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**LABOUR STANDARD APPLICATION AMONG CHINESE  
AND INDIAN INVESTORS IN GHANA: TYPICAL OR  
ATYPICAL?**

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## ABSTRACT

Despite the current interest in the growing amount of Chinese and Indian investments in African countries, little is known on the impact of such investments on the employment conditions of African workers. This study investigates the employment practices of a Chinese-owned and an Indian-owned manufacturing company in Ghana in relation to the national labour laws and international labour standards. The paper argues that given the weaknesses in the institutional and financial capabilities of the state and the resultant large scope of autonomy assumed by MNCs, it is highly unlikely that MNCs will voluntarily adopt a high level of labour standards without tangible benefits to the business. This is particularly the case for smaller MNCs from emerging economies such as China and India, as they often slip through the net of international pressure groups and are most unlikely to receive pressure in their home country to observe labour standards in their overseas operations. This study has policy implications for Ghana and other LDCs that are seeking FDI to help national development..

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# **LABOUR STANDARD APPLICATION AMONG CHINESE AND INDIAN INVESTORS IN GHANA: TYPICAL OR ATYPICAL?**

Angela Dziedzom and Fang Lee Cooke<sup>a</sup>

## **1. INTRODUCTION**

The impact of MNC activities on the economic and social development of host countries, particularly less developed countries (LDCs), has generated considerable controversy amongst academics as well as policy makers and political pressure groups (e.g. Chan and Ross, 2003; Stiglitz, 2002; Oetzel and Doh, 2009). However, this topic has only started to attract a small albeit growing amount of interest in international business and management studies (e.g. Yamin and Sinkovics, 2009). It has been argued that multinational corporation (MNC) strategies are creating a pattern of foreign direct investment (FDI) that has a low development potential for the majority of FDI recipient LDCs (e.g. Stiglitz, 2002; Dunning and Narula, 2004; Luo, 2004; Yamin and Sinkovics, 2009). Whilst the amount of FDI into LDCs has been rising in recent years, research evidence suggests this has yielded only negligible resource commitment to and positive spillover effects on the local economy. Some research findings actually point to the negative impact of MNC activities on host country's economic, social and environmental development (e.g. Dunning, 2006; Oetzel and Doh, 2009; Yamin and

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Sinkovics, 2009). Violations of human rights (e.g. child labour, exploitation of workers, extensive working hours, poor health and safety working conditions) and environmental pollution and degradation are some of the serious negative social and environmental spillovers associated with MNCs' activities in LDCs (e.g. Chan and Ross, 2003; Dunning, 2006; Oetzel and Doh, 2009).

Meanwhile, emerging economies such as India, China, South Africa, Mexico and Brazil have been a major source of FDI inflows into LDCs, most of which are otherwise left out of the benefits of economic globalization. China and India in particular have emerged as giants in this regard and in relation to Sub-Saharan African countries. In particular, China's political and economic engagement with Africa has generated intriguing debate in academic and policy arenas recently, because such investments have had and will continue to have implications for development economics in Africa. Some writers perceive such engagements as a continuation of the exploitation and neo-colonization of the Africa continent (e.g. Rocha, 2007; Tull, 2006). Others view the relationship as an opportunity for a South-South engagement, with the potential for partnership, mutuality, reciprocity and common prosperity rather than a case of dependency and exploitation (e.g. Marks, 2007; Naidu, 2007).

Granted, both views are at best cursory. As Cuervo-Cazurra and Genc (2008) observed, research on MNCs from emerging economies in LDCs has been limited. In contrast to a growing body of studies on western MNCs operating in these countries, few studies have been conducted on such investments in Africa to substantiate the above arguments. What is known for sure however is that, like investment from any other country,

Chinese and Indian investment in Africa has implications for Africa, particularly in the area of employment conditions. This is particularly in view of the fact that labour standards in the manufacturing sector in China and India have attracted much attention and criticism by international pressure groups and academic studies (e.g. Chan, 2001; Frenkel, 2001; Gallagher, 2005; Lillywhite, 2007) and the enforcement of labour laws in both countries are often ineffective (Cooke, 2009).

Despite the current interest in the Chinese and Indian investments in Africa, very little is documented, especially in the form of detailed case studies, on the impact of such investments on the working conditions of African workers. Therefore, many pertinent questions remain unanswered. For instance, what is the political economic environment within which African leaders are engaging China and India? Is it conducive for protecting Africans against Chinese and Indian employers, some of whom have been known to adopt exploitative employment practices in their overseas' operations, particularly those in LDCs? Or is the environment making the working class economically and socially vulnerable to Chinese and Indian employers? Also, how does the labour strategy of the Chinese and Indian MNCs affect their labour management practices, as well as the socio-economic stability in developing countries like Ghana?

This paper seeks to make a modest contribution to the discourse on FDI in Africa that are from emerging economies and how they relate to employment conditions and labour standards application. The contributions in this paper are based on a case study of a Chinese and an Indian investment in Ghana. The thrust of the argument is that, if the political economic environment is appropriate, African political and

economic elites can ensure that their working citizens in Chinese and Indian firms are afforded decency at work.

In addition to this introductory section, the paper is organized into five sections. In section one, a conceptual discussion of the political economy of labour under globalization is presented. Section two outlines the extent of the Chinese and Indian investments in Africa and in Ghana specifically. This is followed by the research methodology section. The fourth section discusses the findings of the study. The final section provides the conclusions and recommendations. The paper concludes by highlighting the importance of social partnership in Ghana in order to ensure decent work for all workers in this time of international trade liberalization.

## 2. THE POLITICAL ECONOMY OF LABOUR UNDER GLOBALIZATION

To appreciate the dynamics of labour standards application among Chinese and Indian investors in Ghana, a conceptual engagement with the political economy of global capitalism is crucial. Globalization is viewed by some as a curse and by others as a cure. Munck (2002) argues that globalization is radically new and not well understood because it is an unfolding process. Though globalization is elusive in its definition, there is no doubt about the conclusion that it has both economic and political implications for many, if not all. The economic and political implications of MNCs operations in the world is a reflection of the implications of globalization since MNCs are the most prominent manifestation of globalization.

