

WINS AND LOSSES AT WORK

Employment and Adverse Incorporation Dynamics
in the Ghanaian Construction Sector

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GPNs, inequality and adverse incorporation

- Despite sub-Saharan Africa's (SSA) increasing international economic integration, the region remains a key locus for global [inequality](#)
 - ❖ *The World Bank estimates that, by 2030, [nine out of ten people living in extreme poverty in the world will be found in SSA](#) (Barne and Wadhwa, 2018).*

GPNs, inequality and adverse incorporation

- Incorporation into [Global Production Networks \(GPNs\)](#) offers opportunities for growth, however gains in terms of job creation weigh against quality
 - ❖ [Adverse incorporation](#) → workers are included in production processes, yet through unfavourable terms that perpetuate or worsen their vulnerability
 - ❖ Global economic integration will not reduce inequality until the growth it induces results in the creation of [secure employment for the poor](#) (Nissanke and Thorbecke, 2010)

Employment and GPNs

- Case-study analysis of GPNs identify winners and losers (Barrientos and Kritzinger, 2004; Rossi, 2013; Knorringa and Nadvi, 2014)
- Workers with regular and permanent contracts enjoy higher standards of employment and pay, but these are only a small percentage of total
- Globalisation has created a strong pressure to outsource, sub-contract and casualise to cope with competitive market pressures (Meagher, 1995; Standing, 1999; Meagher et al., 2016)

