labor Organization. Designed to improve working conditions in Cambodian factories by addressing the problem of imperfect information between factories and buyers, this program aims to inform buyers about the conditions in the factories from which they purchase garments. To do so, BFC monitors working conditions in all Cambodian garment factories during unannounced visits, sending Cambodian monitors into factories to complete a survey assessing the factory's compliance on a variety of working conditions and wage requirements. To avoid monitor bias, each monitoring team contains at least two people, and the same team rarely

assesses the same factory twice. After the factory's second BFC visit, BFC publishes the firm's name and progress on improving working conditions in an annual synthesis report, which they share with the factories' buyers.

As the Cambodian government has mandated that all exporting garment factories consent to this monitoring program, it eventually reached all such factories. The original wave of visits in 2001-2002 reached 119 factories with the first survey created for BFC. For the three years following the visits to these original factories, monitors conducted visits using less formal techniques and did not carefully record results, so data are unavailable for this three-year period. The next wave of documented visits began with the launch of the improved Information Management System (IMS) survey in December 2005. Since then, monitors have visited each factory an average of once every eight months. Through July 2008, this panel dataset contains 363 factories and 1154 factory-visit observations, of which 289 factories have more than one visit and a known country of origin (for a total of 1060 observations).

The theoretical framework calls for variables representing wages, working conditions, and the standard determinants of wages within firms such as size, age, and ownership (Brown and Medoff 1989; Brown and Medoff 2003). Because wages themselves are unavailable in the dataset, an index of five measures of compliance on wage law (explained below) will serve as a proxy for wages. The dataset contains approximately 130 measures of working conditions, which we aggregate in different ways to represent working conditions empirically. Firm controls include firm age (in months), firm size (measured as the total number of workers) and the percentage of workers in a union, all of which should predict higher wage compliance. We also control for the variation in the BFC effect using measures of the cumulative number of BFC

visits and their frequency. Finally, specifications in section six will include a control for foreign ownership.

3.2 Construction of Index Variables

The dataset includes approximately 130 compliance variables, all on a 0/1 compliance/ noncompliance scale. The compliance questions from which these variables originate, matched between the original and IMS surveys, are listed in Appendix A. To make these useful for analysis, we group these variables into four broad working conditions categories (shown in Table 3a) with several subcategories within each category. We generate compliance rates for each category as the simple average of compliance across the questions in the category, normalized to a scale of 100. *Wages*, for example, contains five compliance questions[9], so a *Wages* value of 60 means that the factory was compliant on three of the five wage payment questions during that visit. We generate all other indices in the same way, though the rest contain more questions, ranging from 13 to 43 in the disaggregated working conditions measures. The most complicated index is *Working Conditions,* which contains all of the other non-wage indices shown in Table 3a, and is the measure of working conditions used in this paper unless specified otherwise.

3.3 Summary Statistics

The working conditions covered by the survey range from occupational safety and health (OSH) to freedom of association and collective bargaining (FACB) to maternity leave and other benefits. The categories of working conditions and the summary statistics of their compliance rates, along with some basic firm characteristics and the breakdown of ownership groups, are shown in Table 3b. The average factory is almost five years old and employs about 1200 workers. Of the 363 factories, 278 have received at least two BFC visits and have complete data

[9] The five compliance variables included in the *Wages* index are whether the firm paid the proper minimum wage, overtime wage, night wage, holiday wage, and wage during weekly time off (Sunday).

for the necessary firm controls. Visits typically fall about ten months apart, but the time between visits varies widely due to a gap in the dataset (explained below). As shown in Table 3c, the vast majority of the sample (95%) is foreign-owned, with about 65% owned by Taiwan, Hong Kong, and China; 22% owned by Korea, Malaysia, and Singapore; 3% owned by Western countries; and 2% owned by other Asian countries.

The mean level of working conditions compliance in the sample was about 86%, meaning that the average factory visited between 2001 and 2008 was found to be noncompliant on about 14% of measures. The mean level of wage compliance is higher (92%), but it also varies more widely. Rates of compliance on the smaller working conditions categories range from the relatively low 81% on OSH to the relatively high 91% for FACB.

Finally, Table 3d illustrates the varying levels and changes of wage and working conditions compliance by different ownership groups and in different periods. In general, compliance is fairly high and improving for most groups, with the exception of wage compliance in Cambodian firms. Malaysian firms tended to be the most compliant on both wages and working conditions, while Cambodian firms were the least compliant on these measures. Chinese firms improved working conditions at the fastest rate, while Other Asian firms improved wages at the fastest rate. Most interestingly, foreign-owned firms exhibited greater compliance on both wages and working conditions as well as greater improvement in compliance on wages than domestically owned firms. These statistics give no indication of a compensating differential relationship between wages and working conditions, as the groups most compliant on wages are also the most compliant on working conditions. We turn next to statistical analysis to further explore this question.

4. Foreign Ownership's Impact on Wages and Working Conditions

For a basic idea of one aspect of globalization's effect on the welfare of workers in these garment factories, we first explore the impact of foreign ownership on wages and working conditions. We begin by estimating Equation **(1)**, shown below:

$$Wages_{it} = ß_0 + ß_1(FirmSize_{it}) + ß_2(FirmAge_{it}) + ß_3(\%Union_{it}) + ß_4(ForeignOwnership_{it}) + \varepsilon_{it} \quad \textbf{(1)}$$

where *t* is measured in visits, *i* is the firm, *Wages* is an index variable as described above, *Firm Size* is the number of workers employed by the firm, *Firm Age* is measured in months, *%Union* is the percentage of workers in a union, and *Foreign Ownership* is a dummy variable equal to one if the firm is not Cambodian-owned. The results, shown in the first column of Table 4a, indicate a relatively large and statistically significant (at the 10% level) effect of *Foreign Ownership* on wage compliance, with wage compliance about nine percentage points higher in foreign-owned firms than in domestically owned firms. These results confirm findings elsewhere in the literature of higher wages in foreign-owned firms, so long as we assume wage compliance to be an effective proxy for wages.

These results might be biased by the fact that firms have differing numbers of observations. If there is a systematic relationship between a factory's number of visits, its ownership status, and its wage compliance, including multiple visit observations for each firm could bias our results in some way. We therefore run a regression between firms, essentially evening out the number of observations per firm. The result of this change, shown in column two of Table 4a, is very little change in the magnitude of the foreign ownership coefficient and a small increase in its statistical significance (which can be explained by the fact that the standard errors for between regressions cannot be corrected for heteroskedasticity). Our results therefore

appear not to be biased by varying number of observations per firm, suggesting that foreign ownership does indeed have a positive effect on wage compliance.

The positive effect of foreign ownership on wage compliance does not, however, guarantee that workers in foreign-owned firms are better off than those in domestically owned firms. We therefore also examine the effect of foreign ownership on the index of working conditions, running Equation **(1)** with *Working Conditions* (the aggregated index as described above) as the dependent variable. The third column of Table 4a presents the results, which show a strong and statistically significant effect of foreign ownership on working conditions compliance. While foreign ownership has a smaller effect on working conditions (about a four-percentage-point increase) than on wages, the coefficient is still fairly large and statistically significant at the 1% level. When we look at the foreign ownership on working conditions in a between-firms regression, the magnitude and significance of the coefficient both fall slightly, but the positive and statistically significant sign remains. Since foreign ownership appears to have a strong and statistically significant impact on both wages and working conditions, these results suggest that higher wages (represented by greater wage compliance) in foreign-owned firms do not serve as compensating differentials for worse working conditions.

Because the detailed nature of our dataset allows us to explore further details of the foreign ownership relationship with wage compliance and working conditions, we disaggregate the foreign ownership variable into the eight countries/groups of countries shown in Table 3c and include indicator variables for each in place of the foreign ownership dummy in Eq. **(1)**. The results, shown in column one of Table 4b, reveal that the bulk of the foreign ownership coefficient results from the large and statistically significant positive coefficients on *Korea, Malaysia,* and *Singapore*. Interestingly, when we run the between regression (column two of

Table 4b), we find that *Hong Kong* also carries a large and statistically significant coefficient, though the results change very little otherwise. Clearly, the effect of foreign ownership on wage compliance is not universally identical; the source of the foreign ownership determines the magnitude and significance of its effect.

The same is true of the positive effect of foreign ownership on working conditions. The results of the random effects regression, with *Working Conditions* as the dependent variable, reveal positive and statistically significant effects of all countries/groups but *China* and *Other Asia.* Looking at the between effects results (column four of Table 4b), we see that *West* and *Singapore* lose their statistical significance, and the significant country coefficients again fall in magnitude, but the positive and statistically significant effect remains. These results confirm that the country of origin impacts the magnitude and significance of the foreign ownership effect. While the specific country of ownership matters, disaggregating the foreign ownership variable does allow us to see that the positive *Foreign Ownership* coefficient is no fluke; foreign ownership does appear to improve working conditions and wage compliance relative to Cambodian ownership.

5. Wages and Working Conditions Within Firms Over Time

The positive effect of foreign ownership on wages and working conditions separately says little about how firms choose combinations of wages and working conditions, but this firm choice is vital to workers' welfare outcomes. Understanding the impact of changing working conditions on wage compliance within firms, especially in response to an exogenous shock like the implementation of Better Factories Cambodia, can help reveal whether such programs have a net positive impact on workers. We therefore now consider the relationship between wages and working conditions within firms over time in the full sample of exporting garment factories.

5.1 Estimation Issues

While the small number of time periods mitigates the risk of serial correlation or nonstationarity, the wide diversity of the firms makes heteroskedasticity likely. Results of a Breusch-Pagan/Cook-Weisberg test confirm this suspicion. The empirical results that follow report heteroskedasticity-corrected standard errors to address this issue. In addition, multicollinearity could be a concern. Diagnostic analysis suggests only mild multicollinearity, [10] so we will proceed, acknowledging that there are some moderate correlations between explanatory variables, especially when we disaggregate working conditions.

Finally, the potentially simultaneous determination of wages and working conditions means that OLS estimation could yield biased coefficients in a standard statistical analysis, since the simultaneity leads to a correlation between the *Working Conditions* variable and the error term. In a typical analysis aiming to assess a causal relationship between a dependent and independent variable, this simultaneity would bias the regression results and undermine their validity. In our case, however, we aim to make no statements about the causal relationship between working conditions and wage compliance. We instead aim to analyze the firms' simultaneous decisions of wage-working conditions combinations. Whether wage compliance affects working conditions or vice versa, the sign of the coefficient tells us whether firms improve or worsen their compliance on one when they improve on the other. It is the sign of this relationship, no matter the direction of the causal arrow, in which we are interested. Because our interpretation of the coefficients differs in this way from the typical analysis, our conclusions are not biased by the simultaneous determination of working conditions and wage compliance.

5.2 Initial Results

[10] Among the simple correlation coefficients between categories, no coefficient exceeds 0.6, though one exceeds 0.5. The remainder of the correlation coefficients are less than 0.25. A test of the Variance Inflation Factors indicates only mild multicollinearity, with a maximum VIF of 1.6.