Neo-classical economic theory articulates the merits of multinational operations in developing countries. The main thrust of their argument is that the market is an efficient tool for resource allocation and hence, free trade that allows multinational to operate anywhere in the world, guarantees capital flow to the poor (Jenkins, 1987). To them, this will in the very long run ensure global welfare by bridging the gap between the rich and the poor. According to (Hasnat, 2007), MNCs bring into the host countries, capital, technology and skills that would otherwise not be available and create jobs that would otherwise not be created. It is also noteworthy that, the current influence and dominance of multinational corporations in developing countries is informed and reinforced by the neo-classical free market orientation.

In international human resource management (IHRM) literature, the role of multinational firms in disseminating good practices has been noted, albeit a process often constrained by institutional and cultural challenges (e.g. Bartlett and Ghoshal, 1989; Briscoe and Schuler, 2004; Harzing and Ruysseveldt, 2004; Rubery and Grimshaw, 2003). However, it has been argued that intensifying competition at global level has put pressure on MNCs 'to enhance their competitiveness through on-going rounds of cost-cutting' that are centred on labour cost (Wood, 2006: 265). This is often achieved by worsening employment terms and conditions that are typically manifested in low standards of health and safety, extremely poor pay and long working hours, suppression of labour organization, and the largely absence of workplace training, employment benefits and job security (e.g. Chan and Ross, 2003; Rogers, 2002; Standing, 1997; Wood, 2006). Evidence from around the world has shown that the Neo-classical model that relies on market forces to determine labour market

outcomes is not in the interest of many, especially those from deprived regions. Global capitalism with the associated proliferation and expansion of multinational corporations in developing countries has so far aggravated income and spatial inequalities and reinforced dependency of the poor to the rich and the less developed to the developed countries (Stiglitz, 2002).

Alternative to the neo-classical free market view of multinational corporations is the 'Global Reach' view (Jenkins, 1987). These theorists highlight the oligopolistic activities of MNCs. In the main, they argue that the intentions, motives and commitment of the multinational corporations are to enhance their oligopolistic agendas rather than to enhance the capital flow to developing countries. According to Agbesinyale (2003: 49), 'the foundations of this view are reflected in industrial organization theory and the US anti-trust tradition, which was first applied to the analysis of foreign direct investment by Hymer in 1960'. The Global Reach theorists thus contend that, the influence and dominance of multinational emanates from their market powers, which also emanates from the competitive advantages they enjoy in developing countries. The Global Reach theorists further argue that distortions in the market are caused by the oligopolistic activities of MNCs, rather than by external factors as the neo-classics argue. One strong implication of this view is to advocate for state regulation that will balance the oligopolistic powers of MNCs.

The political economy discourse essentially emphasizes the equity and well-being of humans along concerns with economic efficiency, and that is what labour standards exist to achieve. Thus, an additional theoretical basis is being provided for ensuring rights at work. Sen (1999) argues

that development is freedom and freedom constitutes of ability and access to good health, nourishing food, education, participation in decision making. On the basis of Sen's work, the UNDP declared as part of its Human Development Report: 'The basic objective of human development is to enlarge the range of peoples' choices...these choices should include access to income and employment opportunities...' (UNDP, 1991: 1). This has been in general terms, the ability to improve the quality of life for all. In the attempts to improve the quality of lives, it has been realized that improving the quality of employment is crucial. After all, *labour* is the only asset for the poor. Thus, it has been widely acknowledged that until labour is adequately protected and rewarded in a way that emphasize rights at work and rights to decent employment and incomes in line with the International Labour Organization (ILO) Decent Work framework, issues of equity will continue to be a worldwide canker (Budd, 2004). Yet, inequality results in decline in productivity, breeds social instability and conflict.

## THE ROLE OF THE STATE AND LABOUR STANDARDS

Existing evidence suggests that MNCs reign supreme in developing countries, particularly those in the poor category. Once they are able to overpower the state, they can operate at will and get away with it or at best, police themselves. The ideologies and politics supporting trade globalization have been so well articulated that the so-called dead nation-states are the very ones actively working to attract and support the operations of MNCs in their respective countries. This raises a question: are the states really dead? Munck (2002) poses a similar question when he asks: will globalization have materialized without the

active designs of powerful nation-states? It has been alleged that many host countries have often sacrificed the welfare of their citizens, specifically the working class, for the economic benefits of MNCs in the form of taxes from FDI (Baah and Akorsu, 2007).

The development of international labour standards is to respond to a growing number of needs and challenges faced by workers and employers in the global economy. International labour standards are the norms or rules that regulate or govern working conditions and labour relations. The primary goal of the ILO is to promote opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. According to the 1999 report 'Decent Work' by the Director General of the ILO, decent work means productive work in which rights are protected, which generates an adequate income, with adequate social protection. It also means sufficient work, in the sense that all should have full access to income-earning opportunities. It marks the high road to economic and social development, a road in which employment, income and social protection can be achieved without compromising workers' rights and social standards. 'Decent Work' is the converging focus of all its four strategic objectives: the promotion of rights at work employment, social protection, and social dialogue (ILO, 1999).

The labour standards are not imposed upon member states as ILO has little power to do so. Rather, ILO works with member states 'to promote labour standards through technical assistance and development policy' (Rubery and Grimshaw, 2003: 247). Proponents for the enforcement of labour standards in developing countries argue that such standards are necessary to provide a minimum protection to workers in these countries

who otherwise are likely to be exploited by their employers due to the large size of the informal sector and the intense competition for wage employment in the formal sector (e.g. Rogers, 2002; Standing, 1997). At the most basic level, paying a living wage by local standard is important as it is not only a human rights issue for the individuals and their families concerned but also a mechanism to prevent developing countries from competing against each and race to the bottom with widening inequality and declining labour standards (Chan and Ross, 2003).

Ghana's political economy provides an insightful picture as regards the role of the state and its legal institutions in ensuring rights at work. Ghana has shifted from a socialist orientation of the 1960s to the current market orientation of the IMF and the World Bank. This shift in paradigm has most probably impacted on the ratification and enforcement of labour standards, and to a large extent, the protection of labour in the labour market. It is worth noting that out of the 46 ILO Conventions ratified by Ghana since 1957, 35 (about 75%) were ratified by the Nkrumah's Convention People's Party (CPP) Government. In reality, even the ratified conventions are hardly enforced, despite the fact that they are clearly inculcated into the constitution as well as the national Labour Act (Act 651). No doubt, a lack of commitment and political will on the part of the Ghanaian government is partly responsible for this lack of enforcement.