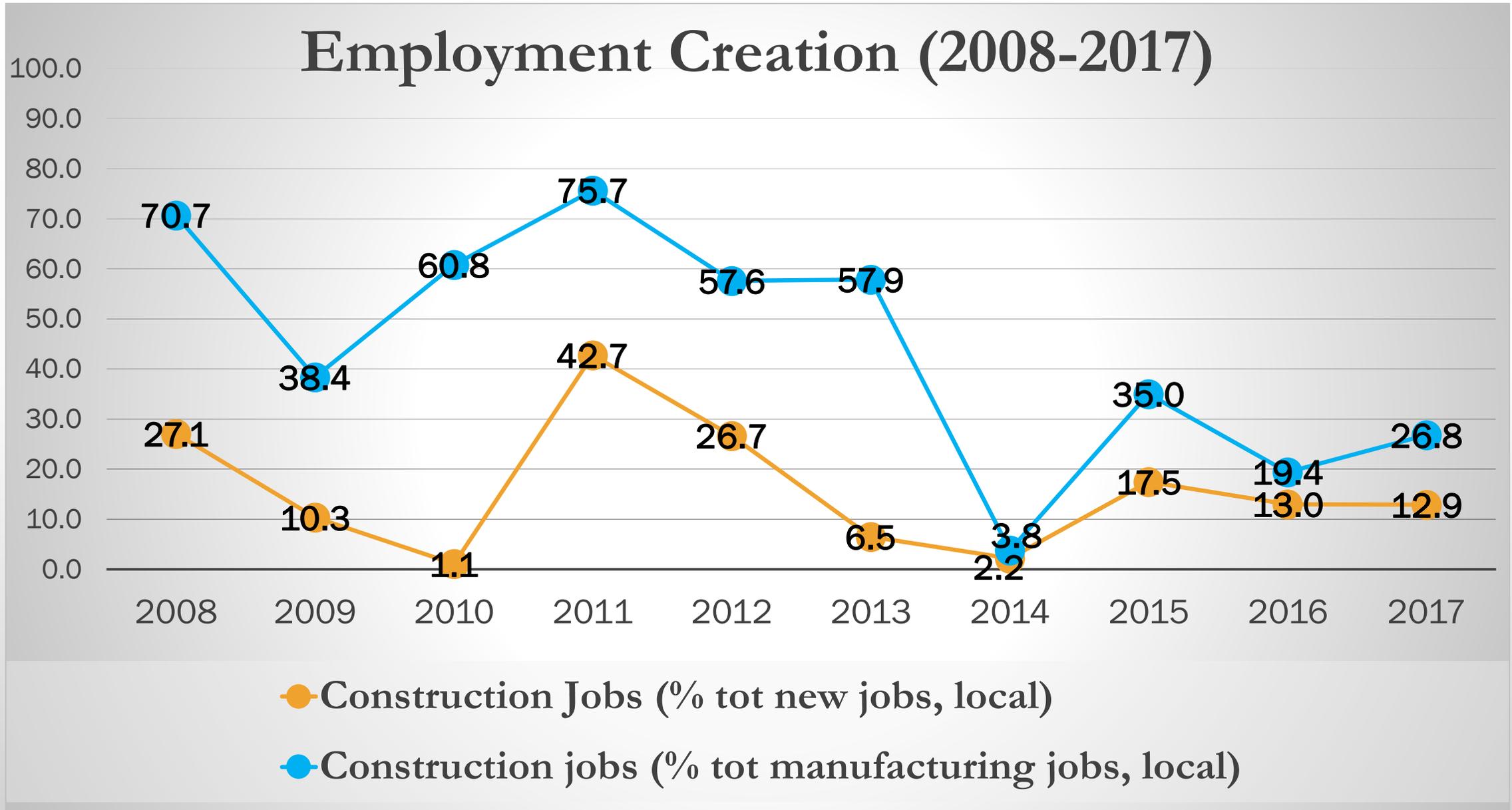
Employment beyond GPNs

- In the GPNs' literature, the main argument rests on vertical integration: big buyers, i.e. Tesco or Zara pass costs down, squeezing margins for local producers.
- On the other hand, consumer and NGO scrutiny, plus Global Framework Agreements mitigate adverse incorporation
- However, not all sectors vertically integrated or subject to societal or international pressures, but these have attracted limited attention so far
- We will focus specifically on construction and real estate in Ghana by adopting a multi-level perspective which looks at determinants of adverse incorporation at the individual, company, sector, and institutional level

An Infrastructure Boom

- In recent decades, Sub-Saharan Africa (SSA)'s infrastructural development has boomed to unprecedented levels through foreign direct investment (FDI)
- New involvement of [international financiers](#) (Foster et al., 2008), i.e. India, China, the Gulf States, Brazil
- India and China were the top investors in Ghana in 2018

The Construction Sector in Ghana (*GIPC data*)



Mixed-Methods of Analysis

MULTI-LEVEL MODELLING:

- [Random Coefficients Model Estimation](#) (Snijders and Bosker, 1999, Raudenbush and Bryk, 2002), where we regard the workers in our sample as nested within companies.
 - ❖ *We try to uncover a latent factor at the level of the company that explains differences in the degree to which workers' incorporation in GPNs is adverse (individual level).*

- 304 [Semi-structured interviews](#) carried out between 2015 and 2019 among managers, workers and institutional respondents
 - ❖ *We cover individual, company, sector and national institutional levels*

Do you prefer to work for foreign companies or for domestic companies?

Foreign Companies

Domestic companies

100%

90%

80%

70%

60%

50%

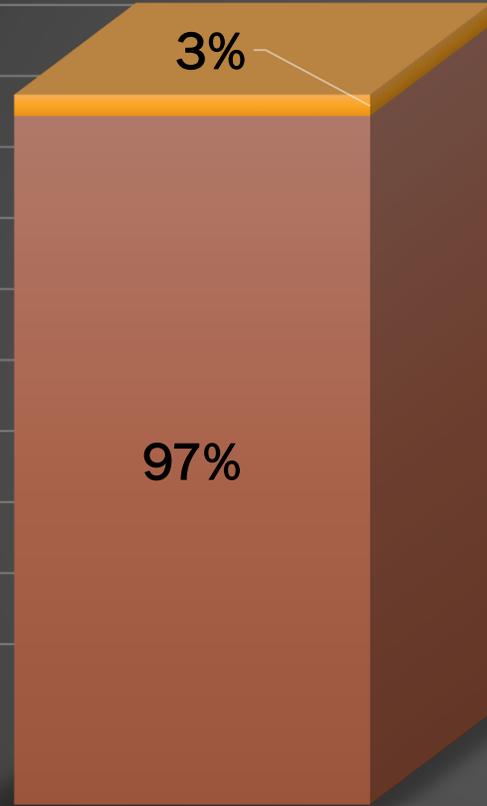
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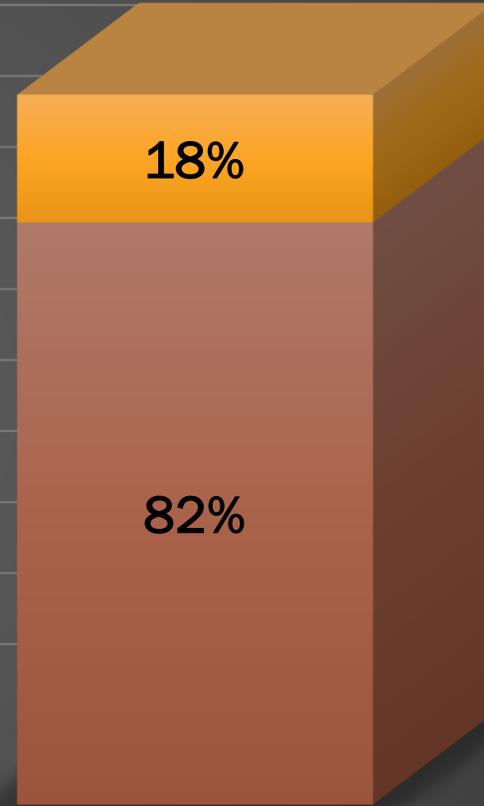
20%