The compensating differential literature guides us with two analytical techniques for evaluating the wage-working conditions relationship. The first method we explore includes dependent and independent variables in the current period, with fixed effects to absorb any firm-based variations in productivity or other omitted controls. We begin by estimating Equation **(2)** below, where *t* is measured in visits, *i* is the factory, *Wages* and *Working Conditions* are indices as described above, *Firm Size* is in hundreds of workers, *Firm Age* is in years, *%Union* is the percentage of workers in a union, *Visit* is the number of visits completed (including the *t*'th visit), and *Time* is the number of months since the last BFC visit to the factory.

$$Wages_{it} = ß_0 + ß_1(Working\ Conditions_{it}) + ß_2(Firm\ Size_{it}) + ß_3(Firm\ Age_{it}) + ß_4(\%Union_{it}) + ß_5(Visit_{it}) + ß_6(Time_{it}) + \varepsilon_{it} \qquad \textbf{(2)}$$

The results, shown in column one of Table 5a, are a surprising contradiction to compensating differential theory but correspond well with the results of Section 4. While none of the controls is statistically significant, most are correctly signed, and the *Working Conditions* coefficient is positive, relatively large, and statistically significant at the one percent level. The coefficient of 0.783 indicates that, for each ten percent improvement in working conditions compliance, wage compliance increases almost eight percent. This pattern emerges despite our controls for the firm age, firm size, unionization in the firm, number of BFC visits to the factory, and amount of time since the last BFC visit. Explanatory power of the regression is low, however, with an overall R-squared of only 0.08, and the controls are all statistically insignificant when we use heteroskedasticity-corrected standard errors. Nonetheless, these results indicate that, controlling for the theoretically essential firm characteristics, working conditions and wage compliance are positively related.

These results, however, fail to capture the main advantage of the fixed effects method relative to the difference-in-difference method; using fixed effects allows us to consider a larger sample size because we can include the first visit in the time series. In this particular specification, however, the *Time* variable is measured as the time between visits, thereby excluding the first observation for each firm from the regression. Given the statistical insignificance of the *Time* control, its exclusion seems warranted to enable a broader examination of the relationship. Excluding this variable, the results of which are shown in column two of Table 5a, increases the sample size by over fifty percent. The results are quite similar to those of column one, with a slight increase in the magnitude of the coefficient but no change in its significance. These results indicate a strong and relatively large positive relationship between wages and working conditions in these firms, regardless of whether we use a specification that captures the full sample.

The other analytical method most frequently used to identify compensating differentials is the difference-in-difference approach. Because this method has generally been more effective in identifying compensating differential relationships, and because the two levels regressions suggest no major change in results when using the larger sample size, the rest of our analysis will employ the difference-in-difference approach.[11] This regression equation, shown below, explores the relationship between the change in wage compliance and the change in working conditions compliance.

$$\Delta Wages_{i(t-[t-1])} = ß_0 + ß_1(\Delta Working\ Conditions_{i(t-[t-1])}) + ß_2(\Delta Firm\ Size_{i(t-[t-1])}) + ß_3(Firm\ Age_{it}) +$$

$$ß_4(\Delta \%Union_{i(t-[t-1])}) + ß_5(Visit_{it}) + ß_6(\Delta Time_{i(t-[t-1])}) + \varepsilon_{it} \qquad \textbf{(2a)}$$

[11] The difference-in-difference approach allows us to examine changes within firms over time, holding constant any firm-specific variation unobserved in other control variables. This approach is commonly used in the compensating differential literature to control for productivity variation among units of observation (in our case the firm; in most cases the worker), and appears to be the only empirical method to consistently illustrate the theoretically predicted compensating differential relationship.

Regression results for Equation **(2a)**, shown in the third column of Table 5a, illustrate a fairly strong positive relationship between working conditions and wage compliance in these firms. The statistically significant coefficient of 0.869 indicates that, when the change in working conditions compliance improves by ten percentage points, the change in wage compliance improves by nearly nine percentage points.[12] In other words, improving working conditions translates almost one-for-one into improving wage compliance.

These results contradict the contention of compensating differential theory that wages and working conditions should move opposite one another within firms. The observed positive relationship between working conditions and wage compliance implies that these firms can improve their outcomes by increasing their total compensation mix to workers (moving from the Low Effort to the High Effort isoquant); if this were not the case, the firm's rational behavior would lead to a negative relationship between wages and working conditions. It appears, therefore, that the efficiency wage model, which predicts simultaneous improvements in wages and working conditions (presumably) to inspire greater worker effort, captures the behavior of these exporting firms better than the compensating differentials model. While we cannot contrast these results with those of non-exporting firms, we can say that, within this sample of foreign-exposed firms, higher wage compliance does not signal worse working conditions or vice versa.

5.3 Robustness

To evaluate the robustness of the large and significant working conditions coefficient, we use a variety of alternative specifications and sample alterations, the results of which we will discuss in this subsection. First of all, given the subjective nature of the data collection and the

[12] Recall that both wages and working conditions are measured in indices of compliance, generated in such a way that a one-unit increase amounts to a one percentage point improvement in compliance.

discrete (0/1) nature of the compliance measures, the data could contain monitor-based variation as different monitors draw different lines between compliance and noncompliance. We therefore include a set of monitor dummy variables, equal to one if the monitor was present in the factory for that visit. The results of including this set of dummy variables are shown in column four of Table 5a. The dummy variables' coefficients (not shown) are all statistically insignificant, and the main effect of their inclusion is to increase the magnitude of the (still statistically insignificant) *Visit* variable. The coefficient on *Working Conditions* increases slightly, and remains statistically significant at the 1% level. The variation in monitors in the sample appears not to affect the strong wages-working conditions relationship.

While unionization is a theoretically essential determinant of wage compliance, the data used to generate the unionization variable are imperfect, and including this variable reduces the sample by 160 observations. We therefore test whether these data imperfections or sample limitations are somehow driving the strong relationship between wage compliance and working conditions. Column five of Table 5a shows the results of Equation **(2a)** with unionization excluded. The *Working Conditions* coefficient falls slightly, to 0.802, in response to this change, but remains relatively large and statistically significant at the 1% level. Excluding each of the other firm-level controls individually (not shown) has even less of an effect on the *Working Conditions* coefficient and the other coefficients in the regression.[13]

It is also possible that wage compliance and working conditions move together simply because both have improved over time, due to increasing standards globally and especially due to the effect of BFC's presence. Though we control for the variation in the BFC effect using the number of visits and the time since the last visit, the global improvement over time may only be

[13] Excluding *Firm Size* had the largest effect among these, reducing the *Working Conditions* coefficient to 0.85 (still statistically significant at 1%) and having almost no effect on the other coefficients.

captured in a continuous time variable. We therefore include *Time* in the next specification, the results of which are shown in column six of Table 5a. The coefficient on the *Time* variable is positive but statistically insignificant, and its inclusion actually slightly increases the *Working Conditions* coefficient. Wage compliance and working conditions may be improving together over time, but taking out the time effect does not reduce the strength of the wage-working conditions relationship.

Given the large gap in the dataset (explained briefly in section 3.1), we suspect that there may be differences between the firms present in the first wave of visits in 2001-2002 and the firms that entered the program when the new "IMS" system was launched in late 2005. Columns one and two of Table 5b therefore estimate Equation **(2a)** separately for these two groups of firms. While the *Working Conditions* coefficient remains virtually unchanged, these two columns reveal some interesting differences between these two groups of firms. The effect of the amount of time between visits is zero in the original firms, but negative and statistically significant (as expected) among the IMS firms.[14] The number of visits has the expected positive effect among the original firms, but its coefficient is relatively large, negative, and statistically significant for the IMS firms. [15] Surprisingly, given these other differences between the two groups, the *Working Conditions* coefficient is almost the same for each sample as for the sample as a whole. Combining these two groups appears not to mask any hidden negative relationship between wage compliance and working conditions.

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[14] This difference is likely driven by the large gap in the dataset, which affects the time between visits one and two for the original firms but not for the IMS firms.

[15] This contrast suggests a potentially nonlinear relationship between visits and wage compliance over time, since the original factories are earlier in the sample, but adding a visits-squared term (results not shown) yielded statistically insignificant coefficients on the *Visit* variables and had no effect on the *Working Conditions* coefficient. It seems that, despite the differences between these two groups of factories, the specification for the sample as a whole does not improve with changes to the way the *Visit* variable is specified. We also generated a dummy variable equal to one if the factory was one of the original factories, included that in the whole-sample regression, and also included that dummy interacted with the *Visit* variable. The *Working Conditions* coefficient was unaffected, and the other variables' coefficients were statistically insignificant.

Examining the full sample could also mask differing cultures of compliance in more compliant firms, leading to differing wage-working conditions relationships. In other words, some firms, possibly those under certain ownership or with greater exposure to working conditions enforcement officials, might simply be more compliant as a whole, thereby biasing our results in favor of a stronger positive wage-working conditions relationship. We therefore split the sample, roughly in half, by each firm's average level of compliance over its lifetime in the sample. Results of Equation **(2a)** for the more compliant firms (greater than 85% average compliance over all of the firm's visits for all compliance points, both wages and working conditions) are shown in column three of Table 5b. Interestingly, the results are opposite what we expected; while a culture of compliance would lead to a larger positive relationship in more compliant firms, we observe a smaller positive relationship in higher-compliance firms. This result may be attributable to the closed nature of the compliance score (the fact that maximum compliance of 100% is attainable). Since 86% of the high-compliance firms have reached 100% wage compliance, improvements in working conditions compliance in these firms can be associated at best with no change in wage compliance, leading to a smaller (but still positive and statistically significant) relationship between wages and working conditions in these firms, with a coefficient magnitude about half as large as in the entire sample.

Isolating the lower-compliance firms, meanwhile, allows us to observe the larger positive wage-working conditions relationship in these factories. The size of the firm and the degree of unionization also become statistically significant positive predictors of greater wage compliance in these lower-compliance firms. The contrasting wage-working conditions relationships between high- and low-compliance factories is robust to the compliance percentage at which we

split the sample, consistently yielding a *Working Conditions* coefficient of around 0.4 for high-compliance firms and 1.0 - 1.4 for low-compliance firms.[16]

It is also illustrative to split the sample by the compliance level of the observation rather than averaged over the life of the firm. As shown in the previous set of results, when we divide the sample by the firms' average level of compliance over their lifetimes, more compliant firms tend to exhibit smaller positive wage-working conditions relationships. If this is indeed due to their inability to improve wages beyond 100% compliance, we should observe the same pattern when we sort the sample by overall compliance in each firm-visit observation and divide the sample according to this measure. Interestingly, while 93% of the high-compliance observations[17] in this sample have reached 100% wage compliance, the high-compliance sample's *Working Conditions* coefficient is roughly the same magnitude as (and, in fact, slightly larger than) that of the low-compliance sample. These results, shown in columns five and six of Table 5b, also contain similarly insignificant coefficients on control variables. Splitting the sample by overall compliance at the observation level thus yields different results than when we split by compliance at the firm level, but no sample exhibits the expected negative wage-working conditions relationship that compensating differential theory predicts. We've therefore presented some food for thought, but have yet to find any evidence supporting compensating differential theory.