An overriding source of this shift in paradigm is the overriding influence of the so-called development partners, particularly the IMF and the World Bank, and their influence over national policy making. Ghana currently depends heavily on these international donors for public financing, but as (Kachingwe, 2004) rightly observed, these development partners are

primarily protecting their national interests and therefore prescribe policies that provide opportunities for their multinationals and their economies at large. Thus, Ghana's move towards trade liberalization has been the result of constant pressure from these external partners. The consequences of FDI in Ghana have been obvious. On the one hand, local competitors are collapsing with detrimental economic and social hardships. On the other hand, workers who are desperate for some income become vulnerable in the hands of foreign employers with the potential for exploitation. It can therefore be said that Ghana's sovereignty as a nation state has become superficial, with some level of control only in matters allowed by the development partners and their associated powerful multinationals.

### 3. CHINESE AND INDIAN INVESTMENTS IN AFRICA AND GHANA

Asian-African FDI flows have been increasing steadily and remarkably in recent years and this can be largely attributed to flows from China and India into Africa. As is stated by (Nduru, 2006), bilateral trade between India and Africa increased from US\$967 million in 1990 to US\$9.14 billion in 2004/2005. Naidu (2007) also indicates that trade between China and Africa reached as high as US\$50 billion in 2006. Notably however, a large proportion of these investments are in the extractive sector, where oil and raw materials can be obtained to support the ever growing industries in China and India (Tsikata et al., 2008). It is therefore not surprising that a large proportion of the Chinese investments for instance have been witnessed in oil producing Nigeria and Sudan. South Africa, Tanzania, Angola, Senegal and Ghana have also been FDI

destinations for China and India. According to Broadman (2006), the impact of these investments is to propel African trade international corporate networks, which are altering the principles of international division of labour. Evidence from the nature of the investments however shows that the desire to broaden and diversify the industrial base of African economies is not a reality. As Tsikata et al. (2008) observed, with the exception of South Africa, FDI from Africa to China has been minimal. Similarly, FDI to India is also minimal.

In Ghana, Chinese and Indian investment outlays from 1994 to 2006 are the highest (see Figure 1). Indian investment outlays from 1994 to 2006 numbered 256 projects, followed by Chinese investments, with 249 projects. Out of these, 95 and 85 respectively are manufacturing enterprises, constituting the sector with the highest number of investments from the two countries and in general (GIPC, 2006).

***Insert Figure 1 here***

These investments also totaled US\$136.36 million. Thus, China and India have, since 1994 to date, been the countries with the highest number of FDIs in Ghana, though not the countries with the highest value in investment. This confirms the assertion by Deng (2003: 117) that, 'manufacturing investments in less developed countries by Chinese MNCs is characterized by relatively small-scale projects, labour-intensive production techniques, and production of undifferentiated and low-value-added goods'. Also, contrary to the assertion by Tsikata et al. (2008) that, a greater chunk of Chinese and Indian investments in Africa are found in the extractive sector, Chinese and Indian investments in Ghana are not limited to the extractive sectors but are prominent in the

manufacturing sector, followed by general trade mainly in the form of exportation of raw materials and importation of finished products. Thus for the less developed host countries, this interest in manufacturing may be preferred to the interest in general trade due to their implications for the local economy, notwithstanding the fact that FDI presence in manufacturing also comes with implications that cannot be overlooked.

Positive spillovers from MNCs in LDCs include: technology and knowledge transfer, skill transfer, human capital development, job creation, creation of linkages with local suppliers and distributors, and raised productivity of local firms (Driffield and Love, 2007; Oetzel and Doh, 2009). However, the tendency of displacing both existing and potential local manufacturing is one of the dreaded adverse effects. More subtly, MNCs may adopt poor labour practices in order to minimize labour cost and maximize profit – profit which may not be reinvested in Ghana for the benefit of its development. More generally, studies on the spillover effects of FDI in LDCs have largely pointed to a negative picture in part because of the low capacity of local firms and regions to absorb new knowledge and technology and to raise productivity (e.g. Buckley et al., 2007; Hatani, 2009).

Due to the low levels of local equity and local loans (see GIPC, 2006), the involvement of Ghanaians in these investment enterprises is either too low or totally non-existence. Once local ownership is minimal, the tendency is that local participation in decision making in all aspects of the investment operations including the labour management practices will also be minimal. In the rest of the paper, we will investigate the nature and level of local involvement in the shaping of labour management

policies and practices through the case study of a Chinese-owned and an Indian-owned manufacturing company.

#### 4. METHOTOLGY

A case study approach was deployed for data collection for this paper. One Chinese-owned (GUMCO) and one Indian-owned (AMIIN) factories were included in the study. They form a larger study of FDI from emerging economies in Ghana. Methods used include: semi-structured interviews, observation of the work environment, and company document analysis. The interviews conducted were with selected employees and the HR managers of the selected firms. Nine informants were interviewed in the Chinese-owned firm and eight were interviewed in the Indian-owned firm. In addition, ten key informants from the Ghana Investment Promotion Centre, the Industrial and commercial Workers' Union, the Ghana Trades Union Congress and the National Labour Commission, the Labour Department, the Factory Inspectorate Division, the Consumers Association of Ghana, and the Ghana Employers Association were interviewed in 2008. Thus, though only two firms were studied, the other informants from relevant stakeholder institutions complemented and supported the data obtained from the firms. In all, a total of twenty-seven respondents participated in the study. Interviews with workers lasted about 30 minutes each, and between 60 and 90 minutes for managers and officials. All interviews were conducted in Ghana face to face by one of the authors between 2008 and 2009. Confidentiality was guaranteed to the informants. Regarding secondary data, documentary analysis of the company's collective bargaining

agreement (CBA) was conducted together with information from academic journals and books as well as public sources of information.

