Human Rights Responsibilities of MNEs-A Case Study of the Rana Plaza Disaster and Foxconn Incident

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Abstract. MNEs promote the global economy and create opportunities for every individual. However, as every coin has two sides, MNEs' expansion can be devasting for some laborers to a certain degree, as MNEs' continuous violation of labor rights has been widely criticized. Everyone shall enjoy the same legal resource to protect themselves, which makes this issue significant. Scholars have discussed this issue for years, but solutions have yet to be offered. The paper's research topic is labor problems occurring in MNEs. By describing the Rana Plaza case and the Foxconn case and analyzing its pushing factors from a non-lawyer perspective, this paper will focus on fundamental labor rights problems in MNEs and then provide solutions to each situation. The research finds that uneven dispersal of education, poor governance, and deficiency in binding law trigger mountains of problems. If developing countries want to eliminate the problem, they can subsidize children's education, establish labor protection mechanisms, and actively comply with relevant international treaty laws.

Keywords: Human rights, Labor rights, MNEs, labor protectionism, Rana Plaza disaster.

1. Introduction

As MNEs expand their global markets in various countries, they contribute to host countries' GDP by offering more employment opportunities to local workers, boosting the advancement of relevant industries, and enhancing tax revenue. As acknowledged by ILO, they are the principal drivers of globalization and, through their investment, bring substantial benefits to the working and living conditions of millions of people worldwide [1]. They set up factories or affiliates in countries with cheaper labor and transportation costs to maximize final profit, but MNEs are criticized for abusing labor rights. In some developing countries like Vietnam or the Philippines, some MNEs are accused of exploiting local workers by setting lower wage rates and safety standards. According to the world bank, despite the improvement of both countries' economies, it is reported by updated country income classification that both the Philippines and Vietnam are low-middle income groups with a GNI from $1086 to $4255 [2].

Moreover, they are commonly criticized for creating only low-level jobs for local employees. Lowering safety standards could be detrimental or even fatal for humans. In the Bhopal gas disaster on 1984 December 2, the explosion of poisonous gas led to significant mortality and morbidity for millions of citizens. Even after the accident, Bhopal would still confront struggles in economic development, as no investors would like to set up factories where water and lands are mainly contaminated. Moreover, in the Rana Plaza disaster, it was reported that MNEs exposed their workers to great danger by asking them to work in a building without a legal construction license. After suffering these disasters that could have been avoided, MNEs should realize the importance of ensuring human rights for every employee by following labor standards given by ILO and the tripartite declaration.

Meanwhile, protections for their workers and clear punishments should be implemented if MNEs violate labor rights. MNEs should have arranged the company structure more appropriately before the tragedy happened. The MNEs can only enjoy some of the benefits of a cheap labor force but still ignore existing labor rights problems. They have a responsibility to take care of vulnerable communities, especially communities which keep contributing to their success on the home front where it is not conspicuous. Existing problems have been mentioned and discussed in many papers.

However, few effective solutions have been offered since there are conflicts of laws and regulatory differences which would complicate the issue. Because there are no laws, therefore, there is no enforcement. The tripartite declaration only offers encouragement and positive methods; no punitive measurement is included. This paper aims to provide creative solutions for occurring labor problems and a direction for different papers and investigations. It will include proposals for solving labor rights problems from a non-lawyer perspective, using case descriptions to analyze current labor rights problems by considering pushing factors of the phenomenon. At last, this paper integrates the problem with the solution and explains how the solutions will facilitate the process of equal human rights for the individual worker.

2. Case description

2.1. Rana Plaza disaster

On April 24, 2013, the Rana Plaza building in Dhaka, Bangladesh, collapsed and caused serve injuries. Multiple clothing factories are set in the building, hiring hundreds of workers to meet global demands, especially in Europe and America. In the accident, at least 1,132 people were killed, which caused severe injuries to more than 2,500 people [3]. More than half of the victims are identified to be women and children. MNEs are responsible for the loss of lives since the existence of cracks on Tuesday has been estimated. However, one hour before the accident, the manager of the clothing factory asked everyone to return to work, stating that the building had been inspected safely [4]. Moreover, the National Fire Service head claimed in his initial investigation that the four upper floors had been constructed illegally without an appropriate construction license [5].