5.4 Disaggregated Working Conditions

The aggregated *Working Conditions* variable, generated as an index of 130 different individual measures of working conditions, conceals a lot of variation among different types of working conditions. Another interesting test of the results' robustness, therefore, is to

[16] We split the sample at 83% and 87% average compliance to find these results. Splitting at higher or lower averages resulted in samples too small to effectively interpret results.

[17] (where high-compliance is greater than 87% overall compliance on wages and working conditions combined)

disaggregate the *Working Conditions* variable into four broad categories (those shown in Table 3a). Replacing the aggregated *Working Conditions* variable in Equation **(2)** with these four disaggregated variables yields Equation **(3)** below, the results for which are shown in column one of Table 5b.

$$\Delta Wages_{i(t-[t-1])} = ß_0 + ß_1(\Delta OSH_{i(t-[t-1])}) + ß_2(\Delta Paperwork_{i(t-[t-1])}) + ß_3(\Delta FACB_{i(t-[t-1])}) +$$

$$ß_4(\Delta Internal\ Relations/Benefits_{i(t-[t-1])}) + ß_5(\Delta Firm\ Size_{i(t-[t-1])}) + ß_6(Firm\ Age_{it}) +$$

$$ß_7(\Delta \%Union_{i(t-[t-1])}) + ß_8(Visit_{it}) + ß_9(\Delta Time_{i(t-[t-1])}) + \varepsilon_{it} \qquad \textbf{(3)}$$

With the disaggregated working conditions variables, the control variables remain generally insignificant and of the same signs as in the previous specifications, and explanatory power remains low, with an R-squared value of 0.09. Three of the four working conditions variables are statistically significant, two of them at the 1% level. *Paperwork,* the index of worker information, documentation, and communication with the Cambodian Labor Ministry, carries a relatively large and statistically significant coefficient, an unsurprising result given that compliance improvements in this category are relatively low cost and therefore less likely to be traded off with wage compliance. Controlling for the level of unionization, Freedom of Association and Collective Bargaining (*FACB*) carries a positive coefficient that is significant only at the 10% level. In other words, even when we control for the positive effect of unionization on wages, we still observe a positive relationship between other measures of FACB and wage compliance. In addition, our index of *Internal Relations and Benefits* carries the largest positive coefficient, also significant at the 1% level, despite the fact that this category contains some of the measures most likely to be traded off with wages (benefits).

In contrast, the *OSH (Occupational Safety and Health)* coefficient is positive but insignificant, suggesting that, if firms are trading off any form of working conditions with wage

compliance, this category may represent them. Nonetheless, because this category's insignificance differs so strongly from the results found earlier in this section, we explore *OSH* in greater depth. Column two of Table 5c shows regression results for Equation **(3)**, with the smaller subcategory components of *OSH* substituted in for the broader category variable. The results, a list of insignificant coefficients hovering around zero, fail to reveal any hidden relationships within *OSH*, instead confirming the lack of a significant relationship between wage compliance and *OSH*.

While the disaggregation of *OSH* failed to turn up any hidden relationships, it might be that the disaggregation itself was the problem. Empirically, multicollinearity could be the issue, and theoretically, such relationships may only emerge with more aggregate variables because of a firm's holistic approach to choosing a package of working conditions to offer. For this reason, and to provide more a more detailed analysis of the other categories, we disaggregate *FACB* and *Internal Relations and Benefits*. When we split *FACB*, we find that two of the three subcategories (*Unions* and *Strikes*) carry statistically significant positive coefficients, while the third (*Shop Stewards*) is insignificant. These results give no indication of a multicollinearity issue caused by disaggregation.

To divide *Internal Relations and Benefits*, we first split it into *Benefits* and *Internal Relations,* with the results shown in column four of Table 5b. Even this relatively small change in specification is revealing, as the *Benefits* coefficient is statistically insignificant, consistent with the expectation that firms would be more likely to trade off benefits and wages. The *Internal Relations* coefficient remains relatively large and statistically significant. To provide an even more detailed picture and to further test the multicollinearity question, we further disaggregate both *Benefits* and *Internal Relations* in columns five and six (respectively) of Table

5b. Disaggregation of *Benefits* yields no coefficients that statistically differ from zero, consistent with the *Benefits* coefficient as a whole. Disaggregation of *Internal Relations*, meanwhile, reveals that *Core Standards* and *Working Time* are statistically significantly related to wages. Furthermore, it appears that *Core Standards* is largely responsible for the magnitude of the *Internal Relations* aggregated coefficient, though *Working Time* appears to play an important role in its significance. The statistical significance of these results does indicate that multicollinearity plays at most a minimal role, suggesting that the insignificance of *OSH* in predicting wage compliance may reflect a true zero relationship between the two. A zero relationship is still non-negative, though, so we continue to fail to find evidence supporting compensating differential theory within these foreign-exposed firms.

6. Foreign Ownership and the Wage-Working Conditions Relationship

6.1 Initial Results

To determine how wage compliance and working conditions are differently related in foreign-owned firms than in domestically owned ones, we add a foreign ownership dummy variable and that dummy interacted with *Working Conditions (WC)* to Equation **(2a)** to get Equation **(4)** below:

$$\Delta Wages_{i(t-[t-1])} = ß_0 + ß_1(\Delta WC_{i(t-[t-1])}) + ß_2(\Delta FirmSize_{i(t-[t-1])}) + ß_3(FirmAge_{it}) + ß_4(\Delta \%Union_{i(t-[t-1])}) + ß_5(Visit_{it}) + ß_6(\Delta Time_{i(t-[t-1])}) + ß_7(Foreign\text{-}Owned_{it}) + ß_8(Foreign\text{-}Owned_{it} * \Delta WC_{i(t-[t-1])}) + \varepsilon_{it} \quad \textbf{(4)}$$

With this specification, the coefficient on the *Working Conditions* variable represents the relationship between wage compliance and working conditions in domestically owned firms, while the interaction term's coefficient represents the marginal impact of foreign ownership on that relationship. Adding $ß_1$ and $ß_8$, therefore, gives the total impact of working conditions on wage compliance in foreign-owned firms. Initial results for Equation **(4),** shown in the first

column of Table 6a, look very similar to those in Table 5a. R-squared remains low at 0.10, and most controls' coefficients remain statistically insignificant and small. Interestingly, the *Working Conditions* variable maintains a positive and statistically significant coefficient, and its magnitude nearly triples, indicating that the positive relationship between wage compliance and working conditions is stronger in the domestically owned firms than in the sample as a whole. In these domestically owned firms, when *Working Conditions* improve by ten percentage points, wage compliance improves by about 24 percentage points, a very large effect.

The negative coefficient on the *Foreign Ownership x Working Conditions* interaction term, meanwhile, suggests that marginal impact of foreign ownership on the wage-working conditions relationship is negative. The total effect of working conditions on wage compliance in foreign-owned firms is positive and statistically significant at the 1% level, but the effect is much smaller (an 8-percentage-point increase in wage compliance for a 10-percentage-point improvement in working conditions) than that in domestically owned firms. Given that compliance on both wages and working conditions is higher in foreign-owned firms, the smaller positive relationship in these firms is unsurprising; beyond some high level of compliance, additional improvements in wage and/or working conditions compliance become less feasible and the marginal effort returns on these improvements may diminish.

6.2 Robustness

Columns two through six of Table 6a show results for a variety of different specifications and sample changes, most of which are identical to those reported in section five. As before, the *Working Conditions* coefficient changes little with the varying specifications, and the *Foreign Ownership* and interaction coefficients generally remain fairly stable as well. Columns three and four of Table 6a show results with unionization excluded and a time variable added, respectively.

The pattern of positive wage-working conditions relationships in all firms (but a stronger effect of working conditions on wage compliance in domestically owned firms) remains through these specification changes.

The positive relationship also remains when we control for the monitors that visited the factory (column two of Table 6a), but the marginal negative effect of foreign ownership becomes statistically insignificant in this specification. These results correspond interestingly with the results shown in columns five and six of Table 6a, in which we split the sample into the original and IMS firms. In the IMS firms, the statistical significance of the foreign ownership impact on the wage-working conditions relationship disappears, but the impact of foreign ownership is much stronger in the original firms. Because there was incomplete overlap in monitors between the two time periods, some monitors are present only for the first set of visits to the original firms, so the monitor controls in the results presented in column two of Table 6a could be capturing the same effect as the contrast between columns five and six – a distinct marginal effect of foreign ownership between these two samples. These results continue to confirm the positive wage-working conditions relationship in both domestically and foreign-owned firms, but present a potential caveat to the conclusion that foreign ownership reduces the strength of the wage-working conditions relationship in these firms.

6.3 Disaggregated Working Conditions and Foreign Ownership

The results presented in Table 6a focus on working conditions and Foreign Ownership variables that are both aggregated for simplicity, but given the detailed data we have available, we can also disaggregate these variables into their components. First, as shown in section 5.4, we can disaggregate the *Working Conditions* variable into four groups of working conditions. Replacing the *Working Conditions* variable with these four smaller variables and interacting each

of these smaller variables with *Foreign Ownership* yields the results shown in Table 6b. The results serve to clarify somewhat the difference between the wage-working conditions relationship in domestically owned firms (the stand-alone working conditions coefficients in the first column) and the relationship in foreign-owned firms (the total effect coefficients in the third column). In domestically owned firms, *Paperwork* and *Internal Relations and Benefits* are significantly positively related to wage compliance, while we find some evidence of compensating differentials in the statistically significant negative coefficient on *FACB (*Freedom of Association and Collective Bargaining). In foreign-owned firms, we find no evidence of compensating differentials, but we find weak positive relationships of wage compliance with *Paperwork* and *FACB.* Consistent with the results with the aggregated *Working Conditions* variable, we generally find foreign ownership to weaken but not eliminate the positive effect between wage compliance and working conditions.

The differing effect of *FACB* in the two groups is an interesting exception to this general finding, especially because it is the only working conditions measure for which we find statistically significant evidence of a compensating differential relationship. Surprisingly, given the consistently weaker positive wage-working conditions relationship in foreign-owned firms, we find this isolated evidence of compensating differentials in *domestically owned* firms. In this case, foreign ownership has a large positive impact on the wage-working conditions relationship, an impact large enough to produce a total working conditions effect that is statistically significant and positive. This interesting result certainly warrants further exploration of the relationship between Freedom of Association/Collective Bargaining and wages, but we will leave this task for future research.

