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LABOUR EXPLOITATION AND WAGE INEQUALITY IN MULTINATIONAL CORPORATIONS: EVIDENCE FROM FIVE DEVELOPING ECONOMIES

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Abstract

Multinational corporations are recognised as significant agents in the global economy, facilitating economic interaction, technology transfer, and cross-border employment. This research examines the role of multinational corporations in influencing labour exploitation and wage inequality. For empirical analysis, data were obtained from twenty multinational corporations operating in five developing economies: Bangladesh, Vietnam, Ethiopia, Mexico, and Indonesia, over the period 2015 to 2023. The study uses a composite dependent variable, the Labour Exploitation and Inequality Score, a straightforward summary measure that combines several practical indicators of poor labour outcomes, such as low or withheld wages, unsafe working conditions, excessive working hours, and precarious employment, into a single score where higher values indicate greater exploitation and wage inequality. Multivariate regression analysis revealed a significant relationship between the Labour Exploitation and Inequality Score and several independent variables. The empirical results show that Bargaining Power Gaps, Outsourcing Intensity, and Wage Differential Ratios have a positive and significant effect on the Labour Exploitation and Inequality Score. In contrast, Labour Standards Compliance, Regulatory Enforcement Index, Corporate Social Responsibility Commitment, and Union Accessibility Score hurt the exploitation and wage inequality index. These findings indicate that reduced compliance with labour laws, lower union access, and greater outsourcing are associated with increased exploitation. Conversely, stronger corporate social responsibility and regulatory enforcement contribute to improved labour outcomes.

Keywords: Labour Exploitation, Wage Inequality, Multinational Corporations, Corporate Social Responsibility

Introduction

Globalisation has enabled multinational corporations to operate across borders, access new markets, and maximise profitability by reorganising global production networks. While this expansion has driven economic growth and job creation, it has also intensified labour exploitation and wage inequality in many developing economies (Peters, 2017; James, 2022). To minimise production costs, multinational corporations frequently outsource to locations with weak labour protections, lax regulatory frameworks, and abundant low-cost labour, raising serious concerns about labour standards, working conditions, fair remuneration, and the ethics of corporate responsibility.

The role of multinational corporations in shaping labour outcomes is increasingly examined in labour economics, industrial relations, and political economy. Much of the literature critically questions whether foreign direct investment truly redistributes benefits or merely entrenches exploitative workplace hierarchies (Elms and Low, 2013; Raiz & Zulfaqir, 2019). Scholars argue that multinational corporations exploit institutional gaps and power imbalances to depress wages, inhibit unionisation, and transfer employment risks to lower-tier contractors and informal workers (Newenham-Kahindi and Stevens, 2018; Arshad et al., 2025). These processes have contributed to the global institutionalisation of labour exploitation, particularly in export-oriented industries such as textiles, electronics, and agribusiness. These discussions empirically analyse the relationship between multinational corporation activities, labour exploitation, and wage inequality in Bangladesh, Vietnam, Ethiopia, Mexico, and Indonesia. These countries were selected for their leading roles in global value chains and shared institutional characteristics, including weak labour standards, limited collective bargaining rights, extensive outsourcing, and pronounced income inequalities (ILO, 2020). The research applies institutional and stakeholder theory to examine whether multinational corporation strategies and national regulatory contexts influence labour outcomes.

Institutional theory posits that organisational behaviour is heavily shaped by the surrounding institutional environment, including regulations, cultural norms, and enforcement mechanisms (Scott, 2014; Ullah & Ali, 2024). Multinational corporations may exploit weak governance and regulatory ambiguity to reduce compliance costs in less stringent environments. Stakeholder theory holds that companies should balance the interests of all stakeholders: workers, shareholders, communities, and governments (Donaldson and Preston, 1995), but, in practice, multinational corporations often prioritise shareholder value over labour rights, especially where labour representation is minimal.

The expanding role of global value chains in developing economies creates a paradox in which economic growth occurs alongside declining labour standards. Scholars note that competition for foreign investment has led to a "race to the bottom," weakening institutions and eroding worker protections (Milberg and Winkler, 2010; Ali et al., 2021; Ahmad & Alvi, 2024). Multinational corporations can exploit these regulatory loopholes to entrench exploitative practices in supply chains. This study systematically reviews how institutional factors and corporate strategies together drive wage inequality and labour exploitation in multinational corporation-led industries.

The research addresses the shortcomings of international labour governance and the limited effectiveness of voluntary corporate social responsibility, emphasising the need for enforceable global standards. Additional factors highlighted include persistent gender and regional wage gaps exacerbated by multinational corporation practices. The study concludes that mandatory due diligence, enhanced enforcement resources, and stronger worker representation are essential to reducing exploitation risks. The findings provide practical recommendations for policymakers, regulators, and advocacy groups seeking to promote fair global labour systems. The objective is twofold: first, to empirically substantiate theoretical insights on the role of multinational corporations in exacerbating exploitative labour practices, and second, to advance evidence-based policy recommendations for mitigating these effects. To achieve this, the research applies a mixed-methods approach, combining quantitative analysis of firm and country-level panel data with qualitative content analysis of reports from multinational corporations, non-governmental organisations, and labour unions.

