Labour Standards Application along Value Chains in Ghana: Reality Check and Policy Option

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Abstract

Recent developments have weakened the power of trade unions as well as that of the state in all countries, irrespective of their unique circumstances. One such development has been the use of complex value chains in productions and these have diluted firms’ visibility in ways that make the inspection of labour standards even more difficult. With both the space and the need for alternative regulatory system created, there has been a growing trend in the proliferation of non-governmental systems as well as firms’ self-regulation along their value chains. Few studies have focused on the extent to which value chains can be used as a form of leverage for worker protection in developing countries like Ghana. By extracting qualitative data from a larger study and subjecting them to thematic analysis, the paper concludes that value chain relationships in the manufacturing sector of Ghana are generally not utilised to ensure labour standards application and that non-governmental regulation along value chains is not a reality. However, despite the weaknesses in governmental regulation, a viable option for labour standards monitoring, enforcement and governance can be achieved through a combination of voluntary initiatives by firms and enforcement by the state.


**Introduction**

It has long been recognised that maintaining labour standards are a means of achieving social development alongside economic growth (Budd, 2004; ILO, 2004; Sengenberger, 2002). Traditionally, labour standards monitoring and enforcement has been the responsibility of national states and trade unions. However, the policy space available for developing countries has shrunk so much so that their ability to ensure high labour standards is being threatened. Recent global economic developments have weakened the power of trade unions as well as that of the state in all countries, irrespective of their unique circumstances (Jessop, 2011). The effectiveness of state regulation has therefore been questioned and even criticised. For instance, it has been reported that the traditional state regulation is costly, inefficient and has limited coverage. The essence of this criticism is now widely accepted, and has resulted in the emergence of, and interest in socially responsible initiatives (Jessop, 2011; Michelson, Jamieson & Burgess, 2008; O’Rourke, 2005; O’Rourke, 2003; Sinclair, 1997).

Thus, the growing inadequacy and/or ineffectiveness of the traditional institutional system in enforcing and maintaining high labour standards have created both the space and the need for alternatives. These are made up of firm’s self-regulation as well as non-governmental systems, which are venturing into activities that are traditionally the sole purview of the state, and other labour market institutions such as trade unions (O’Rourke, 2005; O’Rourke, 2003). The proliferation of alternative forms of labour standards governance is a growing trend that brings to the fore, the importance of firms being socially responsible to the point of initiating monitoring along their global chains and ensuring voluntary compliance.

Value chain analysis provides insights into why labour regulation has become so complex and therefore more difficult for state institutional systems to monitor and enforce. For instance, O’Rourke (2005, p. 11) reported that “the complexities of supply chains have aided firms to hide behind multiple layers of ownership, making inspection difficult”. As
a reaction to this, and in the quest for solutions, it has been proposed that powerful firms in a value chain may impress upon their suppliers and buyers to maintain higher standards as a condition for a continuous business contract. The current scholarship on the subject has often focused on how socially responsible businesses are ensuring higher labour standards voluntarily as a matter of discretion (Christoperson & Lillie, 2005; Frenkel & Scott, 2002; Locke, Kochan, Romis & Qin, 2007). By this, non-governmental regulation is claimed to be flexible and responsive to the complexities generated by value chains. Value chains can thus be described as a two-edged sword. On one hand, it is alleged that they have been a source of labour standards monitoring problems and on the other hand, they are seen as a possible solution to labour standards monitoring.

While such discourses are rich and replete, they have often focused on large branded firms from developed countries. By contrast, few studies have been conducted to investigate the extent to which value chains interfere with labour standards monitoring as well as the extent to which it can be used as a possible solution, and hence, as a form of leverage for worker protection in developing countries like Ghana. This leaves a major research gap and this paper seeks to make a modest contribution in filling this gap.

The subsequent sections begin with a review of literature on non-governmental labour standards regulation along value chains. This is followed with a brief description of the methodology, after which a discussion of labour standards application along value chains in Ghana is presented to portray the empirical reality in Ghana. The conclusions of the paper are contained in the final section.