10%

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Unskilled Workers



Skilled workers

Why do you prefer to work for foreign companies?

- ❖ **Job continuity**
- ❖ **Availability of employment**
- ❖ **Payment is on time**
- ❖ **Health and safety**
- ❖ **Paid overtime and social security**
- ❖ **Better equipment**
- ❖ **Opportunities to learn**

Individual-level factors

- Note that wages are not even mentioned. Unskilled workers earn low wages both in foreign and domestic companies, these are compensated by better working conditions in foreign companies, but only if the worker is on payroll
- Casual workers are:
 - ❖ *Prevalently unskilled and semi-skilled*
 - ❖ *hired through brokers or agencies*
 - ❖ *Often without a written contract*
 - ❖ *enjoy none of the benefits and allowances reserved for regulars workers paid through payroll by the main contactor*
 - ❖ *No access to union representation or training*

Individual-level factors

- Economic inclusion into global production networks does not automatically translate into social upgrading (Barrientos et al., 2011; Barrientos et al., 2013; Meagher and Lindell, 2013).
- Widening inequality between skilled and unskilled workers

Company-level factors

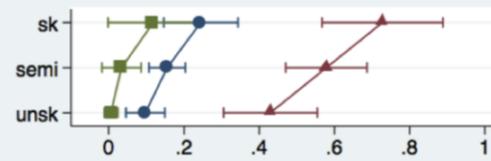
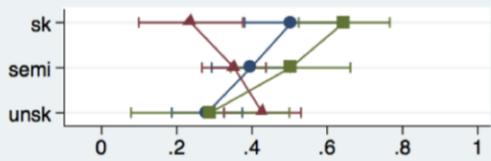
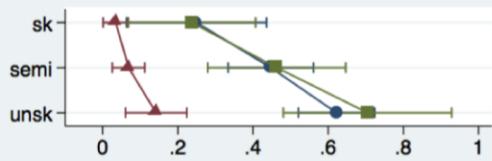
- Only very few companies put all workers on payroll, thus guaranteeing appropriate benefit and allowance levels
- Most rely on subcontracting to withstand competitive market pressures and cyclical fluctuations
- The longer a company has been operating in Ghana for – that is, the more embedded it is – the more favourable its workers' incorporation terms are (Oya et al., 2019)

Adverse Incorporation (P1)

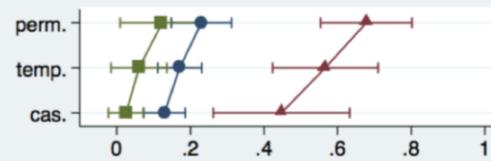
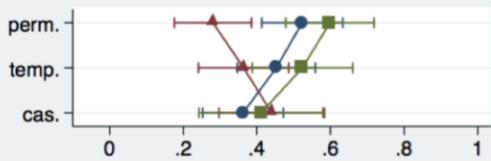
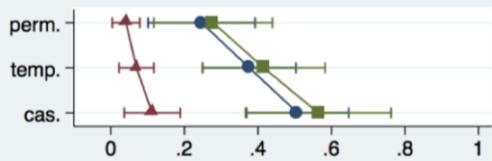
Intermediate Incorporation (P2)

Beneficial Incorporation (P3)

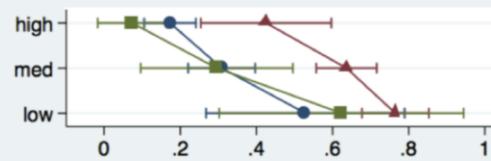
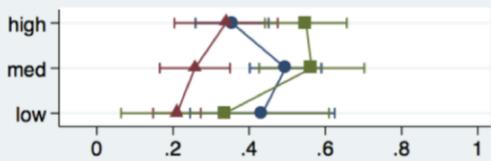
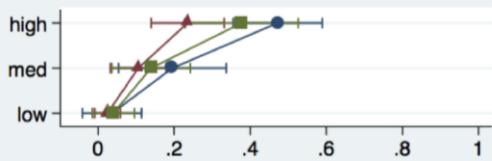
skill status