2.2. The Foxconn employee suicide incident

Foxconn, an MNE famous for its professional collection specializing in producing 3C products and semiconductor equipment, became public attention in 2010 due to constant reports of employee deaths. From the existing data from January 23, 2010, to November 5, 2010, Foxconn employees, one by one, died or were injured from falling from the building. Although not all the cases are reported to be suicide, the incident revealed the existing problem in China's labor market—high pressure. One worker confessed to the media that they needed to complete 4000 dell computers during one shift (10 hours) [6]. Being separated from their families and loved ones increases workers' mental pressure, and the high workload exposes laborers' physical pressure. Though social pressure and other psychological problems also contribute to the occurrence of the tragedy, however, Foxconn still needs to be responsible for the accidents. Such a big company should realize its responsibility in coordinating with the employees and proper work arrangements before the accident happens.

Both cases can be regarded as examples that reveal labor exploitation by different behaviors. In the Rana Plaza accident, MNEs exposed workers to dangerous working conditions, triggering more work-related diseases. The clothes factories suppress undereducated women workers by giving them low wage rates. While in Foxconn, suicide cases imply that the unreasonable working arrangement by MNEs may impact employees' health negatively and profoundly. Mentally controlled by working pressure may expose workers to extreme conditions. Either behavior is far from appropriate. As a result, close examinations of these two cases are necessary to determine the factors contributing to MNEs' exploitations and the methods to eliminate such actions.

3. Contributing factors of MNEs' indifferent attitude toward human rights

3.1. Analysis from the host countries' perspective

3.1.1 Uneven dispersal of educational resources

Enhancing labor productivity is the first step to making MNEs appreciate the value of foreign workers. Making the average worker possess a higher degree and more training further improves his

or her working productivity. However, a country's economic situation is directly associated with one country's education dispersal. Developing countries with poor economic performance cannot provide an equal educational resource for every individual, especially for women citizens. As mentioned, more than half of the people injured or who died in the Rana Plaza disaster were women. As Statista investigated, in Bangladesh, the female-to-male ratio in tertiary education was 0.77 in 2020 [7]. However, in America, a developed country, about 861,260 male and 1.17 million female students earned a bachelor's degree in the United States; the ratio of receiving a higher degree is 1.3585 [8].

People value the chance of being educated, but the contrast clearly illustrates that women citizens in developing countries, in comparison to developed countries, are less likely to receive an opportunity to enhance their abilities and labor productivity. Most of the women are undereducated, having no other job options, but desperately need an income to support their families. According to international labor standards, it is illegal to hire 18 years old children to work or below. However, in developing countries, parents do not regard education as the key to success and cannot see the value education can bring to society. They would be prone to send their children to the factories from a young age to ease the family's financial burden.

Moreover, if the parents who work for the MNEs were injured due to the terrible working condition, they would soon be dismissed with little or no compensation as their working efficiency declines. Under such circumstances, parents cannot contribute to the family income. Therefore, the older kid in the families, having no choice, must undertake their parents' responsibility and start working from a young age. On the other hand, it eliminates the possibility of sending other children to school due to the financial situation. That is how a malignant cycle begins. Therefore, even though local people have previous knowledge about the hazardous working environment and low wage levels, they still work day and night to earn a few salaries. The low education rate in developing countries can contribute to MNEs exploiting workers because they know local labor would work for them regardless of wage level and workload.

3.1.2 Poor governance of the government

Serve labor rights problemed incurred by MNEs are deeply connected to inappropriate government governance. MNEs have been playing a significant role in promoting globalization and triggering the transfer of knowledge and technology by setting up factories and subsidiaries in different countries [9]. Many developing countries' governments count on MNEs to attract foreign direct investment to stimulate economic development since MNEs create opportunities for local people and contribute to tax revenue in local government. However, their desires also become the reason that they are controlled and manipulated by the MNEs. For example, the building was built illegally in the Rana Plaza disaster, from the fifth to the eighth floors. The authority may have been informed of the knowledge before the accident. However, they choose to keep silent due to corruption. Like Beets concluded that some government officials accept the bride because they are not fully restrained from not doing so [10]. The government also can require MNEs to comply with the local labor law, but they want to avoid irritating MNEs by setting more and more limitations.