**Review of Current Labour Standards Regulatory Forms along Value Chains**

There has been an emergence and a proliferation of new forms of labour standards governance, monitoring and regulation. These are made up of firms’ self-regulation as well as non-governmental systems, which are venturing into activities that are traditionally the sole purview of the state, and other labour market institutions such as trade unions. Regarding what constitutes non-governmental labour governance and
regulation, O'Rourke (2005, p. 2) states that they involve multiple actors with new roles and relationships, experiencing new processes of standard setting, monitoring, benchmarking and enforcement. Martínez Lucio and Mackenzie (2004, p.80) confirm that it is a multi-stakeholder system that involves different actors. Thus, while traditionally regulation has been located within three main sites with distinct activities, regulation in its current form entails more sites and even more activities as depicted in Figure 1. No wonder it is described as “more diverse and messier” than the traditional command and control system (O'Rourke, 2003, p. 5).

Figure 1: Current Forms of Market Driven Regulation Systems
Source: Akorsu (2010)
The sites for the new forms of regulation resides in the firm itself and its supply chains, non-governmental/ non-profit making organisations, trade union organisations, profit-making monitoring organisations, civil society pressure groups and even in some cases, industry associations. Firms are moving away from simply complying with labour standards out of fear of prosecution, and are moving towards taking initiatives voluntarily. These initiatives often start with the enacting of company specific codes of conduct that guide the firms’ operations and often extend to monitoring the firms in the supply chain. The firm specific codes are based on the principle of corporate social responsibility and they emphasise labour standard issues. With regard to initiatives from the firm, these are based on the principle of voluntarism, but voluntarism that is motivated by pressure from labour and human rights groups. Characteristically, such initiating firms are branded firms (O’Rourke, 2003; 2005). These firms are said to ensure compliance along their supply chain by regularly monitoring the firms in the supply chain and in cases of violation, abrogating contracts with such firms. Thus, the rules of the game are set by the firm, the enforcement and sanctions are all done by the firm – Internal or firm specific self-regulation.

Another site for the current non-state regulation is located with external monitoring organisations. This is where firms submit to the monitoring by external bodies. This monitoring may either be based on the firms’ codes of conduct or the standards developed by the external body and even guidelines developed by multi stakeholder organisations. These monitoring organisations, according to O’Rourke (2003), are paid salaries by the firm being monitored and may provide certification. This form of certification is increasingly being used as a trade licence. A third site of the new regulation is by means of international labour unions or independent bodies that respond to the needs of employees. Often, these responses are based on complaints from unions or groups like Workers Rights Consortium (WRC), who initiate campaigns to raise public awareness and to pressure brands and/or retailers to change conditions. Sometimes, these campaigns take the form of negotiations (Weil & Mallo, 2007, p. 3). As has been indicated by O’Rourke (2003), monitoring organisations in this category are not paid salaries by the firm and categorises their kind of monitoring as verification.
The above broad descriptions of the new forms of regulation are not exhaustive but clearly demonstrate that indeed, they are diverse and messy in their conceptualisation. It is difficult to concisely and accurately categorise the various forms since there are all kinds of overlaps. This new surge has not occurred in a vacuum, but has been attributed to the absence of, or weak national and international regulations of labour standards. According to Sinclair (1997, p. 530):

“Command and Control regulation is accused of being costly and inefficient, of stifling innovation, inviting enforcement difficulties and focussing on end-of-pipe solutions. This critique, the essence of which is now widely accepted, has sparked considerable interest in various types of regulatory alternatives”.

Even though, there are weaknesses in traditional regulatory systems or command and control systems, to conclude that it is the root cause for the proliferation of non-governmental systems is misleading. There may be other and even more powerful pointers. For instance, O'Rourke (2005, p. 1) states that, these new forms of regulation have been necessitated by trends in the weakening of national regulatory systems, the strengthening of multi-national corporations and the growing demands from civil society for a more effective corporate accountability, which are also the result of recent accounts of increasing sweetshops and deplorable working conditions of work. This appears to be a more balanced explanation, while admitting the weaknesses in national regulation as the failure of state bureaucracies, O'Rourke (2003) does not gloss over such weaknesses but highlights them by stating that they are, “due to globalisation and neo-liberal movements to shrink the state” (p. 4). Martínez Lucio and Mackenzie (2004, p. 78) also report that, “the new form of regulation is becoming much more complex and subsequently more politicised than may be expected”. The strong presence of neo-classical ideology cannot be overlooked in the analysis of the trend that is gaining so much momentum.