The interest in the manufacturing sector was informed by the fact that between 1994 and 2006, the manufacturing sector has attracted the highest proportion of FDI in Ghana, as noted earlier. In addition, manufacturing plants in less developed countries often employ low-skilled workers with poor labour conditions and reward packages. Violations of labour rights are endemic and many sweatshop plants have been the target for media exposure and criticism from international pressure groups. The study of Chinese-owned and Indian-owned manufacturing plants therefore has the potential to offer useful insights into the extent to which Chinese and Indian firms observe international and local labour standards and regulations, and what influences local institutional actors may have in formulating the employment policy and its implementation.

The choice of GUMCO and AMIIN as the cases for the study is mainly based on access. Most other firms in Ghana would not grant access to researchers and journalists. However, by means of personal contacts, access to these two was possible. GUMCO and AMIIN have much in common. They both originate from emerging economies, and are both private manufacturing companies. They have both been operating in Ghana for decades and therefore may not have the same motivations as those that only made the investments recently. Despite their long presence in Ghana, neither company has managed to entrust the management of the companies into the hands of Ghanaian workers. Neither GUMCO nor AMIIN has a company-specific code of conduct or a policy on corporate social responsibility (CSR). Rather, their labour

management practices have been largely influenced the national labour legislation. Beyond these similarities, however, there are significant differences between the two companies. For instance, while GUMCO's products are mainly for export, AMIIN's products are for both export and local consumption. Production at GUMCO is also more capital intensive than it is at AMIIN. Another noteworthy difference between these firms is that GUMCO is not involved in any local chain. The company imports all its raw materials and exports all its products. AMIIN, on the other hand, is involved in a chain of local suppliers of raw materials as well as local and international buyers.

The scope of the study covered the following issues: freedom of association and collective bargaining, discrimination, child labour, forced labour, health and safety, work hours, minimum wage as well as knowledge and skill creation. Interviews with the informants were recorded, transcribed and analysed manually for the paper. This was to ensure that all emergent themes were captured and that no issue got lost in the process of managing the data electronically.

## 5. FINDINGS AND ANALYSIS

### GUMCO: The Chinese story

Ghana Utensils Manufacturing Company Limited (GUMCO) popularly known as 'Chinese' is a private international investment in Ghana owned solely by a Chinese business man. The company can be called a multinational because it has branches in China, Hong Kong, Congo and Ghana. GUMCO has been registered in Ghana as a limited liability

company since 1965. Barely eight years after Ghana attained its independence from British colonial rule in 1957. This means that GUMCO has been in Ghana for some 43 years now and this makes it one of the oldest investments in Ghana since independence. The company has thus experienced all the governments that have ruled Ghana since its independence and is most probably very familiar with the political economic terrain of the country as well as the loopholes in the system. What can also be deduced from this long trading history is that, the company is making gains; otherwise, it would have been out of business or out of the country by now. Also, given its long-standing presence in Ghana, it is difficult to ascertain the driving forces that informed the choice of Ghana as its investment destination, especially when a very small percentage of its products are for local consumption in Ghana. Their products are mainly for export into the neighbouring French- speaking countries such as Burkina Faso, Togo and Ivory Coast. The main products of GUMCO are enamel and ceramic products. These include drinking cups, bowls, plates, buckets, basins and other household utensils. Thus, with regard to GUMCO, it is clear that the investment came at a time when Ghana had a socialist orientation and was committed to the welfare of citizens. It was in those days that Ghana ratified about 75 per cent of its ratified ILO conventions. Ideally therefore, GUMCO should be exemplary in its labour management practices and labour standards application. Freedom of association is enforced at GUMCO. Apart from the three Chinese managers and the 142 casual workers, all the 108 permanent workers at GUMCO are unionized and are members of the Industrial and Commercial Workers Union (ICU). ICU organizes workers in 11,000 enterprises within the industrial, manufacturing, commerce, finance, printing, hotel, public boards and corporations, textiles, garment and leather industries as well as some

workers from the informal economy. Workers interviewed indicated that they are free to join the union and that management has not in any way prevented them from joining the local union nor have they in any way frustrated their efforts to unionize. The workers' representative interviewed confirmed the fact that unionizing the workers was free from opposition from the management and that workplace union officers are allowed to enjoy leave of absence to participate in union activities such as training. Remarkably, it was observed that a notice board for the local union and an office for its day-to-day operations are provided by the management.

Workers at GUMCO are also covered by a collective bargaining agreement and the current CBA was signed in 2008 and will be in force for two years, with one year wage opener from 1<sup>st</sup> January 2009. The specific issues cover by the GUMCO CBA include: wage rates, allowances, hours of work, annual leave, overtime work, training, medical facilities, grievance procedure and what has been termed 'Africanization'- the giving of equal opportunities to African and Chinese workers. The issues covered by the CBA, can be said to be exhaustive - covering the terms and conditions of employment of workers. However, both workers and their representatives intimated that most of the elements of the CBA are ignored by management with impunity. A worker cried sentimentally,

*These people sit down with our representatives to agree on what we should do and what they should do for us in turn, but when it comes to doing what they said they would do, that is where their power lies. They pretend as if there is no CBA and continuously claim there is no money hmmm. (A worker from GUMCO, 2008)*

With regard to discrimination, the CBA of GUMCO has no article on discrimination and is silent on all issues of discrimination except the issue of 'Africanization', which pledges that Africans shall be promoted to administrative and technical positions when a vacancy occurs. The workers' representative interviewed indicated that there are clear cases of discrimination against workers on grounds of nationality and sex, rather than on ethnicity or any other differences in a worker's background. He said, *'All the top management positions are held by Chinese and appear to be the preserve of the Chinese'*. Also, out of the over 250 workers, only one is a woman. However, the HR manager explained that there is no deliberate discrimination against the recruitment of women, but because *'we are happy with the male workers, they are not lazy, and are not usually absent from work as female workers would'*. It is therefore no wonder that at GUMCO, there is no form of affirmative action provisions to correct the gender imbalance. The GUMCO CBA however has a provision for maternity leave with pay but its enforcement could not be ascertained since the only female worker has never had need for maternity leave.