Furthermore, less economically developed countries may have little financial resources to enforce local labor law, and with an inadequate legal system, it is impossible to defend themselves [10]. Therefore, the government should be liable for some labor rights issues as they are obligated to protect their citizens. However, improving the financial situation of a country requires economic development, which is now brought by the MNEs, which leaves the government in an awkward situation since they are trapped in a vicious circle.

3.2. Analysis from the Legislation perspective- Lack of binding enforcement

International labor organizations and Tripartite declaration of multinational enterprises and social policy offer precise suggestions and clear guidance on how MNE should behave. Countries that agree with the declaration should respect the sovereign rights of states, obey the national laws and regulations, give due consideration to local practices, and respect relevant international standards [11]. However, without legal enforcement, even though the MNEs fail to comply with it, they would be

criticized morally rather than legally. This results in most MNEs needing to be more motivated to respect employee human rights. Since even they need to pay for their mistakes, the compensation is too low to make them care about existing labor rights issues. The declaration only provides positive encouragement but lacks punitive measurements if MNEs violate labor rights. Though international labor law can provide the basis for rulings, it is hard to evaluate the incident due to the conflicts of law among countries and countries.

4. Methods to prevent violation of human rights

4.1. Invest in education

The government must invest in and complete the education system to boost a country's economy. The primary task of education in this century is to equip children with knowledge and skills to compete successfully in the global economy, far beyond those required by workers in the past [12]. If the local workers increase their labor productivity, they can have more options for occupation. Even if they choose to stay in the MNEs, they can be promoted or ask for a raise in the wage level. After receiving a degree, their employment would improve, and as a result, they can improve their living condition by increasing human capital. To approach this goal, the government should spend more government subsidies on education and set relevant laws to ensure the implementation of primary education.

Moreover, government officials who try to take government subsidies for personal use should be seriously punished; by setting a high amount of compensation to recover the loss and dismissing the person immediately from the authority. Alternatively, set an education foundation, offering hands to families whose parents are seriously injured and cannot contribute to the family's income anymore. Encouraging children to go to school and universities makes the parents aware of the value of education and, more importantly, sets a punishment system for factories that hire child labor.

4.2. Labor chapters of international treaties

The free trade agreement, intended to promote international trade from region to region, also provided labor chapters that eased poor labor situations in different countries [13]. For example, the Australian FTA labor chapter has stated that all parties with a legally recognized interest should enjoy equal access to legal resources and be able to justify their rights in court [14]. The regulation ensures individual labor rights and the ability to defend one's right in court matters as it discloses the government's attitude towards the legal responsibilities of citizens. It is priorly mentioned that each party who participated in the incident would make efforts to ensure that the local labor regulations comply with the internationally recognized principle [14]. If the labor is unsatisfied with the situation, they can propose a consultation with another party [14].

Moreover, both parties shall make everyone attempt to resolve the problem and reach a consensus and are allowed to ask for assistance from the appropriate individual or organization [14]. If two parties reach a consensus, the situation will improve or stay in an acceptable balance; or in the worst condition, if both parties fail to establish a satisfactory arrangement, any party can report the situation to Subcommittee on Labour Affairs [14]. To complete the consultation more efficiently, the SLA set a maximum daily limit to handle the whole process [14]. The judicial process would be transparent and justice due to its openness to the public. In Australia's FTA, labor can enjoy the same legal resources as the MNEs; transparency eliminates possible corruption, increasing litigation success. More importantly, Australia FTA encourages people to contribute to law popularization since the party shall promote public awareness of its labor laws through social media and office bulletins [14]. Equipping the public with legal Information and knowledge will benefit people who are the same suffering from MNEs' exploitation. The internet will gather people together and open the discussion. When more and more people are fully equipped with legal knowledge, it will be difficult for the MNE itself to escape litigation through the protection of the host country's government.

What is equally worth discussing is how labor rights and the U.S-Mexico-Canada Agreement (USMCA) benefit the U.S. trade process and how developing countries can learn from the successful example. One of the most significant advantages of USMCA is not allowing trade partners to lower labor standards to attract more FDIs and eliminate the possibility of the race to the bottom. USMCA, bonding the existing NAFTA provisions and including solutions to the exact dispute settlement mechanism. The agreement concluded that the working place should provide satisfying work conditions and salaries by adopting strict regulations and respecting ILO Declaration on Fundamental Principles and Rights at Work [15]. More importantly, for the first time in the U.S. FTA, the USMCA eliminates the imported products made by forced labor while adding new commitments related to violence against workers, working protections regarding migration, and workplace discrimination [15]. In Rana plaza's case, Bengal's government is stuck in a "race to the bottom" situation. The government attempt to stimulate economic development by lowering environmental and labor standards.