The impact of foreign ownership on wage compliance might vary by the source country in addition to varying by the category of working conditions considered. The results in Table 6c explore this possibility by including a set of country of ownership dummies (using the countries and groups shown in Table 3c) and their interactions with *Working Conditions*. As before, working conditions (measured again as the aggregate *Working Conditions* variable) are significantly positively related to wage compliance in domestically owned firms. The interaction terms are all negative and most are statistically significant (with the exceptions of *China* and *Other Asia*), affirming the general result that foreign-owned firms exhibit a smaller positive wage-working conditions relationship than domestically owned firms. Furthermore, the disaggregated ownership variables reveal that, in some cases, the wage-working conditions relationship is statistically indistinct from zero. In no case, however, do we observe a statistically significant negative relationship between wage compliance and working conditions. The broad overview of these results thus provides further evidence of a non-negative relationship between wages and working conditions, while confirming this relationship's statistically significant variation between domestically and foreign-owned firms.

While the results generally support the findings of Section 6.1, the variation in the interaction term coefficients illustrates that the effect of foreign ownership on the wage-working conditions relationship differs by the source country. Firms from the West, Korea, Malaysia, and Singapore all have a statistically significantly (5% level) smaller positive relationship between wage compliance and working conditions, relative to Cambodian firms. In contrast to the aggregated foreign ownership results, the interaction effects yield a total wage-working conditions relationship that is not statistically significantly positive in these firms. Though the disaggregated interaction terms do not reveal any powerful hidden evidence of compensating

differentials, these results do show that firms in these countries exhibit no relationship at all between wage compliance and working conditions.

Meanwhile, firms from China, Hong Kong, Taiwan, and the other Asian country group held a positive and statistically significant relationship between wage compliance and working conditions, consistent with the results found with the aggregated foreign ownership variable.[18] These results indicate a greater similarity in patterns of compliance between Cambodian firms and those affiliated with China (firms from China, Hong Kong, and Taiwan) than between Cambodian firms and the rest of the firms. These varying relationships are fascinating and should be the topic of more in-depth future research. Our fundamental point, however, remains that only for one country and one measure of working conditions measure do we see any evidence of compensating differentials. In the vast majority of scenarios, working conditions and wage compliance are positive related in all firms, but more so in domestically owned firms.

7. Conclusion

We have shown, first of all, that compliance on both wages and working conditions is higher in foreign-owned firms, contradicting the compensating differentials explanation for foreign ownership wage premiums. Furthermore, in this sample of Cambodian exporting garment factories as a whole, wage compliance and working conditions are positively related, supporting an efficiency wages explanation of why some firms pay higher wages than others and indicating that workers are made better off overall by working in firms that pay them higher wages. This positive wage-working conditions relationship, while smaller in foreign-owned firms as a whole, also suggests that both domestically and foreign-owned firms in this sample

[18] This positive overall relationship emerges in Hong Kong and Taiwan despite a statistically significantly (10% level) smaller positive relationship in these countries' firms relative to Cambodian firms. In other words, while they maintain a positive and statistically significant overall relationship between wage compliance and working conditions, the relationship is statistically significantly smaller in these firms than in Cambodian firms.

have responded to a positive working conditions shock by increasing the worker compensation package overall, thereby shifting their effort curves out. This finding implies that programs like Better Factories Cambodia can push for improvements in working conditions without inducing a reduction in wage compliance, so such programs might increase overall worker welfare.

We present these results with reservation, however, due to some fundamental weaknesses in our dataset and results. First and most importantly, the sample size of domestically owned firms is quite small relative to foreign-owned firms. Due to this small sample size, our results may not be generally applicable for Cambodian firms, let alone firms in any other country. In addition, our sample contains no firms that change ownership from domestic to foreign or vice versa during the sampling period. As a result, we must rely on a between-firms assessment of the foreign ownership effect, preventing us from taking a true *ceteris paribus* look at the foreign ownership effect on the wage-working conditions relationship. Finally, our empirical results are characterized by low r-squared values that indicate a failure to effectively predict wage compliance using our control variables. Undoubtedly, the ideal regression would contain additional control variables to improve the explanatory power of the independent variables, but we face a less-than-ideal (though uniquely comprehensive) dataset. In essence, we analyze a limited sample of domestic firms, with no within-firm variation in ownership, and explain only about 10% of the variation in wage compliance using our explanatory variables. With that said, we also acknowledge that our results are robust to a range of specification alterations aimed at correcting or at least exposing these weaknesses.

This body of research, furthermore, is by no means complete. We present only a single-sector, single-country, single-dimension case study of globalization's effect on the wage-working conditions relationship. As the ILO's Better Work program extends the Better Factories

Cambodia model to other developing countries, further research can address this question on a multi-country scale across sectors and including non-exporting firms for broader applicability of results. The BFC dataset itself also contains the potential for further research to expand our understanding of the wage-working conditions relationship. First of all, the interesting findings above of differing wage-working conditions relationships between working conditions measures and source countries provides an excellent opportunity for additional understanding of this complex issue. Meanwhile, while our categorizations of working conditions make sense in the way they affect workers, they may not accurately reflect the cost analysis in the firm (for example, Occupational Safety and Health measures are grouped together but the costs of improving these measures can vary widely). Alternate categorizations of the working conditions measures might therefore give a clearer picture of the wage-working conditions relationship and how it varies among different measures. Finally, assessing the pair-wise relationships between a variety of different working conditions measures with one another could also reveal more about how firms make decisions in their provision of working conditions for workers. While this sort of analysis is beyond the scope of this paper, it is well within the means of this rich dataset.

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Table 3a: Contents of Aggregated Working Conditions Variables

Wages (5)		Minimum Wage; Premium Wages for Night Work, Overtime, Holiday Work, and Work on Weekly Time Off
Working Conditions (127)		OSH, Internal Relations and Benefits, Paperwork, FACB (see below)
OSH (43)		Occupational Health and Safety: Health Facilities; Water and Toilet; Temperature, Ventilation, Noise, and Lighting; Machine Safety; Safety of Operations and Workplace Motion; Emergency Preparedness; Chemical Safety
Internal Relations and Benefits (38)	*Internal Relations (23)*	Child Labor, Discrimination, Forced Labor, Discipline/Management Conduct, Overtime, Regular Hours, Weekly Rest, Liaison Officers, Internal Disputes
	Benefits (15)	Holiday, Annual, and Special Leave; Worker's Compensation; Maternity Leave and Benefits
Paperwork (33)		Informing Workers about Wages/Holidays/Working Time, Internal Regulations, Contracts/Hiring Procedures, Collective Agreements, MOSALVY (Cambodian Labor Ministry) Reporting/Permissions, Chemical Documentation, Health and Safety Assessment and Reporting
FACB (13)		Freedom of Association and Collective Bargaining: Unions, Strikes, Shop Stewards

Notes: Number of questions contained in the index shown in parentheses. Listed contents of *Wages* variable are all individual questions, while listed contents of all other variables are groups of questions.

Table 3b: Summary Statistics

Variable	Obs	Mean/ %	Std. Dev.	Min	Max
Firm Age (Years)	614	4.79	2.56	0.58	14.08
D. Firm Age	614	0.84	0.86	0.08	5.08
Firm Size (100s of Workers)	614	12.06	11.13	0.16	75.12
Δ Firm Size	614	0.41	3.00	-13.51	30.52
% Union (% Workers)	614	40.22	32.26	0.00	136.16
Δ % Union	614	4.93	24.56	-102.55	102.32
Visit (#)	614	3.07	0.96	2.00	6.00
Time Difference (Days)	614	10.26	10.48	0.70	62.57
Wage Compliance (%)	614	91.82	18.25	0.00	100.00
Δ Wage Compliance	614	2.28	16.59	-80.00	80.00
Working Conditions Compliance (%)	614	85.69	6.50	62.99	97.64
Δ Working Conditions	614	1.76	4.91	-14.17	35.43
Paperwork Compliance (%)	614	87.05	8.81	54.55	100.00
Δ Paperwork Compliance	614	2.36	6.63	-24.24	30.30
FACB Compliance (%)	614	90.54	7.25	53.85	100.00
Δ FACB Compliance	614	1.23	8.71	-23.08	46.15
IR/Benefits Compliance	614	87.66	6.50	63.16	100.00
Δ IR/Benefits Compliance	614	1.64	6.11	-18.42	23.68
OSH Compliance (%)	614	81.44	9.96	37.21	100.00
Δ OSH Compliance	614	1.57	7.53	-25.58	62.79

Table 3c: Countries of Ownership

Country	Entire Sample	% of Entire Sample	Firms with 2+ Visits	% of Firms with 2+ Visits
Taiwan	**87**	**24.6%**	**76**	**26.3%**
Hong Kong SAR	**76**	**21.5%**	**57**	**19.7%**
China	**70**	**19.8%**	**55**	**19.0%**
China	69		54	
Macau SAR	1		1	
Korea	**40**	**11.3%**	**33**	**11.4%**
Malaysia	**19**	**5.4%**	**19**	**6.6%**
Singapore	**15**	**4.2%**	**13**	**4.5%**
West	**14**	**4.0%**	**10**	**3.5%**
American Samoa	1		1	
Australia	4		2	
Canada	1		1	
France	1		0	
Germany	1		0	
United Kingdom	2		2	
United States	4		4	
Other Asia	**6**	**1.7%**	**6**	**2.1%**
Bangladesh	1		1	
Indonesia	2		2	
Philippines	1		1	
Thailand	1		1	
Viet Nam	1		1	
Cambodia	**27**	**7.6%**	**20**	**6.9%**