The hours of work at GUMCO is consistent with the national legal requirement of eight (8) hours a day or 40 hours a week, expressed in the Act 651. According to the Labour Act 651, workers in Ghana can work overtime if they so desired and should be paid based on predetermined fixed rates for overtime work. This means that a worker can refuse to work overtime. The only exception is with workers that engage in undertakings or enterprises:

- the very nature of which requires overtime to be viable

- which are subject to emergencies that require that workers engage in overtime work in order to prevent or avoid threat to life and property

Though workers have the right to refuse overtime, it was revealed that at GUMCO, they hardly refuse overtime and are happy to engage in overtime in order to earn more. This situation most probably stems from the low wages they earn. Thus, though overtime is not compulsory by law in Ghana, most workers are willing, even eager to work overtime, weekends and on holidays through special arrangements with the employers. Some workers are even willing to sacrifice their annual leave in exchange for money. This in the long run may cause health problems for workers due to the virtual absence of rest. In this case, these workers are in bondage in the real sense of the word since they seem not to have choices.

It was difficult to access the levels of wages at GUMCO but the manager interviewed intimated that the lowest paid worker earned US\$2.2 per day and the highest paid Ghanaian earned US\$10 per day. The salaries of the Chinese managers are not known and have always been highly confidential. The wide gap between the highest paid and the lowest paid employee is understandable since the lowest paid has no qualification and is unskilled. The highest paid are the first degree holders from the university. For even first university degree holders, the salaries are low. According to the workers' representative, a junior worker who has been working for the company for about 20 years earns about US\$6 per day. What can be said about the salaries of workers at GUMCO is that, they are not below the national minimum wage of about US\$1.9 per day (as at 2008), but are barely above the minimum wage by US\$0.3. This also

means that the lowest paid workers at GUMCO live on about two dollars a day and are therefore among the world's working poor. According to an official from the National Labour Commission, *'once the wage is not below the national minimum wage, they are legally faultless'*. But what these wages indicate is that the Chinese managers of this firm are only committed to the legal provisions for fear of legal actions. This also means that raising the national minimum wage can go a long way to improve wages in Ghana, at least among such supposedly 'law abiding employers'. Again, the lowest paid workers at GUMCO are mainly in the casual workers category and so are not covered by the CBA. For instance, they have no social security paid for them by their employer nor have they medical facilities and such workers are in the majority at GUMCO. Though the CBA states that salaries/wages will be paid in two portions on the 14<sup>th</sup> and 28<sup>th</sup> of each month, payments have often delayed and this has been a major source of displeasure among some workers especially the casual workers. Also, the CBA states that there will be annual salary increment with a maximum rate of 9 per cent, but there has not been any salary increase in the last three years and all attempts by the union to negotiate the wage opener have been in vain.

With regard to protective clothing, the CBA indicates that the employer is to provide two sets of over-all uniforms and two bars of laundry soap per working month. The CBA is silent on boots, goggles, fire extinguishers and evacuation procedures. Even the uniforms are not provided – the workers wear their own attires and their appearances can be described as unappealing. A manager of the firm intimated that accidents are frequent and quite serious ranging from loss of a finger to loss of an entire arm. However, he did not provide specific figures to support this claim. According to him, statistics on such incidences are not recorded.

Thus, the occupational health and safety situation at GUMCO is below the standard indicated in the labour law and clearly falls below the international labour standards. Part XV of the law emphasizes the need for employers 'to ensure that every worker employed works under satisfactory, safe and healthy conditions'. It is therefore imperative on employers to provide risk-free workplaces as well as all the necessary information and training to workers of all categories.

Employers are also required to provide protective clothing and equipments, as well as toilet facilities and clean drinking water at the workplace. Non-compliance attracts a fine or imprisonment of up to three years. Though toilet facilities are provided for the workers, no drinking water is provided for the workers. They buy sachet drinking water from vendors around the factory premises and that is possible only at break time. Yet, the company has never been fined nor been sued. Informants from the Labour Department and the Division of Factory Inspectorate admitted that they are unable to monitor many of these firms because of their limited resources. Also, article 43 of the company's CBA promises to pay heat allowance to certain categories of employees for their excessive exposure to heat. One would have expected that measures would rather be put in place to reduce the contact with heat. Whatever allowance that may be paid will not commensurate the long term damage that could be caused by the heat. For the workers, once they are paid, they are happy and this is not surprising since their incomes are so meager that they are prepared to sacrifice their long term health for current financial gains.

Meanwhile, the law makes it mandatory for the worker to be safety conscious and to use the provided safety clothing and equipments.

Article 119 states: *'when a worker has reasonable cause to believe that a work situation presents an imminent and serious danger to life, safety or health, the worker must report this to the immediate supervisor and remove himself/herself from the situation'*. An employer cannot sanction the worker for such a move and cannot force the worker back to the hazardous situation. Thus, it is intriguing to realize that workers are happy to work under dangerous circumstances, if only it earns them more money. There is something fundamentally wrong and this raises a number of questions. Is it simply a case of poverty among the working class or is it the lack of awareness of the dangerous situation? Are there some subtle threats and/or rewards apart from the monetary gains? Whatever the answers might be, it is clear that both employers and employees at GUMCO are willfully violating the laws on occupational health and safety and are getting away with it.

According to the GUMCO CBA, the employer shall provide employees with free medical facilities, including minor surgery, standard and special drugs and in the event of an industrial injury, the employer will be fully responsible. With the exception of serious injuries such as loss of limbs where management has provided artificial limbs and treatment, most other medical bills have not been paid and have piled up. The usual excuse is that there is no money to pay for them. The workers representative admitted that their greatest frustration has been with getting the management to pay the medical bills as well as compensations for injuries. The management keeps claiming they are unable to pay and their debts in these regard are piling up into huge sums of money. By law, the existing national social security scheme requires that employees contribute 5 per cent of their monthly income, while employers add 12.5 per cent of the worker's income as monthly

contributions to the scheme and this is strictly a pension fund. So in the event that a medical doctor certifies that a worker is unable to ever work again, he may benefit from the national social security scheme. Even in such a case, the employers still have to compensate the worker for the injury. In spite of the management's commitment to training as is specified in the CBA, the only form of training offered to workers is the induction training to casual workers and this is mainly about how to operate the machines safely. The workers disclosed that there has not been any worker trained locally or sponsored for training, apart from a local union executive who was trained in human resource management in China but who has, since his return, been posted to the production department instead. According to the union representative, the local union official was selected for the training as a way of co-opting him to the side of management. The current HR manager, who is a Ghanaian, has a first university degree in physics and has no decision-making powers, even in matters relating to the human resources of the firm. He only implements what the Chinese managers decide. He admits however that, he has no knowledge of HR – *'I am just learning on the job'*, he says. The workers' representative believed that it is deliberate that GUMCO has no qualified HR manager and that they want someone they can manipulate. He further indicated that the company had been without an HR manager for about three years until recently.