Non-governmental regulation has been called a complementary regulation mechanism of the ineffective and inadequate command and control regulation. It has also been viewed by some as innovative and flexible in dealing with the inherent complexities involved in
regulating international supply chains, and also as responsive to the changing trends in work organisations (Weil & Mallo, 2007; Cashore, 2002; Nadvi & Wältring, 2001). Though the new regulation is still an emerging development to be critically assessed, Esbenshade (2001, p. 5) reports that:

“They have significantly raised the rate of compliance in industry ... by 20% between 1994 and 1996. However, the data also demonstrate that while monitoring helps, it has far from solved industry’s problems. Fifty six percent of monitored shops are still violating labour laws”.

Indeed, the new forms of regulation are an intriguing development. In the main, the strongest ideological underpinning of these new regulation systems is that they are market-based and therefore serve to oppose the traditional state regulation. However, Chang (1996, p. 132) opines that, the efficient operation of the market depends on many institutional arrangements and that the seemingly “institution free” market mechanisms are sustainable only as a part of the intricate fabric of various institutions. What this means therefore is that, neither the market, nor the state, nor any other institution can perfectly manage or regulate labour market operations. According to Chang, each has its strengths and weaknesses and therefore may work better under certain conditions and worse, depending on the conditions (Chang, 1996, p. 135). Thus said, it is important for each country, especially developing countries like Ghana, to determine the level of coordination between the state, the market and other institutions based on local conditions that are unique.

Another argument against the regulation by the state has been the cost involved. “Command and control regulation is accused of being costly and inefficient ... this critique, the essence of which is now widely accepted, has sparked considerable interest in various types of regulatory alternatives” (Sinclair, 1997, p. 530). In this regard, one wonders if the new regulation is the best solution to the problem of cost. This is because, the issue of cost has been, and will always be of even more importance to firms as profit maximising entities. It thus appear however, that firms are no longer concerned about the cost of applying labour standards, since many firms are now willing and able to
voluntarily implement labour standards and are even paying for third party monitoring services. Without a doubt, all these efforts are commendable and definitely steps in the right direction but if firms are able and willing to bear the cost of labour standard monitoring out of genuine concern to uphold higher standards, it behoves then to rather support the state financially in the discharge of their traditional role of monitoring labour standards. After all, the states already have the supporting institutional arrangements as well as the experience to handle the daunting tasking of monitoring labour standards application within firms.

The possibility for firms to financially support the state is important given the fact that firms, like the state, are also under pressure. They themselves are facing serious challenges in the face of increased global competition. After all, the whole idea of subcontracting and value chains came into being because firms sought ways to ease themselves of some of the burden of production and to focus on their core competencies. This is why taking up the rather heavier load of regulating the market is puzzling. It is therefore no wonder that the new regulation has been said to face “many of the same mundane challenges as traditional government monitoring and enforcement – coverage, training, and capacity of inspectors, incentives for monitors, corruption and so forth” (O'Rourke, 2005, p. 11). According to Martínez Lucio and Mackenzie (2004, p. 89), assuming that the transfer of regulation will be met with willing, able and adequately resourced economic organisations is questionable. Martínez Lucio and Mackenzie argue that, labour market regulation as it is known now requires significant set of organisational strategies as well as coherent political strategies. These strategies are the historical legacies and contours of social and political organisation that shaped the effectiveness or otherwise of traditional regulation, with trade unions as important forces (Martínez Lucio and Mackenzie, 2004, p. 89).

Thus, the interest in self-regulation as an alternative from industry’s perspectives is the emphasis on voluntarism and the absence of compulsion (OECD, 1994). In fact, Sinclair (1997) reports that, industry’s natural aversion to government intervention is enough to
overcome any reservations at assuming costs associated with self-regulation. The new regulation however, cannot be described as the best alternative to the traditional state regulation. Sinclair also opines that “the ideal of an essentially cooperative and voluntary approach is also extremely difficult to attain and a complete absence of compulsion is in fact rare, even for ostensibly pure self-regulatory initiatives” (Sinclair, 1997, p. 535). Additionally, according to Martínez Lucio (2004, p. 89),

“the reality is that the state still takes up a sizable share of the economic sphere of most countries... the role of the state in terms of the welfare function has not diminished regardless of the adoption of ‘market/private-sector’ techniques”.