Table 3d: Wage and Working Conditions Compliance by FDI

Variable	Obs	Mean (All Visits)	Std. Dev.	Min	Max	Mean (Visit 1)	Mean (Visits 4-5)
Wage Compliance (%)	614	91.82	18.25	0.00	100.00	88.49	95.12
Wage Compliance in Foreign-Owned (%)	582	90.00	19.13	0.00	100.00	84.75	95.13
Wage Compliance in West-Owned (%)	17	91.76	14.25	60.00	100.00	87.50	100.00
Wage Compliance in China-Owned (%)	114	84.04	24.41	0.00	100.00	74.63	93.75
Wage Compliance in Hong Kong-Owned (%)	113	91.86	18.05	20.00	100.00	85.14	96.82
Wage Compliance in Singapore-Owned (%)	27	93.33	17.54	20.00	100.00	88.89	97.78
Wage Compliance in Taiwan-Owned (%)	182	90.33	18.17	0.00	100.00	88.85	93.13
Wage Compliance in Korea-Owned (%)	70	90.57	18.25	20.00	100.00	85.38	95.45
Wage Compliance in Malaysia-Owned (%)	45	95.56	10.35	60.00	100.00	92.31	97.78
Wage Compliance in Other Asia-Owned (%)	14	90.00	17.10	40.00	100.00	80.00	96.00
Wage Compliance in Domestically Owned (%)	32	81.25	30.87	0.00	100.00	78.57	85.00
Δ Wage Compliance	614	2.28	16.59	-80.00	80.00	4.15	0.39
ΔWage Compliance in Foreign-Owned (%)	582	2.44	15.92	-80.00	80.00	4.75	0.41
ΔWage Compliance in West-Owned (%)	17	2.35	6.64	0.00	20.00	2.50	0.00
ΔWage Compliance in China-Owned (%)	114	4.91	20.71	-80.00	80.00	9.76	-2.50
ΔWage Compliance in Hong Kong-Owned (%)	113	1.59	16.51	-60.00	60.00	4.57	-0.45
ΔWage Compliance in Singapore-Owned (%)	27	0.74	8.74	-20.00	40.00	4.44	0.00
ΔWage Compliance in Taiwan-Owned (%)	182	0.88	14.54	-60.00	60.00	0.66	0.94
ΔWage Compliance in Korea-Owned (%)	70	4.86	16.83	-20.00	80.00	6.92	3.64
ΔWage Compliance in Malaysia-Owned (%)	45	1.33	8.94	-20.00	20.00	3.08	1.11
ΔWage Compliance in Other Asia-Owned (%)	14	4.29	13.99	-20.00	40.00	12.00	4.00
ΔWage Compliance in Domestically Owned (%)	32	-0.63	26.14	-80.00	60.00	-4.29	0.00
Working Conditions (WC) Compliance (%)	614	85.69	6.5	62.99	97.64	84.22	87.19
WC Compliance in Foreign-Owned (%)	582	85.94	6.32	62.99	97.64	84.5	87.34
WC Compliance in West-Owned (%)	17	86.48	5.75	77.95	96.85	85.33	88.19
WC Compliance in China-Owned (%)	114	80.74	6.52	58.27	93.7	78.03	83.54
WC Compliance in Hong Kong-Owned (%)	113	84.02	8.09	60.63	97.64	80.11	87.24
WC Compliance in Singapore-Owned (%)	27	85.39	7.59	67.72	96.06	81.19	88.98
WC Compliance in Taiwan-Owned (%)	182	85.12	6.64	66.93	96.85	82.7	87.4
WC Compliance in Korea-Owned (%)	70	85.04	6.11	72.44	95.28	83.53	86.69
WC Compliance in Malaysia-Owned (%)	45	88.17	4.91	75.59	96.85	85.22	90.64
WC Compliance in Other Asia-Owned (%)	14	81.5	6.3	68.5	89.76	77.95	85.67
WC Compliance in Domestically Owned (%)	32	79.4	8.12	66.93	93.7	78.12	82.87
Δ Working Conditions	614	1.76	4.91	-14.17	35.43	3.14	0.35
ΔWC in Foreign-Owned (%)	582	1.76	4.94	-14.17	35.43	3.21	0.34
ΔWC in West-Owned (%)	17	2.04	4.32	-7.87	11.02	4.43	-0.26
ΔWC in China-Owned (%)	114	2.16	5.55	-7.87	35.43	3.28	0.94
ΔWC in Hong Kong-Owned (%)	113	1.79	5.16	-11.81	19.69	3.22	0.39
ΔWC in Singapore-Owned (%)	27	1.60	5.11	-6.30	15.75	6.12	-0.70
ΔWC in Taiwan-Owned (%)	182	1.33	4.89	-14.17	18.90	2.65	-0.11
ΔWC in Korea-Owned (%)	70	1.69	3.90	-7.09	12.60	3.06	0.72
ΔWC in Malaysia-Owned (%)	45	1.96	4.52	-7.87	15.75	2.67	0.70
ΔWC in Other Asia-Owned (%)	14	3.43	5.21	-7.09	11.81	4.57	1.10
ΔWC in Domestically Owned (%)	32	1.82	4.53	-5.51	11.81	2.08	0.69

Table 4a: Regression Results – Foreign Ownership and Wages/Working Conditions

	1	2	3	4
	Wages (1)	**Wages (2)**	**Working Conditions (1)**	**Working Conditions (2)**
Foreign Ownership	9.220 (5.599)*	9.392 (3.955)**	4.317 (1.518)***	2.667 (1.343)**
Firm Age (Years)	1.143 (0.321)***	-0.052 0.424	0.977 (0.107)***	-0.500 (0.144)***
Firm Size (100s of Workers)	0.208 (0.090)**	0.244 (0.096)**	0.132 (0.038)***	0.214 (0.032)***
Unionization (% Workers)	0.032 (0.024)	0.046 (0.037)	0.008 (0.008)	0.018 (0.013)
Constant	72.590 (5.499)***	76.493 (4.331)***	74.211 (1.548)***	80.673 (1.470)***
Observations	936	936	936	936
Firms	288	288	288	288
R^2	0.06[1]	0.06	0.31[1]	0.18

- significant at 10%; ** significant at 5%; *** significant at 1%

[1] R-squared within

Robust standard errors in parentheses for columns one and three; columns two and four use an empirical method that does not permit robust standard error calculation. Regression results: Eq. 1, wages as the dependent variable with random effects (column 1) and between effects (column 2); and working conditions as the dependent variable with random effects (column 3) and between effects (column 4).

Table 4b: Regression Results – Disaggregated Foreign Ownership and Wages/Working Conditions

	1	2	3	4
	Wages (1)	**Wages (2)**	**Working Conditions (1)**	**Working Conditions (2)**
Firm Age (Years)	1.174 (0.328)***	-0.049 (0.438)	0.987 (0.108)***	-0.48 (0.145)***
Firm Size (100s of Workers)	0.17 (0.095)*	0.194 (0.100)*	0.108 (0.039)***	0.186 (0.033)***
Unionization (% Workers)	0.034 (0.024)	0.049 (0.038)	0.008 (0.008)	0.016 (0.012)
West	8.965 (6.592)	8.157 (6.489)	4.58 (2.139)**	2.25 (2.144)
China	5.369 (6.089)	5.135 (4.417)	1.342 (1.701)	0.017 (1.459)
Hong Kong	9.353 (6.016)	10.794 (4.403)**	3.506 (1.698)**	3.111 (1.455)**
Taiwan	9.152 (5.821)	9.393 (4.307)**	5.368 (1.592)***	3.615 (1.423)**
Korea	13.149 (6.099)**	12.261 (4.804)**	6.363 (1.724)***	3.803 (1.587)**
Malaysia	14.456 (5.956)**	14.473 (5.490)***	8.043 (1.809)***	5.887 (1.814)***
Singapore	11.425 (6.485)*	11.416 (6.122)*	4.72 (2.222)**	2.276 (2.023)
Other Asia	8.978 (7.537)	10.871 (7.749)	1.951 (2.806)	2.569 (2.560)
Constant	72.668 (5.527)***	76.712 (4.369)***	74.426 (1.536)***	80.798 (1.443)***
Observations	936	936	936	936
Firms	288	288	288	288
R^2	0.06[1]	0.08	0.31[1]	0.24

- significant at 10%; ** significant at 5%; *** significant at 1%

[1] R-squared within

Robust standard errors in parentheses for columns one and three; columns two and four use an empirical method that does not permit robust standard error calculation. Regression results: Eq. 1, wages as the dependent variable with random effects (column 1) and between effects (column 2); and working conditions as the dependent variable with random effects (column 3) and between effects (column 4).

Table 5a: Regression Results – Aggregated Working Conditions

	1	2	3	4	5	6
Firm Age (Years)	-3.512 (5.116)	-0.464 (1.160)	0.161 (0.276)	0.402 (0.280)	-0.068 (0.316)	0.196 (0.289)
Firm Size (100s of Workers)	0.251 (0.286)	0.188 (0.242)	0.427 (0.257)*	0.506 (0.280)*	0.342 (0.238)	0.431 (0.258)*
Unionization (% Workers)	0.019 (0.036)	0.019 (0.034)	0.04 (0.034)	0.042 (0.033)		0.041 (0.034)
Visit #	3.067 (3.099)	1.273 (0.878)	-0.552 (0.738)	-1.435 (0.798)*	-0.244 (0.735)	-0.777 (0.877)
Time Between Visits (Months)	0.035 (0.085)		-0.098 (0.123)	-0.232 (0.143)	0.014 (0.081)	-0.034 (0.195)
Working Conditions	0.783 [1] (0.243)***	0.873 [1] (0.194)***	0.869 (0.204)***	0.891 (0.217)***	0.802 (0.172)***	0.875 (0.209)***
Time (Years)						0.61 (1.582)
Constant	27.974 (27.764)	12.536 (14.600)	1.888 (2.080)	21.684 (22.606)	1.801 (1.977)	-1221.638 (3174.486)
Observations	614	981	614	614	769	614
Firms	278	333	278	278	289	278
R-Squared	0.08	0.13	0.08	0.15	0.06	0.08

* significant at 10%; ** significant at 5%; *** significant at 1%

[1] = Working Conditions variable in levels (not differences)

Robust standard errors in parentheses. Regression results for Eq.2 (column 1), Eq. 2 with *Time Between Visits* excluded (2), Eq. 2a (3), Eq. 2a with monitor controls (4), Eq. 2a with unionization excluded (5), and Eq. 2a with a continuous time control (6). Reported R^2 values are R^2 within.

Table 5b: Regression Results – Aggregated Working Conditions (Continued)

	1	2	3	4	5	6
Firm Age (Years)	-0.474	0.568	0.154	0.065	0.214	-0.049
	(0.799)	(0.336)*	(0.240)	(0.555)	(0.409)	(0.544)
Firm Size	1.079	0.097	0.226	0.808	0.146	0.771
(100s of Workers)	(0.670)	(0.310)	(0.291)	(0.487)*	(0.212)	(0.496)
Unionization	0.037	0.038	-0.007	0.089	0.007	0.065
(% Workers)	(0.082)	(0.037)	(0.045)	(0.049)*	(0.025)	(0.053)
Visit #	1.982	-2.043	-0.553	-0.652	-0.245	-0.279
	(1.831)	(0.890)**	(0.729)	(1.496)	(0.861)	(1.518)
Time Between	-0.074	-0.944	0.101	-0.205	0.035	-0.149
Visits (Months)	(0.190)	(0.337)***	(0.098)	(0.159)	(0.095)	(0.157)
Working	0.762	0.892	0.436	1.141	0.924	0.844
Conditions	(0.361)**	(0.240)***	(0.185)**	(0.303)***	(0.286)***	(0.275)***
Constant	-1.154	9.902	0.604	3.484	-0.385	3.144
	(8.789)	(3.517)***	(2.423)	(3.224)	(2.745)	(3.331)
Observations	163	451	306	308	313	301
Firms	71	207	130	148	162	165
R-Squared	0.06	0.10	0.06	0.11	0.21	0.08

* significant at 10%; ** significant at 5%; *** significant at 1%

Regression results for Eq.2a for original factories only (column 1); Eq. 2a for IMS factories (2); Eq. 2a for high-compliance firms, >85% (3); Eq. 2a for low-compliance firms, <85% (4); Eq. 2a for high-compliance observations, >87% (5); and Eq. 2a for low-compliance observations, <87% (6). Robust standard errors in parentheses. Reported R^2 values are R^2 within.