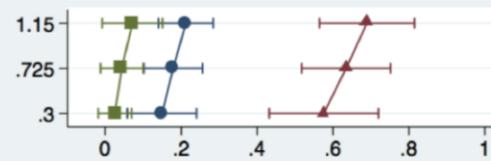
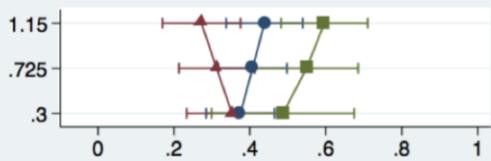
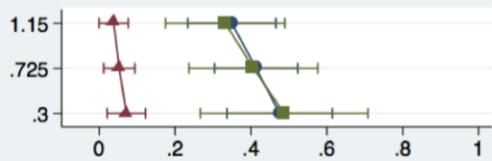
contract



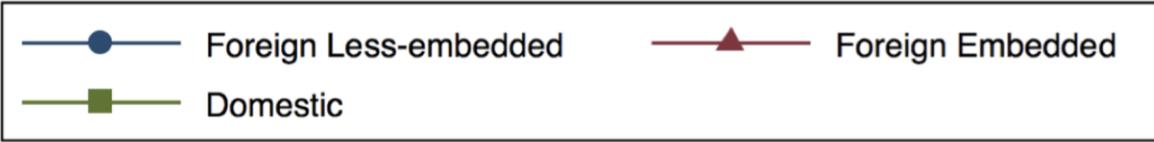
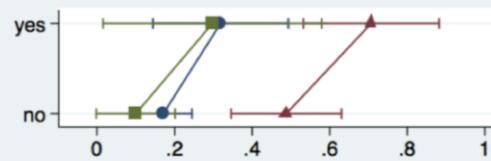
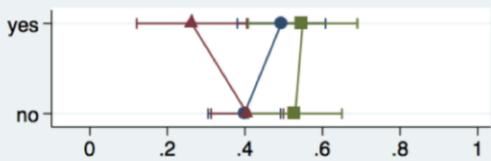
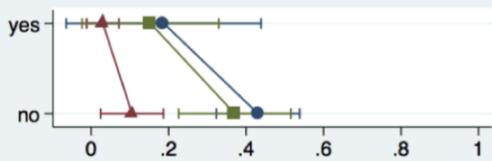
subcontracting



training



labourunion



Sector-level factors

- Sector is governed by cyclical project lifetimes and heavy use of subcontracting responds to such pattern
- This normalises precariousness in the sector
- Gains and Losses co-exist: Foreign companies create large swathes of such precarious employment, while at the same time mitigating such source of vulnerability by frequently winning tenders

Institutional-level factors

UNIONS

- Unions tend to cover contract workers as informal workers cannot pay membership fees
- Some independent private initiatives exist but their reach among workers and bargaining power is limited
- Casual workers [move from site to site](#) which prevents tie formation with labour reps and co-workers. Low education also an obstacle & reluctance to join unions for [fear of dismissal](#)

Institutional-level factors

GOVERNMENT

- Overdue reform of [Ghana Labour Act 2003 fails to regulate use of subcontracting that leads to adverse incorporation](#)
- Lack of financial and political support to innovative labour union initiatives
- Lack of [enforcement](#) of existing protective legislation against labour law manipulation and unfair dismissals
- A widening informal sector can only exist within the space of complacent institutions (Meagher, 1995; Munck, 2002; Lindell, 2010)

A multi-level understanding

A [type of precariousness very specific](#) to the Ghanaian construction sector (and possibly beyond) defined by:

- (i) inherent cyclical nature of construction operations*
- (ii) widespread use of subcontracting to respond to the fluctuating nature of markets in the sector*
- (iii) lack of institutional protection against subcontracting and other labour law manipulations*

- However, it is derived from a [different mechanism compared to GVCs](#) - where vertical integration applies.
- Here the intersection of individual, company, sectoral and institutional levels factors accounts for it

A multi-level understanding: policy implications

- Given the large shares of employment created by the infrastructure sector in SSA, it is important to consider:
 - ❖ what specific regulatory mechanisms should be in place to prevent future protection-less development (Rudra, 2005)
 - ❖ *What type of support is needed for reform initiatives such as the ones led by social enterprises and independent unions in our case study*