What these seem to suggest is that, on one hand, firms have used self-regulation to delay impending state regulation and on another hand states have relied on self-regulation to achieve compliance.

The capitalist dynamics of the new regulation is also worth mentioning. According to O'Rourke (2005, p. 11), the complexities of supply chains have aided firms to hide behind multiple layers of ownership and have made inspections difficult. Firms are controlling the regulation processes in unimaginable ways - ways that have been described by Justice (2001), as co-opting the non-governmental organisations from monitors to partners and undermining regulatory laws and unionisation. The fact that some of the NGOs are paid by the monitored firm also have the tendency to breed corruption. It is not surprising therefore that most NGOs provide ineffective monitoring. For instance, they ridiculously give prior notice to firms before inspections, depend largely on data from management, hold interviews with workers within the factory when factory managers know who is being interviewed, on what issues and for how long (O'Rourke, 2002). Certainly, this kind of monitoring is only a capitalist tactic or a decoy, which diverts attention from the actual objective of ensuring higher labour standards to issues of public relations.
Even in the few cases where monitoring appears effective, the potential to sub-contract the more hazardous jobs to smaller and micro enterprises within the informal economy renders such issues elusive. There is also the tactic of deliberate contradictions. As Christopherson and Lillie (2005, p. 1933) put it,

“the contradiction between the IKEA low-cost competitive strategy ... and the desire to maintain the image of standards and in the case of Wal-Mart, the pressure to continue to produce high returns for shareholders every quarter fosters the most rapacious and extreme forms of supplier squeezing [with the] inevitable consequences”.

Thus, while a firm may be impressing upon its suppliers to maintain higher standards, the pressure on the suppliers to cut cost makes upholding higher standards impossible. This makes it extremely difficult to identify where the commitment of businesses actually is. There is obviously a strong presence of the conflict of interest in self-regulation, which cannot be taken for granted.

On the issue of firm specific codes of conduct, though they have been described as originally diverse, O'Rourke (2003, p. 7) asserts that “they now appear to be converging around the ILO core standards” as well as some of its non-core standards. It should be noted however, that such convergence claimed by O’Rourke here is no guarantee of credibility of such codes for albeit touching broadly on the core principles of the ILO, the very details of such firm specific codes are remarkably still very diverse (van Tulder, 2001). Thus, to simply assume that firm specific codes of conduct are addressing all the salient principles of the ILO that have been internationally agreed upon and adopted as universally binding is to minimise the importance of the international standards. The tendency is to eventually miss the original objective of these standards. More importantly, firm-specific codes of conduct are not laws. This means they can be violated with impunity. For instance, Arthurs (2001, p. 480) writes regarding codes that:

“The language of codes is vague, hortatory and not well suited to compelling compliance in circumstances which are unclear or controversial... no coercive
power is available to enforce voluntary codes...code, then, are, at best only a rough approximation of liberal legality, not a strict replication of it”.

Also, when it comes to labour standards application, overly focussing on firm specific codes of conduct will mean eliminating the majority of firms. The reality is that codes are not universal; they are developed and adopted by only some firms - often branded and powerful multinational corporations that are sensitive to public relations. Many, if not all, local firms in developing countries can be described as small and micro enterprises who cannot afford and sustain self-regulation. Thus, if the certification from these third-party monitoring bodies becomes a trade licence, many of these small firms will eventually cease to exist, with all the implications that come with that. For such firms, addressing the real problems of the traditional state regulation is crucial since the new regulation cannot be a viable solution to the so-called problems with state regulation. It has therefore been conceded that:

“within a situation of reduced union power, continuing antagonistic capital-labour relations and the growing irrelevance (or reduced role) of national labour regulations, the promotion of “decentness” and “good” governance of labour rights and conditions may not find an adequate substitute in new forms of international standards and regulations” (Knorringa & Peglar, 2004, p. 7).