Table 5c: Regression Results – Disaggregated Working Conditions Variables

	1	2	3	4	5	6
Firm Age (Years)	0.213 (0.272)	0.211 (0.267)	0.212 (0.271)	0.216 (0.274)	0.221 (0.274)	0.192 (0.269)
Firm Size (100s of Workers)	0.417 (0.253)*	0.430 (0.250)*	0.416 (0.249)*	0.422 (0.254)*	0.421 (0.253)*	0.426 (0.255)*
Unionization (% Workers)	0.041 (0.033)	0.041 (0.033)	0.04 (0.033)	0.042 (0.033)	0.042 (0.033)	0.036 (0.033)
Visit #	-0.572 (0.737)	-0.494 (0.711)	-0.626 (0.743)	-0.573 (0.737)	-0.559 (0.742)	-0.537 (0.740)
Time Between Visits (Months)	-0.122 (0.126)	-0.153 (0.137)	-0.15 (0.128)	-0.117 (0.129)	-0.136 (0.135)	-0.109 (0.131)
Paperwork	0.330 (0.126)***	0.359 (0.130)***	0.293 (0.123)**	0.329 (0.126)***	0.324 (0.126)**	0.329 (0.124)***
OSH	0.105 (0.152)	**See Table 5d[1]**	0.134 (0.151)	0.105 (0.152)	0.102 (0.152)	0.1 (0.152)
FACB	0.181 (0.096)*	0.188 (0.095)**	**See Table 5d[1]**	0.181 (0.096)*	0.186 (0.099)*	0.168 (0.096)*
Internal Relations and Benefits	0.362 (0.136)***	0.355 (0.142)**	0.349 (0.133)***			
Benefits				0.121 (0.090)	**See Table 5d[1]**	0.127 (0.092)
Internal Relations				0.239 (0.100)**	0.24 (0.100)**	**See Table 5d[1]**
Constant	1.740 (2.078)	1.672 (2.061)	2.084 (2.083)	1.688 (2.105)	1.769 (2.110)	1.880 (2.112)
Observations	614	614	614	614	614	614
R-squared Within	0.09	0.09	0.09	0.09	0.09	0.10

* significant at 10%; ** significant at 5%; *** significant at 1%

Robust standard errors in parentheses. Regression results for Eq. 3 (column 1), Eq. 3 with *OSH* split (2), Eq. 3 with *FACB* split (3), Eq. 3 with *Working Time/Core/Benefits* split into *Working Time/Core* and *Benefits* (4), Eq. 3 with *Benefits* split (5), and Eq. 3 with *Working Time/Core Standards* split (6). Reported R^2 values are R^2 within. Coefficients of divided categories are shown in Table 5d below.

Table 5d: Regression Results – Disaggregated Working Conditions Variables (Continued, Subcategory Coefficients)

Category	Subcategory	2	3	5	6
OSH	Health/First Aid	0.000 (0.057)			
	Machine Safety	0.047 (0.120)			
	Temp/Vent/ Noise/Light	0.032 (0.052)			
	Welfare Facilities	0.001 (0.058)			
	Operations/ Physical Plant	0.094 (0.083)			
	Emergency Preparedness	-0.020 (0.056)			
	Chemical Safety	-0.029 (0.026)			
FACB	Strikes		0.231 (0.119)*		
	Unions		0.21 (0.122)*		
	Shop Stewards		0.010 (0.033)		
Benefits	Workers' Compensation			0.089 (0.073)	
	Leave/Holidays			0.018 (0.054)	
	Maternity Benefits			0.033 (0.056)	
Core/ Working Time	Disputes				-0.029 (0.048)
	Management Conduct				0.011 (0.036)
	Working Time				0.093 (0.047)**
	Liaison Officer				-0.012
					(0.050)
	Core Standards				0.274
					(0.152)*

* significant at 10%; ** significant at 5%; *** significant at 1%

Robust standard errors in parentheses. Regression results for Eq. 3 with *OSH* split (2), Eq. 3 with *FACB* split (3), Eq. 3 with *Benefits* split (5), and Eq. 3 with *Working Time/Core Standards* split (6). Reported R^2 values are R^2 within.

Table 6a: Regression Results – Aggregated Foreign Ownership and Working Conditions

	1	2	3	4	5	6
Firm Age (Years)	0.167	0.381	-0.033	0.204	-0.210	0.568
	(0.272)	(0.281)	(0.315)	(0.280)	(0.714)	(0.338)*
Firm Size	0.420	0.506	0.327	0.424	0.954	0.101
(100s of Workers)	(0.256)	(0.275)*	(0.239)	(0.256)*	(0.646)	(0.311)
Unionization	0.038	0.041		0.039	0.060	0.037
(% Workers)	(0.033)	(0.033)		(0.034)	(0.074)	(0.036)
Visit #	-0.629	-1.424	-0.339	-0.865	1.217	-2.043
	(0.735)	(0.801)*	(0.733)	(0.867)	(1.819)	(0.892)**
Time Between	-0.088	-0.218	0.023	-0.021	-0.040	-0.966
Visits (Months)	(0.119)	(0.141)	(0.080)	(0.189)	(0.185)	(0.348)***
Working	2.319	2.190	2.107	2.321	5.014	1.203
Conditions	(0.855)***	(0.954)**	(0.711)***	(0.852)***	(1.892)***	(0.580)**
Time				0.638		
(Years)				(1.556)		
Foreign-Owned	5.276	4.797	3.432	5.350	19.344	-0.241
(Dummy)	(4.010)	(3.856)	(3.737)	(4.033)	(13.101)	(2.820)
Foreign-Owned*	-1.519	-1.365	-1.394	-1.514	-4.472	-0.324
ΔWorking Conditions	(0.866)*	(0.973)	(0.733)*	(0.864)*	(1.894)**	(0.631)
Total Effect of WC in	0.800	0.824	0.714	0.807	0.542	0.880
Foreign-Owned Firms	(0.208)***	(0.223)***	(0.179)***	(0.213)***	(0.318)*	(0.251)***
Constant	-3.080	18.045	-1.485	-1,283.65	-19.768	10.304
	(4.092)	(22.630)	(3.978)	(3122.476)	(15.466)	(4.731)**
Observations	614	614	769	614	163	451
Firms	278	278	289	278	71	207
R^2	0.10	0.16	0.07	0.10	0.20	0.10

* significant at 10%; ** significant at 5%; *** significant at 1%

Robust standard errors in parentheses. Regression results for Eq. 4 (column 1), Eq. 4 with monitor controls (2), Eq. 4 with unionization excluded (3), Eq. 4 with a continuous time variable (4), Eq. 4 for original firms only (5), and Eq. 4 excluding the original firms (6). Reported R^2 values are R^2 within.

Table 6b: Regression Results - Disaggregated Working Conditions

	Working Conditions	**WC*Foreign Ownership**	**Total Effect of WC in Foreign-Owned Factories**
Paperwork	1.704 (0.599)***	-1.413 (0.608)**	0.291 (0.124)**
FACB	-1.396 (0.816)*	1.623 (0.819)**	0.227 (0.092)**
Internal Relations and Benefits	0.414 (0.141)***	-0.211 (0.174)	0.204 (0.166)
OSH	0.086 (0.163)	0.024 (0.098)	0.11 (0.158)

* significant at 10%; ** significant at 5%; *** significant at 1%

Robust standard errors in parentheses. Regression results for Eq. 3 with disaggregated working conditions variables. Coefficients for controls not shown due to their similarity to those presented in Table 6a.

R^2 Within: 0.14

Table 6c: Regression Results - Disaggregated Foreign Ownership

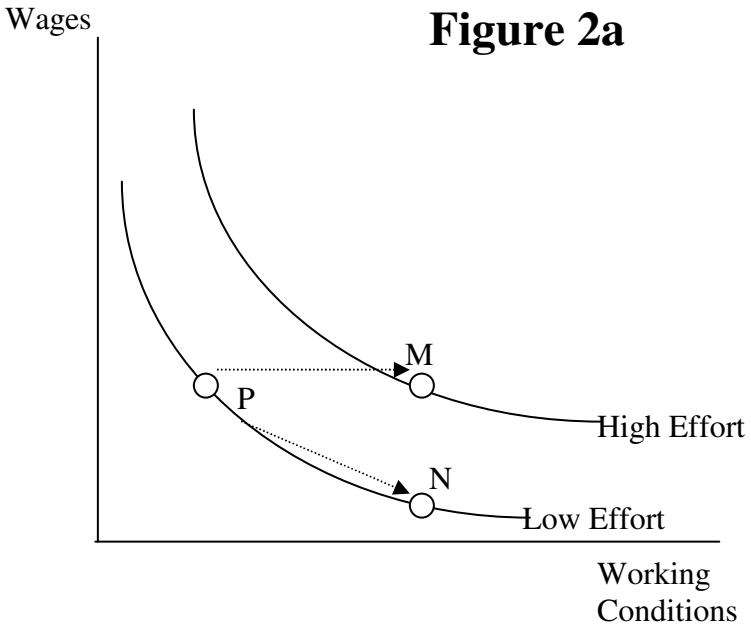
Country of Ownership	Working Conditions	WC*Country of Ownership	Total Effect of WC in Country's Factories
West	2.312 (0.868)***	-2.618 (0.952)***	-0.306 (0.401)
China	2.312 (0.868)***	-0.900 (0.981)	1.412 (0.467)***
Hong Kong	2.312 (0.868)***	-1.671 (0.929)*	0.641 (0.384)*
Taiwan	2.312 (0.868)***	-1.562 (0.892)*	0.750 (0.260)**
Korea	2.312 (0.868)***	-2.040 (1.028)**	0.273 (0.560)
Malaysia	2.312 (0.868)***	-2.143 (0.952)**	0.169 (0.429)
Singapore	2.312 (0.868)***	-2.125 (0.870)**	0.188 (0.247)
Other Asia	2.312 (0.868)***	-1.111 (1.014)	1.201 (0.575)**
Cambodia	2.314 (0.867)***		

* significant at 10%; ** significant at 5%; *** significant at 1%

Robust standard errors in parentheses. Regression results for Eq. 3 with disaggregated foreign ownership variables. Coefficients for controls not shown due to their similarity to those presented in Table 6a.