Literature Review

The literature overwhelmingly indicates that, while multinational corporations are central to the operation of global capitalism, the cost-cutting strategies adopted by these corporations frequently contribute to labour exploitation and wage inequality, especially in developing economies. Their practices have come under increased scrutiny in many low- and middle-income countries, where they are often linked to exploitative labour conditions and widening wage gaps (Ahmad et al., 2024; Al-Masri & Poulin, 2025). Multinational corporations possess substantial structural power due to their mobility, access to capital, and ability to operate across national borders. Hymer (1972) was among the first to explain that these entities are not simply profit-driven enterprises, but also reproduce the hierarchies of global capitalism. By exploiting international wage differentials through outsourcing, multinational corporations often encourage the development of sweatshop economies in lower-income countries (Klein, 2000; Ali, 2018; Akbar & Hayat, 2020). Such strategies create economic dependencies that limit the policy options of developing countries in implementing effective labour standards. Empirical evidence supports these concerns. Anner (2020), in his study of the garment industry in Bangladesh and Honduras, found that brands force suppliers to lower prices despite rising labour costs, resulting in wage theft, forced overtime, and anti-union practices. Similarly, LeBaron et al. (2019) identified forced labour in the cocoa and electronics sectors, noting that supply chain opacity often conceals these abuses. This dynamic reflects risk shifting, where multinational corporations secure profits and brand loyalty, but the costs are borne by vulnerable workers. The International Labour Organisation (2022) reports that over 160 million children are engaged in child labour worldwide, many linked to multinational supply chains.

The regulatory environment in both home and host countries is critical in shaping multinational corporations' interactions with labour. While some scholars argue that international labour standards constrain corporate behaviour, others highlight the inadequacy and inconsistent enforcement of global governance systems. Core labour standards of the International Labour Organisation are not mandatory, and trade agreements rarely impose binding labour requirements (Compa, 2008). The "race to the bottom" theory explains that countries may deliberately relax or ignore labour protections to attract foreign investment. This is evident in Cambodia, Vietnam, and Ethiopia, where governments have created special economic zones with lenient labour and environmental standards (Gallagher, 2005). Even where stronger labour laws exist, enforcement is often hampered by underfunded inspectorates, weak judicial systems, and corporate lobbying. Corporate Social Responsibility programs and codes of conduct are often adopted by multinational corporations in response to reputational risks and public pressure. However, the effectiveness of these self-regulatory mechanisms is debated. Locke et al. (2009) argue that, while private codes can temporarily improve factory conditions, they are often non-transparent, lack participation, and are unenforceable. Critics argue that Corporate Social Responsibility initiatives sometimes serve as mere public relations strategies. Civil society, including non-governmental organisations, labour unions, and transnational advocacy networks, plays an important role in challenging labour abuses and promoting more responsible corporate practices. Campaigns such as Who Made My Clothes and the Clean Clothes Campaign have increased public awareness and held corporations accountable (Dhondt, 2022).

International frameworks such as the United Nations Guiding Principles on Business and Human Rights and the Organisation for Economic Co-operation and Development Guidelines on Multinational Enterprises encourage multinational corporations to respect human rights, but these instruments rely on voluntary compliance. New laws, such as Germany's Supply Chain Due Diligence Act (De Schutter, 2022) and the European Commission's proposed directive on corporate sustainability due diligence, represent steps toward enforceable standards, though critics question their scope and effectiveness in Global South contexts. Gender inequality remains a persistent feature of labour exploitation by multinational corporations, especially in export-led sectors like textiles and electronics. As Elson and Pearson (1981) argue, women are often preferred for factory work due to stereotypes about docility and compliance, leading to lower wages, higher job insecurity, and increased exposure to discrimination and harassment. These challenges are compounded by the lack of maternity leave, inadequate workplace safety, and restricted access to trade unions. The feminisation of informal work also places women in unprotected roles within supply chains (Ali & Audi, 2016; Mezzadri, 2017; Modupe, 2021).

Counterarguments present multinational corporations as developmental agents, promoting employment, skill development, and poverty reduction. Studies by Hanson (2001) and Blomstrom and Kokko (2003) explain that multinational corporations can generate technological spillovers, enhance productivity, and increase local wages through competition and training effects. The efficiency wage theory further contends that some multinational corporations offer higher wages to attract skilled workers and reduce turnover. Empirical evidence from the automotive and information technology industries supports the finding that foreign affiliates may pay more than local firms, particularly in capital-intensive sectors. Nevertheless, the developmental benefits of multinational corporations depend on the host country's institutional capacity, and negative externalities may outweigh gains in weak regulatory environments. Profit repatriation, tax avoidance, and limited integration with domestic economies often undermine the net positive effects of multinational investment (Jenkins, 2005).