Thus, besides the issues of legitimacy, accountability, rigour, enforcement and transparency, one important gap that the new regulatory systems are unable to fill is the issue of coverage. The general lack of capacity among the numerous small and micro enterprises in developing African countries renders self-regulation improbable. In this regard, this study is important since it seeks to highlight the peculiarities of Ghana as a typical African state with enterprises, which have been neglected in the current scholarship on labour standards regulation.

Methodology
The specific context of the paper is Ghana’s manufacturing industry. The interest in manufacturing meant the study had to focus on the four largest cities in Ghana, namely: Accra, Tema, Kumasi and Takoradi. Given the nature of the study, a qualitative design was employed to generate in-depth information. Specifically, semi-structured interviews were conducted with managers and employees of developed country multinational corporations, emerging economy firms and domestic firms selected firms, as well as key informants among the social partners (See Table 1).

Table 1: Summary of Research Methodology

<table>
<thead>
<tr>
<th>Design</th>
<th>Method</th>
<th>Instruments</th>
<th>Participants’ Background</th>
<th>No. of firms/participants</th>
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<tbody>
<tr>
<td>Qualitative</td>
<td>Case Study</td>
<td>Semi-structured interviews</td>
<td>Workers and managers of some firms</td>
<td>30 firms</td>
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<tr>
<td></td>
<td></td>
<td>Key informant interviews</td>
<td>Government reps, trade unionists, employers’ reps &amp; civil society reps</td>
<td>13 informants</td>
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<td>Document analysis</td>
<td>Labour laws &amp; policies</td>
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<td>Annual reports of the stakeholder institutions</td>
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Source: Adapted from Akorsu, 2010

Interviews took place face-to-face between the author and the informants individually. Interview with workers lasted between 15 and 20 minutes whereas interviews with managers, officials and academic lasted between 45 and 70 minutes. The results were qualitatively organised according to broad thematic areas for interpretations. Some of these have been extracted and presented in this paper.

Findings and Discussion

The study revealed that global value chains are not a common feature of Ghana’s manufacturing industry. Almost all the local firms studied are not involved in global value chains. What is predominantly the case are local chains or linkages. They tend to be
involved in all kinds of localised forward and backward linkages of suppliers, buyers and distributors. With such firms, the overwhelming revelation is that issues of labour standards are never discussed. The managers indicated that, the preference for, and engagement of a particular supplier is often informed first by a cost effective analysis and secondly by a track record of reliability.

It is important to note that local Ghanaian firms tend to be smaller than their counterparts from western and emerging economies in size and therefore in financial capacity. This is key in understanding why local SMEs often find it difficult to apply labour standards along among their suppliers and even among their own workers. This finding brings to the fore, the argument that one important gap that the new regulatory systems are unable to fill is the issue of coverage (O'Rourke, 2005). The general lack of financial capacity among the numerous small and micro enterprises in developing African countries renders self-regulation along value chains improbable.

The incidence of ensuring labour standard application along supplier chains was found to be limited to some isolated but powerful firms from western countries. The interviews with the managers of the western multinational corporations revealed that their involvement in global value chains and their behaviour and interaction within such chains are dependent on the way their production activities are configured. Regarding labour standards governance and enforcement along their value chains, the following statements by the managers of two different kinds of MNCs are illustrative:

“We are autonomous in certain respects, but some major decisions are still taken by the parent company. For instance, we are annually monitored by social auditors and these are third party organisations contracted by the parent organisation to audit our Ghana factory. When the social auditors come, they also audit those firms in our supply chains. Such inspections are quite thorough. For instance, in order to ensure that child labour is not used on our factory, the birth certificates of employees are inspected. By this, they try to ensure that our suppliers are also doing the right things”.
Generally, however, even among the few western firms that seek to ensure labour standards along their chains, there seem to be an emphasis on child labour, and some silence on other standards like discrimination, forced labour and even minimum wage. Even in the few cases where monitoring appears effective, the potential to sub-contract the more hazardous jobs to smaller and micro enterprises within the informal economy renders such issues elusive. Though the companies are involved in both supplier and buyer chains, irrespective of the pressures exerted on suppliers, labour standards remain poor, confirming that the pressure on the suppliers to cut cost makes upholding higher standards impossible (Christopherson & Lillie, 2005; O’Rourke, 2002; Sinclair, 1997).