R^2 Within: 0.11

Figure 2a



Appendix A: Wage and Working Conditions Survey Questions

Category	Subcategory	Q#	IMS Question	Original Question
FACB	Shop Stewards	16300	Does management provide the shop stewards with everything required?	Has the employer provided the shop stewards with an office, meeting room, working materials and poster-displaying site?
FACB	Shop Stewards	16300		Does the employer allow each shop steward two hours per week to perform his/her task while maintaining normal wages and benefits?
FACB	Shop Stewards	16400	Does management get permission from the labour ministry before dismissing shop stewards?	Have any shop stewards or candidates for shop stewards been dismissed from his/her work/function (a) from the employer (from his/her work)?
FACB	Shop Stewards	16400		Was this authorized by the labour inspector?
FACB	Shop Stewards	16500	Have the shop stewards been consulted and given their written opinion on redundancy?	Have the shop stewards been consulted and given their written opinion on redundancy? (Art. 284)
FACB	Strikes	43100	Did management punish any workers for participating in the strike?	Did the employer impose any sanctions on workers participating in any strike? (A. 333)
FACB	Strikes	43400	Did management reinstate all workers after the strike?	Were all workers reinstated in their jobs at the end of a strike?
FACB	Strikes	43600	Did management pay the striking workers' wages during the strike?	If yes, did the employer pay the wages of the strikers for the duration of the strike?
FACB	Unions	30400	Can workers freely form and join trade unions of their choice?	Is there any indication that workers are prevented from forming or joining a trade union of their own choosing? (C. 87/98)
FACB	Unions	30500	Has management discriminated against any worker because of the worker's union membership or union activities?	Is there any indication that any worker has suffered disadvantages because of his/herunion membership or union activities: (see IMS 364 below)
FACB	Unions	38900	Does management interfere with workers or unions when they draw up their constitutions and rules, hold elections, or organize their activities, administration or finances?	Have workers/trade unions been prevented from: (see IMS 390 below)

FACB	Unions	41500	Are workers free not to join the union(s)?	Is there any indication that workers are threatened/coerced to join a trade union?
FACB	Unions	41600	Has management taken steps to bring the union(s) under its control?	Is there any indication that the employer has done things to bring the union under the employers' control or domination?
FACB	Unions	41700	Is any worker's job dependent on the worker not joining a union?	Is there any indication that the workers' job is dependent on not joining a trade union?
Internal Relations and Benefits	Child Labor	28800	Have monitors verified the employment of workers below age 15?	Is there any indication of employment of children below the age of 12?
Internal Relations and Benefits	Child Labor	28800		Is there any indication of employment of children between the ages of 12 and 15?
Internal Relations and Benefits	Child Labor	29100	Does management keep a register of workers who are under age 18?	Does the employer keep a register of employed children below the age of 18?
Internal Relations and Benefits	Compensation for Accidents/Illnesses	35300	(212. Does management compensate workers correctly for work-related accidents and illnesses?) What types of compensation owed to workers has management failed to pay correctly?	Do workers receive any of the following forms of compensation for work related accidents/illnesses?
Internal Relations and Benefits	Compensation for Accidents/Illnesses	35302	costs for medication, treatment and hospitalization	costs for medical care and hospitalisation
Internal Relations and Benefits	Compensation for Accidents/Illnesses	35303	annuity for permanently disabled workers (20% or more disabled)	an annuity for fatal accidents or permanent disability to the worker or his/her beneficiaries
Internal Relations and Benefits	Compensation for Accidents/Illnesses	35304	supplementary compensation for permanently disabled workers who require constant care	supplementary compensation for permanently disabled workers who require constant care
Internal Relations and Benefits	Compensation for Accidents/Illnesses	35305	funeral costs	costs for funerals and survivors' pension
Internal Relations and Benefits	Discipline/ Management Misconduct	19300	Does management, including line supervisors, treat workers with respect?	Is there evidence of indecent behaviour by employers/managers?
Internal Relations and	Discipline/ Management Misconduct	34701	(70. Does management make any unauthorized deductions from workers' wages?) What	What deductions are made from wages? Fines for misconduct/discipline

Benefits			does management deduct? disciplinary fines	(Art. 28)
Internal Relations and Benefits	Discipline/ Management Misconduct	44700	Are workers subject to unwelcome conduct of a sexual nature (physical contact, spoken words, or conduct that creates an intimidating or humiliating work environment)?	Is there evidence of sexual harassment?
Internal Relations and Benefits	Discrimination	28100	Does management dismiss pregnant workers or force them to resign?	Is there evidence that women have been fired for becoming pregnant?
Internal Relations and Benefits	Discrimination	28400	Does management discriminate against workers during hiring, employment, or termination based on their race, colour, sex, religion, creed, ancestry, social origin, or political opinion?	Is there any indication that any worker has suffered disadvantages because of his/her race, colour, sex, creed, religion, political opinion, birth, national extraction, or social origin: at the time of recruitment? During employment? At termination of employment?
Internal Relations and Benefits	Discrimination	44300	Does management dismiss workers or change their employment status or seniority during maternity leave?	Have women been fired during maternity leave or at a date when the end
Internal Relations and Benefits	Disputes	17700	Has management implemented the conciliation agreement?	If yes, was the agreement implemented?
Internal Relations and Benefits	Disputes	18300	Did management implement the arbitration award?	If yes, was the award implemented immediately?
Internal Relations and Benefits	Disputes	19000	Did management implement conciliation agreements (if any)?	If yes, was the agreement implemented?
Internal Relations and Benefits	Forced Labor	28500	Is there any evidence of forced (involuntary) labour?	Is there any evidence of work being undertaken: (see IMS 361 below)
Internal Relations and Benefits	Forced Labor	36100	In what form is forced labour is occurring?	Is there any evidence of work being undertaken:
Internal Relations and Benefits	Forced Labor	36105	labour as punishment for holding views different from mainstream political thought	as punishment for holding views different from management?
Internal Relations and	Forced Labor	36106	labour as a means of labour discipline	as a means of labour discipline?

Benefits				
Internal Relations and Benefits	Holidays/ Annual Leave/ Special Leave	10400	Does management give workers who have worked one year or more any annual leave at all (paid or unpaid) or any annual leave compensation?	Is paid annual leave given? (Art. 166)
Internal Relations and Benefits	Holidays/ Annual Leave/ Special Leave	10500	Does management give workers at least 18 days of paid annual leave each year?	If yes, does this amount to one and a half days per month for continuous service?
Internal Relations and Benefits	Holidays/ Annual Leave/ Special Leave	11100	Do workers get 7 days of paid special leave?	What is the maximum amount of special leave days a worker can take per year?
Internal Relations and Benefits	Holidays/ Annual Leave/ Special Leave	11600	Is the annual leave deducted only from the same year during which the worker took special leave?	If the worker has taken all his/her annual leave, does the employer deduct the special leave taken from the workers' annual leave for the next year?
Internal Relations and Benefits	Liaison Officer	16600	Has management appointed a liaison officer?	Has an independent and neutral liaison officer been appointed/recruited by the employer? (SARACHOR NO. 21/SRC/MOSALVY, 1999)
Internal Relations and Benefits	Liaison Officer	16700	Did management consult with workers before appointing the liaison officer?	If yes, were workers' consulted prior to the appointment?
Internal Relations and Benefits	Liaison Officer	17000	Do workers have easy access to the liaison officer?	If yes, do workers have easy access to the liaison officer?
Internal Relations and Benefits	Maternity Benefits	12700	Do women workers get at least 90 days of maternity leave?	Do women workers receive maternity leave of 90 days? (Art. 182)
Internal Relations and Benefits	Maternity Benefits	12800	Do women workers who have worked for more than one year get paid for maternity leave?	Have workers that receive no wages during maternity leave been inservice for a period of one uninterrupted year?
Internal Relations and Benefits	Maternity Benefits	13000	Can women do light work for two months after returning from maternity leave?	Do women do light work for a period of two months after their maternity leave?
Internal Relations and Benefits	Maternity Benefits	13200	Does management give workers one hour of paid time off for breast-feeding?	Is time-off for breastfeeding provided for workers that have given birth less than one year ago?
Internal Relations and Benefits	Maternity Benefits	13600	Does management pay the childcare costs of women employees?	If there is no day care centre for children older than 18 months, does the employer pay female workers for the charges

				for placing their children a day care centre?
Internal Relations and Benefits	Maternity Benefits	34900	Do women receive the proper pay/benefits for maternity leave?	Do women receive the proper pay/benefits for maternity leave?
Internal Relations and Benefits	Overtime Accommodation	10200	Does management provide transportation or a place to sleep for workers who finish work between 22:00 and 05:00?	If yes, are workers that work anywhere between 2200 and 0500 provided with a place to sleep when they finish?
Internal Relations and Benefits	Overtime Accommodation	10200		If no, are these workers provide with transportation when they finish?
Internal Relations and Benefits	Regular Hours/ Weekly Rest	7600	Are normal working hours more than 8 hours per day, 6 days per week?	What are the normal hours of work? (Art.137)
Internal Relations and Benefits	Regular Hours/ Weekly Rest	7700	Does management give workers at least 24 consecutive hours off per week?	Is there a weekly rest break of at least 24 consecutive hours?
Internal Relations and Benefits	Regular Hours/ Weekly Rest	8601	voluntary	If yes, have workers voluntarily agreed to do so?
Internal Relations and Benefits	Regular Hours/ Weekly Rest	8602	exceptional	If yes, is this for exceptional and urgent jobs?
Internal Relations and Benefits	Regular Hours/ Weekly Rest	8603	limited to 2 hours per day	If yes, on average how many hours per week?
Internal Relations and Benefits	Regular Hours/ Weekly Rest	9401	Work on holidays is not: voluntary	(20a. Are workers aware of their official holidays as determined by MOSALVY? 20b. If yes, do they work on these days?) If yes, have they voluntarily agreed to do so?
OSH	Chemicals	23900	Are chemicals properly stored in a separate area of the workplace?	Are chemicals properly stored?
OSH	Chemicals	24100	Does the factory have satisfactory exhaust ventilation in areas where chemicals are used?	Has exhaust ventilation been installed in areas where chemicals are in use?
OSH	Chemicals	24100		Could exhaust ventilation be improved?
OSH	Chemicals	24300	Does management train workers who work with chemical substances how to use them safely?	Are workers exposed to dangerous substances trained in the handling of these substances?
OSH	Chemicals	24600	Do workers who need it use the	Do workers who need it