The use of contract workers is another prominent feature of the labour management strategy at GUMCO. Out of the 250 workers, 142 are casual workers. In the Act 65, the status of casual worker should be changed to that of a permanent worker if the worker has been in the same employment for continuous period of six months or more. Such a worker is therefore entitled to all the benefits of a permanent worker

contained in the CBA. At GUMCO, however, some categories of workers have been in casual employment for years. This is a clear violation of the law. Also, the casual workers do not enjoy the benefits specified in the CBA. This means that, for such workers, there are no benefits such as leaves with pay and so taking leaving will mean losing the job or wage. In addition, these workers do not have redundancy pay and worst of all, no employment security. Clearly, the main reason for using casual workers is to lower labour cost. Though there was a general atmosphere of vulnerability at the workplace at GUMCO, the casual workers were the most vulnerable. They tread extremely carefully in order not to antagonize the Chinese managers. As has been observed elsewhere in Ghana, casual work has led to *'no guarantee of employment security for anyone'* (Akorsu and Akorsu, 2009: 9). A more severe impact of casual work on labour is the increase in low-paid employees, who hardly enjoy social security, medical and employment protection. Yet, more and more workers are being hired as casual or temporary workers, with no element of life security or insurances.

Workers at GUMCO have sometimes resorted to strike actions to back their demands for better working conditions and their displeasure with some decisions of the Chinese managers. Though the HRM and the production managers are Ghanaians, all decisions are taken by the Chinese managers and so when the workers said 'management', they were in fact excluding the two Ghanaian managers and referring to the Chinese managers. These Ghanaian managers themselves refer to the Chinese as management. The workers claim they are afraid to strike often though extremely unhappy about several issues, particularly about the breakdown in communication, and management's disrespect for workers. According to them, striking often could lead to their dismissal

and it is difficult to find alternative employment. From the union's perspective, strikes should be used only as a very last resort and should not be encouraged in order for strikes to be effective.

The company recently had problems with the state with regard to fraudulent manipulation of their importation of raw materials. The Customs Excise and Preventive Service uncovered the deals and the government had to intervene. Surprisingly, the case is not in court and no sanctions were given except that, a flexible re-payment schedule has been arranged for them to pay off the debt they owe the government. It was also revealed that they owe a large amount of tax to the Internal Revenue Service though the exact amount could not be disclosed. According to the workers' representative, the Chinese managers are always pretending to be running at a loss but have been in business for some 40 years now. They continue to export their products to neighbouring countries such as Togo, Burkina Faso, and Ivory Cost.

Though the laws are clear and show government's commitment to the protection of workers. This commitment is only a statement of what should be and that ends the story. In the case of GUMCO, there are many incidents of violations of the national labour law, Act 651 and no action has been taken against the company for such violations. The workers' representatives helplessly admitted that the government is careful not to make the firm unhappy.

One other striking revelation about GUMCO is that, the company cannot boast of any positive impact on the socio-economic development in Ghana. GUMCO's contribution to the development of Ghana does not go beyond offering some form of precarious and low quality employment to

some 250 or so Ghanaian workers. There has been no record of any form of corporate social responsibility nor has there been any record of involvement in any development-oriented projects. Nobody seems to have a clue about the exact finance situation of the company and it has been alleged that all profits made are transferred back to the owner in China.

Indeed, this study has confirmed earlier studies conducted in some African countries by the Centre for Chinese Studies, where it was found that Chinese companies paid exceptionally low wages with long working hours, low occupational health and safety standards and poor record on workers' rights (Edinger et. al., 2006).

#### AMIIN: The Indian Way

AMIIN is a multinational company owned by an Indian business man. AMIIN is a registered limited liability company just like GUMCO and has been in operation since 1972. The main products of the company are laundry soap, detergent and animal feed, which are both for the local market consumption and for export into other West African countries. The production at AMIIN is labour intensive with a total workforce of 420. Freedom of association among workers is respected by the management at AMIIN. The workers belong to the Industrial and commercial workers union. However, only the junior workers are allowed to join the union. Senior staff, managerial staff and temporary workers do not have a collective voice representation. This however is a problem with the Labour Act, Act 651, rather than the Indian way of labour management. In Act 651, some categories of workers such as those who perform managerial and supervisory functions are exempted from joining the

unions. For such workers, there is no freedom of association. The reason given for this is for the prevention of incidences of conflict of interests.

Due to the expression of the freedom of association at AMIIN, workers are covered by a Collective Bargaining Agreement. The CBA is often the result of negotiations between trade unions on the one hand and the employer's representatives on the other. The CBA, though specific to individual workplaces, are also based on the national legal provisions for employment regulation and ideally should not be altered or contravened by the employer. However, like GUMCO, not all the provisions are respected.

With regard to discrimination, the workers feel that local union executives are discriminated against in terms of promotion, but the HR manager explained that *'promotions are based on performance and if you are a local union leader and you spend more time on union activities than on why you are here, who is to blame? I don't think we should be blamed for that'*. (It is worth noting here that the union representatives in GUMCO shared similar experience.) Though workers do not feel there is gender discrimination, only three out of 420 workers are women. They are in junior staff positions, either serving as receptionists or secretaries, with no opportunities for progression.

At AMIIN, the salary increases are either as high as 'two percent as low as zero'. The management at AMIIN indicated that on occasions when they were unable to increase salaries, they were *'due to the installation of new machines'*. Salaries are paid promptly at the end of each month but wage level was very low. The lowest earner takes home a wage of

US\$1.9 per day - Not a cent higher than the national minimum wage at the time.