Supreme Court Justice Louis Brandeis, who created the "race to the bottom" phrase, believes that competition among the countries to entice corporate investment cannot be regarded as diligent competition but instead is a signal of laxity [16]. Race into the bottoms will attract MNEs in the short run. However, it could be a negative signal for the whole industry in the long run, as quality products require a stationary production cost. MNEs would try to squeeze production and labor costs to maximize profit. After a couple of years, the increasing number of defective products would make goods from Bangladesh unattractive, and no consumer would be prone to buy any products produced in Bengal. Bengal government should publish an international treaty resembling USMCA and attempt to ask MNEs to comply with the local laws by setting an appropriate amount of compensation. The compensation represents the government's attitude toward labor rights violations. However, it would discourage several foreign direct investments.

Nevertheless, government leaders are responsible for protecting their citizens. Taking MNEs as the critical driver of economic development is a wise decision. However, a government leader must compare long-run advantages with short-run ones when he evaluates his decisions.

4.3. Labor protectionism

Because developing countries rely on MNE to create business opportunities, they may need help to make them behave well. Therefore, instead of asking MNEs to comply with the existing law, some developing countries should set a few entry barriers for MNEs. It can start with some worker protectionism agreements uniquely created for the particular situation in the country. Take Bengal as an example; if MNEs would like to set up factories in this region, firms with remarkable labor rights performances without records of abusing employees in recent years would be considered in high priority. Moreover, if the subsidiary is fully capitalized, the management office can create a foundation to support poor local girls to finish higher education. In return, financially supported students are required to work for the company or the foundation organization for a couple of years after graduation.

Moreover, the local government would also offer these companies extra political or financial support. Companies that cannot meet the protectionism agreement can also set up affiliates and factories in the country. However, they will receive much less support than companies with excellent records. It is argued that other countries without entry barriers will also seek FDI with endeavor efforts. As a result, a protectionism agreement will make the country lose its competitiveness, negatively associated with future developments. Where the plan requires countries' cooperation, ILO can exert its influence and appeal to most developing countries to enhance their entry barriers. The strength of one country may seem unlikely to alter the poor labor situation. However, if all the developing countries unite, it will be feasible to improve the labor issues. Therefore, MNEs can still operate as usual, but now labor rights will be respected and taken seriously, and labor rights problems can be reduced. It could be struggling to accomplish this goal. Nevertheless, with the cooperation of government leaders, this would be a mutual benefit.

5. Conclusion

The paper believes that the continuance violation of human rights in MNE is deeply connected with economic factors, triggering more problems in education, politics, and law. Whether proper education can be provided determines whether future generations can escape from the loop of poverty. The government should support unprivileged children in the country to receive the education they deserve to create more value for their countries and be appreciated and valued by MNEs. Meanwhile, it is equally crucial for the government to eliminate corruption and set compensating mechanisms for labor violation issues. Government should respond to appeals from ILO actively, setting at least minimum protection for their workers. It would significantly impact the current labor market if governments and people were united and defended themselves legally. As for MNEs, they at least need to guarantee workers' health by adjusting the company management structure as well as working conditions. The Foxconn case illustrates the significance of proper working arrangements with deaths. Though it would be an arduous process, international treaties will improve the current phenomenon by reminding citizens of their legal rights and protecting them through countries' negotiations. For workers, protectionism, after acceptance majority of developing countries, can be regarded as a shield that reduces possible exploitation from MNEs. This paper mainly discusses how MNEs take advantage of the labor issues in developing countries and how local people can change the current situation. The paper would like to contribute to future analysis of labor issues, whether economically or legally.

Nevertheless, only through long-term cooperation and persistence can the method in the paper benefit the local labor. Millions of people are still suffering from MNEs' exploitation each day, and some instant measures need to be figured out. As a result, it would be excellent for future studies to focus on instant methods that can benefit laborers.

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