			protective clothing and equipment that is provided?	actually use this [protective] clothing/equipment?
OSH	Emergency Preparedness	21300	Are procedures in place to handle emergencies (e.g., fire, explosion, natural disaster)?	Are procedures in place to handle emergencies (such as fire, explosion, natural disaster)?
OSH	Emergency Preparedness	21400	Are managers, supervisors and workers aware of these procedures?	Are managers, supervisors and workers aware of these procedures?
OSH	Emergency Preparedness	21500	Does the factory hold regular emergency drills?	If yes, are regular emergency drills held?
OSH	Emergency Preparedness	21789	Are all emergency exit doors clearly marked?	Are emergency exits clearly marked, accessible and unlocked?
OSH	Emergency Preparedness	21789	Are all emergency exit doors unlocked during working hours, including overtime?	Are emergency exits clearly marked, accessible and unlocked?
OSH	Emergency Preparedness	21789	Are all emergency exit doors accessible?	Are emergency exits clearly marked, accessible and unlocked?
OSH	Emergency Preparedness	22100	Are there enough regularly serviced fire extinguishers within easy reach of workers?	Are fire extinguishers within easy reach of workers?
OSH	Emergency Preparedness	22100		Are fire extinguishers regularly serviced?
OSH	Health/First Aid	13400	Does the factory have a functioning and accessible nursing room?	Is a nursing room provided in or near the enterprise (for those enterprises employing 100 or more women, art 186)?
OSH	Health/First Aid	22400	Are there enough properly stocked first-aid boxes in the workplace that are easily accessible to workers?)	Is a properly stocked first aid kit available?
OSH	Health/First Aid	22500	Does management provide periodic first aid training to workers?	Is there a trained person available to provide first aid?
OSH	Health/First Aid	22600	Does the factory have an infirmary? (if factory has less than 50 workers, tick N/A)	Does the enterprise (if employing more than 50 workers) have a permanent infirmary? (A. 242)
OSH	Health/First Aid	22700	Does the infirmary have enough beds?	(Information was given in the comment space for question 74)
OSH	Health/First Aid	22900	Does the infirmary have enough medicine and medical equipment?	Is the infirmary equipped to provide emergency care?
OSH	Health/First Aid	23100	Do workers have to pay for medicine or treatment provided by the infirmary?	Is it [treatment by the infirmary] subject to an restrictions/fees?
OSH	Machine Safety	25400	Are the machines well maintained?	Are machines regularly maintained?
OSH	Machine Safety	25600	Are proper guards installed on all dangerous moving parts of machines and power	Are proper guards attached to all dangerous moving parts of

			transmission equipment? (not including needle guards)	machines and power transmission equipment?
OSH	Machine Safety	25700	Are electrical wires and switches properly installed?	Are electrical wires and switches safe and in good condition?
OSH	Machine Safety	25800	Are electrical wires and switches well maintained?	Are electrical wires and switches regularly maintained?
OSH	Machine Safety	26000	Are transformers or earth leakage devices used when there is a danger of shock?	Are transformers or earth leakage devices used when there is a danger of shock?
OSH	Machine Safety	26100	Are workers trained to use machines and equipment safely?	Are workers trained in the proper/safe use of machines and equipment?
OSH	Temperature/ Ventilation/ Noise/Light	24800	Is the workplace free of reflection and glare?	Is lighting free of reflection and glare?
OSH	Temperature/ Ventilation/ Noise/Light	24900	Are light fittings in good condition?	Are light fittings in good condition?
OSH	Temperature/ Ventilation/ Noise/Light	25200	Is hearing protection provided to all workers who need it?	Is hearing protection provided to all workers who need it?
OSH	Temperature/ Ventilation/ Noise/Light	26500	Are heat levels in the factory acceptable?	What are the results of the temperature measurements taken throughout the factory premises?
OSH	Temperature/ Ventilation/ Noise/Light	26600	Does the factory have adequate ventilation and air circulation?	Is adequate ventilation provided to all workers throughout the factory?
OSH	Temperature/ Ventilation/ Noise/Light	26800	Are dust levels in the factory acceptable?	What are the results of the dust measurements taken throughout the factory premises?
OSH	Welfare Facilities	13789	Does management provide safe drinking water?	Does the workplace have an adequate supply of safe drinking water?
OSH	Welfare Facilities	13789	Does management provide enough drinking water?	Does the workplace have an adequate supply of safe drinking water?
OSH	Welfare Facilities	13789	Are there enough drinking water stations?	Does the workplace have an adequate supply of safe drinking water?
OSH	Welfare Facilities	14400	Does management unreasonably restrict workers from drinking water?	Are there any restrictions on drinking water?
OSH	Welfare Facilities	14500	Does the factory have the number of toilets required?	Does the factory have the number of toilets required?
OSH	Welfare Facilities	15000	Are the toilets cleaned regularly?	Are toilet facilities regularly cleaned?
OSH	Welfare Facilities	15100	Are the toilets close to the workplace?	Are toilet and washing facilities close to the work area?
OSH	Welfare Facilities	15200	Is enough soap and water available near the toilets?	Is soap and water available for washing?

OSH	Welfare Facilities	15300	Does management unreasonably restrict workers from using the toilets?	Are there any restrictions on toilet use?
OSH	Workplace Operations	26970	Is the workplace clean?	Are all work areas and access paths kept tidy and clean?
OSH	Workplace Operations	26970	Is the workplace tidy?	Are all work areas and access paths kept tidy and clean?
OSH	Workplace Operations	27100	Are access paths wide enough to allow for two-way traffic?	Are access paths wide enough to allow two-way traffic?
OSH	Workplace Operations	27200	Are access paths free of obstruction?	Are all work areas and access paths free of obstruction and hazards?
OSH	Workplace Operations	27300	Is the surface of transport routes even and not slippery?	Is the surface of transport routes even and not slippery?
OSH	Workplace Operations	27400	Can workers easily reach switches, controls, tools and materials?	Are switches, tools, controls and materials placed within easy reach of workers?
OSH	Workplace Operations	27500	Do workers have enough equipment for carrying heavy or bulky materials?	Are workers provided with push-carts and other wheeled devices for carrying heavy or bulky materials
OSH	Workplace Operations	27600	Do workers who work sitting down have adjustable chairs with backrests?	Are seated workers provided with chairs with a sturdy backrest?
OSH	Workplace Operations	28000	Do workers have to bend over or raise their hands to work because the work height is not adequately adjusted?	Is work height adjusted to the needs of individual workers to avoid bending postures or high hand positions?
Paperwork	Collective Agreements	17400	If there is no collective agreement, did the parties inform the labour inspector about the collective dispute(s), so the dispute(s) could be conciliated?	If yes, but there is no collective agreement, did the parties notify the labour inspector for conciliation?
Paperwork	Collective Agreements	19600	Is the collective agreement at least as good for workers as the Labour Law?	If yes, how do the provisions compare with the Labour Code?
Paperwork	Collective Agreements	19900	Has management registered the collective agreement with the labour ministry?	If yes, has it been properly registered (Art. 4 Prakas 197/98)
Paperwork	Collective Agreements	20100	Has management posted the collective agreement in the workplace?	If yes, has the registered CA been posted throughout the establishment?
Paperwork	Communication with Labor Ministry	8000	Has management obtained the required authorizations from the labour ministry? (For rotating weekly rest days)	(Has weekly time off ever been suspended?) If yes, and in case of rest by rotating staff, have the necessary authorisations been obtained?
Paperwork	Communication with Labor	8900	Does management get permission from the Labour	if yes, has the employer requested MOSALVY

	Ministry		Inspector before workers work overtime?	for such overtime to be taken?
Paperwork	Communication with Labor Ministry	16900	Has management notified the labour ministry about the appointment of the liaison officer?	If yes, has MOSALVY been notified of the appointment?
Paperwork	Communication with Labor Ministry	20900	Does management regularly provide a summary report of work-related accidents and illnesses to the relevant authorities?	Does the enterprise notify the relevant authorities of work related accidents/illnesses? (Art. 1 Prakas 58/98)
Paperwork	Communication with Labor Ministry	20900		If yes, do they do so within the required 24 hours of the accident/illness?
Paperwork	Contracts/Hiring	1600	Do workers have to pay someone to get a job?	Is there any indication that workers had to pay someone to
Paperwork	Contracts/Hiring	2200	Do the employment contracts specify the terms and conditions of employment?	If yes, does it stipulate the terms of employment?
Paperwork	Contracts/Hiring	34706	(70. Does management make any unauthorized deductions from workers' wages?) What does management deduct? the cost of a bond or guarantee to get or keep the worker's job	What deductions are made from wages? Job placement fee
Paperwork	Informing Workers	5100	Has management posted minimum wage information in the workplace?	Has the minimum wage been posted in the workplace and in payment and recruitment offices? (Art. 109)
Paperwork	Informing Workers	5300	Does management provide clearly written pay slips to workers?	Do workers get a record of wages paid to them?
Paperwork	Informing Workers	5500	Do workers understand the calculation of wages?	If yes, do they understand the wage calculations?
Paperwork	Informing Workers	8100	Does management keep an up-to-date list showing each worker's schedule for weekly time off?	If yes, and in case of rest by rotating staff, is a special list indicating the names of workers and their time off being kept and updated?
Paperwork	Informing Workers	10300	Does management post the list of public holidays in the factory?	Are workers aware of their official holidays as determined by MOSALVY?
Paperwork	Informing Workers	16800	Did management inform workers about the appointment of the liaison officer?	If yes, has the appointment been announced to the workers?
Paperwork	Internal Regulations	100	Does the factory have internal regulations?	Does the enterprise have internal regulations? (Art. 23 and Notice 9/97)
Paperwork	Internal Regulations	200	Do the internal regulations comply with the labour law?	If yes, do they comply with the labour law?
Paperwork	Internal	300	Were worker representatives	If yes, were workers

	Regulations		consulted on the internal regulations when they were written or amended?	consulted on the internal regulations?
Paperwork	Internal Regulations	400	Have the internal regulations been posted in the workplace?	If yes, have internal regulations been communicated to workers?
Paperwork	Internal Regulations	500	Are the internal regulations legible?	If yes, what language?
Paperwork	Internal Regulations	500		If yes, are they placed in a proper and accessible place (such as work place, application room) and kept clean and legible?
Paperwork	Internal Regulations	600	Have the internal regulations been approved by a labour inspector?	If yes, have internal regulations been signed off by a labour inspector?
Paperwork	Regular Hours/Weekly Rest	9900	Does management get permission from the Labour Inspector before suspending the weekly break?	(19a. Has weekly time off ever been suspended?) If yes, is the required authorisation obtained prior to suspension?
Paperwork	Safety Documentation	20200	Does the factory have a written health and safety policy?	Does the enterprise have a written policy or guidelines on OSH?
Paperwork	Safety Documentation	20400	Is the health and safety policy written in Khmer?	If yes, Is the policy written in Khmer?
Paperwork	Safety Documentation	20600	Do workers and supervisors understand the health and safety policy?	If yes, is the policy known to all workers and supervisors?
Paperwork	Safety Documentation	20700	Has management posted safety and health information in Khmer (e.g., posters and signs) in the workplace?	Are safety posters/notices displayed?
Paperwork	Safety Documentation	20700		If yes, are they written in Khmer?
Paperwork	Safety Documentation	20800	Does management keep a record of work-related accidents and illnesses?	Does the enterprise keep a record of accidents?
Paperwork	Safety Documentation	20800		Does the enterprise keep a record of work-related illnesses?
Paperwork	Safety Documentation	23500	Does management keep an inventory of all chemicals stored at the workplace?	Is there an inventory kept of all chemicals on the work site?
Paperwork	Safety Documentation	23600	Does management have safety data sheets for chemicals used at the workplace?	Are safety data sheets held for chemicals kept on site?
Paperwork	Safety Documentation	23700	Do workers understand the content of the safety data sheets?	Are workers aware of and understand the content of such data sheets?
Paperwork	Safety Documentation	35200	Has management failed to take steps to ensure workers' occupational health and safety?	