The managers interviewed revealed that the strongest motivation to ensure labour standards along their value chains is the pressure exerted by their mother company, which pressure also stem from shareholder pressures, consumer pressures as well as trade union and civil society pressures. This confirms reports that labour standards regulation along value chains is a practice among powerful branded firms (Christopherson & Lillie, 2005. However, some emerging economy firms also tend to manipulate the weaknesses in the host country system by hiding behind multiple layers of ownership to escape inspection (O’Rourke, 2005). The admission by a manager of another multinational company illustrates this fact:

“We are involved in supplier and buyer chains but such relationships do not go beyond the core business activities. We have never influenced the labour management practices of our suppliers and none of them have ever influence what we also do with our workforce. Occasionally, we share ideas but even that is often in informal settings among HRM practitioners”.

Though the company operates in Ghana, both its suppliers and buyers are outside Ghana, are unknown and so cannot be held accountable for any bad labour practices. After all, such firms from emerging economies hardly experience the same international pressure and home country pressures that western firms receive to observe labour standards in their overseas operations.
None of the firms studied has its specific codes of conduct for their suppliers, buyers and distributors. They all rely on the national labour law, Act 651 as a guide for their labour management practices. Though all the ratified ILO Conventions are incorporated into labour law, working conditions are still in a state below mediocrity. For instance, there are still workers who are not allowed to exercise their freedom of association and when unionised, the provisions in the collective bargaining agreement are not respected. There are still workers who work long hours a day and others who are paid wages less than the national minimum wage.

Several reasons account for the labour standards application situation along chains in Ghana. The neo-classical paradigm, which is informing development policies in Ghana constitutes a major contribution to the trivialising of labour standards in employment relations. Its main argument is that, such standards raise the cost of labour and create distortions that prevent the free functioning of labour markets (Freeman, 1992; Wilkinson, 1994). By this argument, the system also tends to cater for the interest of capital rather than labour and as indicated by one government official, the Ministry of Employment and Social Welfare appears to be a non-priority ministry. The ministry is simply under-resourced in all areas, particularly in the areas of financial, material, technological and human resources. It appears that the government is unable to pay attention to it, and this stems from the powerful political influence of the IMF and the World Bank in directing the national budget. The development paradigm simply downgrades the labour market and its ministry, while it upholds capital and its stock market.

But there are also issues to do with enforcement. Like many other things in Ghana, “we tend to have fine laws, we turn to ratify labour standards as quickly as they are adopted by the ILO but we hardly enforce those”. These words are representative of the general feeling among social partners that, inadequate monitoring and enforcement are partly responsible for labour standards non-application in Ghana. Meanwhile, the Labour Department and the Division of Factories Inspectorate of the Ministry of Employment
and Social Welfare constitute the agencies that represent the government in the day-to-day monitoring and regulation of the labour market. Statistics from the Labour Department indicated that in 2008, a total of 106 inspections were conducted nationwide when there are about 26,088 firms in Ghana’s manufacturing sector alone. Oddly, the Greater Accra and the Ashanti regions were among the regions with no inspections at all. Yet, these are the regions with the largest cities and the largest number of manufacturing activities.

Part XVI of Act 651 also clearly stipulates a labour inspection mechanism, which duly empowers labour inspectors and prohibits obstruction of inspectors. Ironically however, labour inspection in Ghana is very much obstructed, not by employers as one would expect, but by the government itself. The obstruction is largely manifested in the resources allocated for monitoring. For instance both the Labour Department and the Division of factory inspectorate received US$ 387,625 and US$155,610 respectively in 2008. These amounts were far lower than what the government had approved and were not just for monitoring but also for salaries, administration and investments. In fact, salaries received the largest chunk while services or monitoring received the lowest. Each of the two departments has a total of six vehicles at its disposal, some of which are ILO/UNDP donations. It was reported that all vehicles are used by the head office in Accra, mainly for day to day administration rather than for inspection. Labour inspectors are therefore expected to use their own resources for inspection and then claim transportation cost afterwards. With regard to inspection, the department is expected to inspect each workplace once every six months but the official mentioned quickly that, that is only an ideal situation and was not possible under their current circumstances. As has been earlier reported, it is obvious that the Ministry of Employment and Social Welfare is not a priority ministry at least in the scheme of things for government financing. The neo-classical dispensation adopted by Ghana is largely the reason.