In addition to the CBA, AMIIN has a health and safety policy as well as a health and safety committee, made up of trade union representatives, an external expert and some management representatives. Management at AMIIN also claims to provide workers with some safety clothing such as overall, gloves and goggles. In addition, it was claimed that workers who do not use these safety clothing are suspended to serve as a deterrent for others. Yet, observation at the factory revealed that many of the workers were not using any protective clothing or equipment. They intimated that the safety clothing and equipments are given to them once in a long while and they are in really bad state –

*They have given us overall coats before but I don't remember the last time we were given. At least for me, I haven't received any recently and my old one is worn out, that is why I am in my own clothes.'* (A worker from AMIIN)

At AMIIN, there are seven toilets for the 420 workers but no disinfectants are provided by the firm for cleaning the toilets; nor are tissue papers provided. This is not peculiar to AMIIN since a similar situation was also found in GUMCO. Also, there are only two gates or fire exit points to the factory. One will not have a hard time guessing the congestion likely to occur in the event of a fire outbreak. Interestingly, the firm requires a pre-employment medical testing but is not interested in post-employment medical examination. This suggests that the company is only interested in the productivity of the workers before they are recruited and that any medical condition acquired on the job cannot be traced and the employer

cannot be held responsible. It is worth mentioning that the company has recorded 22 occupational injuries and accidents in the last five years. Thus, with regard to health and safety provisions at AMIIN, there are still many limitations and inadequacies.

AMIIN is engaged in local buyers and suppliers chains and claims that the enforcement of labour standards is a deciding factor in such engagements. The AMIIN management is particularly interested in the absence of child and forced labour on the plantations that supply the company with palm oil – the main raw material for AMIIN. The management at AMIIN however has no control over the labour conditions within their buyer chains.

Finally, AMIIN claims that it is committed to corporate social responsibility and has indicated its support for national farmers' award and donations for the celebration of the local festivals. Yet, the whole area around the factory stinks and passers-by can hardly breathe. In the course of conducting this study, the Ghana Standards Board published in a national news paper – The Daily Graphic – the order for the closure of the AMIIN factory for non-compliance with standards. It has been two months since the publication but the factory remains in operation as usual.

## 6. DISCUSSION AND CONCLUSION

The findings from this study provide certain interesting revelations. First, the labour management practices and for that matter, the labour standards application among the two firms are not very different. In both

companies, management has no Ghanaian, freedom of association is allowed but collective decisions are hardly respected, especially those pertaining to occupational health and safety. Wages are low but not below the national minimum wage. Discrimination is mainly based on nationality and gender, for the former in promotion, and for the latter in employment opportunities. Also in both cases, forced labour and child labour are not tolerated. In fact, it seems that the assertion that ‘the home-country context of MNCs shapes labour standard outcomes in diverse global supplier locations’ (Christopherson and Lillie, 2005: 1920) does not apply in these cases. Though the two cases are from two different countries, their labour standards application behaviours are quite similar. This seems to suggest that, MNCs from emerging economies have similar characteristics, particularly for those in the same industrial sector. To confirm this conclusion, though, it will be necessary to compare this finding with MNCs from a developed economy and from other industrial sector.

In addition to the fact of originating from emerging economies, another possible reason for the similarities in the labour standards application stems from the local political economic environment within which they operate. Both companies have been in Ghana for decades and are very familiar with the political, economic and social terrain. In both cases, labour inspectors have not visited the factories for some time now. Clearly, the national monitoring and enforcement of labour standards is non-existence. This study seems to support Cuervo-Cazurra and Genc’s (2008: 961) observation that managers of MNCs from LDCs that are characterized by poor governance are more able than managers from developed economies to manoeuvre in other LDCs that also have poor

governance conditions, 'because they understand the norms for conducting business there'.

The two cases reported here also demonstrate how low the application of labour standards can be when left to the discretion of companies – the so-called alternatives to the traditional command and control. Sadly, these alternative forms of monitoring solutions such as consumer pressures, trade agreements, company-specific codes of conduct and corporate social responsibility are also not effective in Ghana. For instance, by the absence of firm specific codes of conduct in both companies, the two companies demonstrate how national frameworks continue to be the blueprint for determining, in principle, the pace and characteristics of labour standards application even among MNCs, irrespective of their home country context. This explains why instead of fixing wages that reflect their profits, both companies would rather stick to the national minimum wage as the cheaper option in the absence of any bargaining power from the under-employed workers. With this, it is tempting to suggest that increasing the national minimum wage for instance will ensure that higher wages are paid to workers.

The literature is replete with arguments for and against the use of influences in buyer and supplier chains in enforcing labour standards (e.g. Chan and Ross, 2003). Proponents for the retreat of the state in labour standards monitoring have argued that powerful firms in a chain may impress upon their suppliers and buyers to maintain higher standards as a condition for a continuous business contract. While this can be effective, the case of AMIIN proves other wise. Though AMIIN is involved in both supplier and buyer chains and irrespective of the pressures, labour standards remain poor, confirming that 'the pressure

on the suppliers to cut cost makes upholding higher standards impossible' (Christopherson and Lillie, 2005: 1933). The case of GUMCO perfectly illustrates the fact that 'the complexities of supply chains have aided firms to hide behind multiple layers of ownership and making inspection difficult' (O'Rourke, 2005: 11). Though GUMCO operates in Ghana, both its suppliers and buyers are outside Ghana, are unknown and so cannot be held responsible for, or at the least influence, any bad labour practices.

What all these mean therefore is that, neither the market, nor the state, nor any other institution can effectively manage or regulate labour market operations in Ghana and this confirms the assertion that 'each has its strengths and weaknesses and therefore better under certain conditions and worse under other conditions' (Chang, 1996: 135). Thus said, it is important for each country especially LDCs like Ghana, to determine the level of coordination between the state, the market and other institutions based on the local conditions that are definitely unique. To complement country specific initiatives would be the crucial need for an international drive since 'the globalized world economy calls for a similarly globalized approach to basic ethics and political and social procedures' (Sen, 2000: 127).