Besides the inability to monitor large numbers of firms, the process of monitoring and inadequate sanctions also do not augur well for labour standards application. It was found
that unannounced inspection is never conducted. Letters are always written to inform employers about impending inspection. Monitoring that gives prior notice, and depends largely on data from management is ineffective monitoring. O'Rourke (2002) describes the giving of prior notice before inspections as ridiculous. According to O'Rourke, the way the inspections are conducted are important and will determine whether they tend to divert attention from the actual objective of ensuring higher labour standards to issues of public relations. Once inspections are done, findings are reported to the firm with recommendations as to remedial actions that need to be taken. A follow-up inspection is often conducted to ascertain if corrective measures have been taken. If not, the Labour Department appeals to the offending employer and if persuasions fail, the case is reported to the sector minister. What the sector minister does with the case is clandestine. Section 125 of Act 651 requires labour inspectors to be confidential. Divulging a company’s confidential information is liable to a fine or imprisonment. In view of this, inspectors are circumspect when it comes to their findings at the various work places, and this completely rules out media publicity as a form of sanction. Based on the interviews with some inspectors, offending employers are not sanctioned and the reason given is that the national labour law – Act 651 decriminalises labour violations.

Thus, though the interviews with all members of the social partners as well as some managers have pointed fingers at the Labour Department and the Department of Factories Inspectorate, the following words by one official echoes the general opinion: “the enforcement mechanism we have as a country is afflicted with constraints. The inspectorate bodies have logistical constraints, manpower deficiencies; remuneration of staff leaves them unsatisfied and therefore unable to meet their fullest potentials”. They all conceded that the departments are not to be blamed but the government is, with some adding that the government is also not to be blamed but the IMF and the World Bank are.

Another problem with labour standards enforcement is the fragmentation of monitoring roles. For instance, the Department of Factories Inspectorate was part of the Labour Department until 1985, when it was separated as a result of the quest for management
prerogatives. The demarcation between the two departments in terms of their responsibilities is thin, unclear and/or duplicated in one way or another. Given the little resources that both organisations have to work with, each of them tends to relax, anticipating that the other will monitor and inform them of their findings. This fragmented inspection system further limits government funding for inspection.

Evidently, effective monitoring is lacking and this has been found to be largely responsible for the high incidence of labour standards’ non-application in Ghana. Elster (1989) is therefore right in opining that, what constitute an institution are not the rules or conventions per se but those instruments and mechanisms, which ensure that a particular set of rules are applied. This emphasis on enforcement was also highlighted by North (1986) when he suggested that, while some institutions may be self-enforcing, others need third party policing and monitoring. Indications are that labour standards are definitely not among the self-enforcing type of institutions. By their very nature, labour standards invoke defiance since such defiance makes economic sense. Since labour standards are not self enforcing, the role and importance of external bodies or institutions in promoting the application of such standards cannot be overlooked.

**Conclusions and Policy Options**

Global value chains do not exist among the majority of firms in Ghana but local linkages with suppliers, buyers and distributors are common. More importantly, labour standards applications along these local chains are not ensured. While market-oriented theorists have suggested that powerful firms in a chain can effectively impress upon their suppliers and buyers to maintain higher standards as a condition for a continuous business contract, this is hardly a reality in Ghana. Value chain relationships in the manufacturing sector of Ghana are generally not utilised to ensure labour standards application. This is especially the case with domestic firms. This finding demonstrate that when left to the discretion of companies, labour standards application is not taken seriously along value chains and if at all taken seriously, it will be limited to few large and powerful multinationals that can afford it and that have an image to preserve.
The paper also highlights the enforcement weaknesses in the traditional state regulation. Without the will power and effective law enforcement mechanism of the government, ensuring labour standards application even along value chains in Ghana and in many other African countries will continue to be an ideal rather than a reality.

Thus, a viable option for labour standards monitoring, enforcement and governance appears to be a combination of voluntary initiatives by firms and enforcement by the state. By this, the strengths in both regimes will be harnessed as leverage for the protection of vulnerable workers in Ghana and other developing African countries. In practical terms, socially responsible firms can then support the efficient operation of the traditional system by contributing into a common fund rather than by paying for independent monitoring.
References