Existing evidence clearly point to the fact that the current waves of global capitalism are powerful and transcend national boundaries. The activities of MNCs, whether western or from emerging economies such as China and India have been rather similar. MNCs have generally controlled enormous resources, sometimes more than the entire gross national products of the countries within which their subsidiaries operate. It is also a well-known fact that these MNCs, be they from the developed

economies or from the emerging economies, come into developing countries with a well-planned strategy that enhances their capacity to grab all potential opportunities and enables them to maximize the benefits of these economic engagements. African host countries of these MNCs on the other hand have not demonstrated that they have any organized strategy to define the pace and characteristics of such engagements. This lack of a politico-economic strategy for Ghana is a source of concern in view of the potential for worker exploitation especially in the manufacturing sector where MNC presence in general is the highest and where Chinese and Indian investments in particular are the highest.

This study has revealed that Ghana's political economic environment is, at best, conducive for the operations of FDI, but far from conducive for ensuring that its ordinary workers are afforded decent work. As part of the development strategy, Ghana is continually seeking ways of opening up the local market to foreign investors. Once the investors come, very little is done in terms of monitoring to ensure that the laws of the land especially those pertaining to the labour management are applied. Granted, the national labour Act, Act 651 is very comprehensive and encompassing in its coverage. However, as is found in the cases of GUMCO and AMIIN, many MNCs are ignoring the law. Also, the decades of their presence in Ghana have not yielded broader positive spillover effects apart from offering employment to a small number of workers. The quality of the employment offered to these workers is not up to the ILO's stipulated decent work criteria. The labour management scenario as portrayed by these two firms are not isolated cases and only goes to confirm the assertion by Kachingwe (2004) that multinationals only come to benefit themselves and their countries.

Yamin and Sinkovics (2009) argue that the failure of MNCs' strategies in contributing to poverty reduction in LDCs is not to the best interest of MNCs themselves as they are the beneficiaries of improved infrastructure of the host countries. This is may well be the case for firms that operate in knowledge intensive businesses. But this progressive social discourse is unlikely to be heard by those engaged in labour intensive and low-tech production in which cost reduction is the main concern such as the two firms studied here. There is virtually no linkage between these two firms and the local firms or other institutions. In other words, they have made no effort to embed their business within the local economic and social development framework. Given the small size and low profile operation of these two firms, NGOs have not been able to hold their reputation hostage, in the way that is possible with large and prestigious MNCs (e.g. Oetzel and Doh, 2009), to make them accountable for their CSR and contribute to the development of the host country. Emerging findings from another six small MNCs of similar nature in our study (which are not reported here as the data collection is on going) shows very much the same pattern.

In view of the weaknesses in the institutional and financial capabilities of the state and the resultant large scope of autonomy assumed by MNCs, it is highly unlikely that MNCs from emerging economies will adopt a high level of labour standards without tangible benefits to the business. Without the strong will and effective law enforcement mechanism of the government, upholding and improving labour standards in Ghana and in many developing countries will continue to be an ideal rather than a reality. International pressure groups can only exert a certain amount of pressure and influence, mainly on MNCs that are keen to project and maintain a reputable public image for the benefit of their business.

Smaller privately-owned MNCs can easily slip through the net and continue playing tricks to avoid legal and moral sanctions. This is particularly the case for those from emerging economies such as China and India, as they are most unlikely to receive pressure in their home country to observe labour standards in their operations overseas.

This study contains a number of limitations, not least the limited number of case studies and the small number of informants interviewed due to immense difficulties in gaining access to study issues of sensitive nature. As such, we have not been able to interview expatriate managers and owners of the two companies studied to elicit their views. In addition, we have only covered manufacturing firms that are engaged in low-tech and labour intensive production. MNCs engaged in the knowledge intensive business sector, such as the telecom industry, may yield a markedly different picture in terms of employment practices of the MNCs and their wider positive role to the economic and social development of the host countries in the less developed world (e.g. Cooke, 2008). Future studies should therefore cover a larger number of cases from different countries and different sectors in order to provide a more balanced view in assessing the impact of MNCs on African countries' economic and social development, and to identify what can be done, if anything, to improve the employment conditions of local workers and raise the level of human capital.

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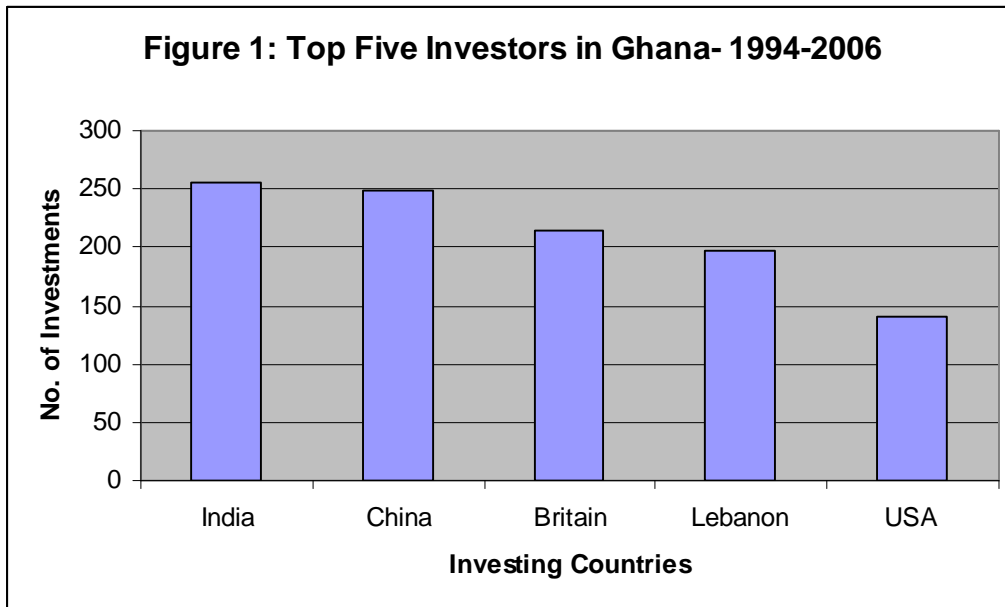
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## APPENDIX



Source: Ghana Investment Promotion Council, (2006)

1.