The organisation of global value chains, the fragility of labour institutions, and the lack of effective regulatory frameworks in cross-border labour markets have all contributed to labour rights abuses and income inequality. Even where Corporate Social Responsibility and international standards exist, enforcement remains a central challenge. As global supply chains evolve, there is an urgent need for more robust institutional mechanisms at both national and international levels to ensure that economic integration does not occur at the expense of social justice. Despite this rich body of research, few studies provide systematic, multi-country and multi-firm empirical evidence that integrates both quantitative and qualitative analysis. This research directly addresses that gap by analysing twenty multinational corporations across five developing economies using a combined statistical and content analysis approach.

Theoretical Model

The growing influence of multinational corporations in developing and emerging economies has raised serious concerns about their impact on labour conditions and wage systems (Bernhardt et al., 2016; Khan, 2020). As multinational corporations extend their global supply chains to destinations with lower production costs, there is increasing scrutiny over how these practices contribute to labour exploitation and wage inequality. This theoretical model seeks to examine the processes through which multinational corporations influence labour outcomes, considering both structural and institutional factors. The model explains the interplay of corporate strategies and local vulnerabilities by addressing economic, governance, and social dimensions to understand how the rights and wages of workers are affected. The framework draws from institutional theory and stakeholder theory, both of which argue that corporate behaviour is shaped not only by the institutional context but also by the interests and demands of stakeholders. These theories are used to understand how multinational corporations, in their pursuit of profit maximisation, may contribute to exploitative labour practices and unequal wage structures, especially in the presence of weak regulatory controls and disparities in purchasing power among nations (Meyer and Rowan, 1977). The study focuses on five developing economies, Bangladesh, Vietnam, Ethiopia, Mexico, and Indonesia, which host substantial manufacturing or service operations by multinational corporations. These countries are characterised by abundant cheap labour, high levels of foreign direct investment, limited labour protections, and significant wage dispersion (Freeman, 2014). This comparative analysis is possible due to the varying institutional systems, economic maturity, and labour laws across these countries. According to institutional theory, multinational corporations can exploit gaps in institutional systems, particularly where labour laws are weak or enforcement is lacking. This creates opportunities for these corporations to take advantage of regulatory shortcomings (Amenta and Ramsey, 2010; Baccaro and Mele, 2012). For example, poor labour standards compliance under weak regulation can lead to higher levels of labour exploitation. Stakeholder theory explains that firms must balance the competing interests of stakeholders—shareholders, workers, and local communities. When workers' voices are not represented, bargaining power gaps widen, and multinational corporations may prioritise shareholder profits over worker welfare (Harrison and Wicks, 2013). Outsourcing intensity aligns with the concept of institutional distance, enabling firms to benefit from lower costs and less restrictive labour laws, while wage differential ratios reflect structural inequalities that persist when stakeholders fail to hold multinational corporations accountable.

The Labour Exploitation and Inequality Score is calculated as an equally weighted composite index, with each component indicator (wage suppression cases, safety violations, excessive working hours, and employment insecurity) given the same contribution to the overall score. Equal weighting was selected for transparency and to avoid overstating any single dimension of exploitation.

To check for potential multicollinearity between explanatory variables, variance inflation factors were calculated for all independent variables, and all values were below the common threshold of 5, indicating that multicollinearity is not a concern in the regression analysis.

The unit of analysis consists of major export-oriented firms contracted by multinational corporations in the apparel, electronics, and agribusiness industries. In each country, four firms were sampled to represent different firm sizes—large exporters, medium subcontractors, and small vendors—as well as diverse ownership structures, including direct subsidiaries and local contractors. This resulted in a total sample of twenty firms, selected through purposive sampling. To address potential data manipulation and access constraints, secondary data sources were employed, including reports from the Global Living Wage Coalition, International Labour Organisation statistics, national labour force surveys, sustainability reports of multinational corporations, and databases from the World Bank and United Nations Conference on Trade and Development (2015–2023).

The research investigates four key constructs that shape wage inequality and labour conditions under multinational corporation operations. In light of the discussion above, the functional model is structured as follows:

$$LEIS = f(LSC, BPG, OI, WDR, REI, CSR, UAS) \quad (1)$$

Where, Labour Standards Compliance (LSC) measure as degree of adherence to international labour norms (ILO conventions, local laws). Bargaining Power Gap (BPG) explains the disparity in negotiation power between labour and corporate actors. Outsourcing Intensity (OI) is the extent to which MNCs subcontract labour to local firms or informal networks. Wage Differential Ratio (WDR) measures the ratio of top-level to low-level wages in MNC-controlled value chains. Regulatory Enforcement Index (REI) measures the strictness and implementation of labour laws and audits by governments. Corporate Social Responsibility Commitment (CSR) is used to measure the extent of real, not token, CSR efforts focused on labour rights and wage fairness and Union Accessibility Score (UAS) captures how easily workers can join/form unions and engage in collective bargaining. The dependent variable is Labour Exploitation and Inequality Score (LEIS), a composite measure derived from reported wage violations, wage suppression cases, working hours, and safety incidents. The econometrics model captures the multidimensional effect of MNC behaviour on labour outcomes. And the corresponding regression equation is:

$$LEIS = \alpha + \beta_1(LSC) + \beta_2(BPG) + \beta_3(OI) + \beta_4(WDR) + \beta_5(REI) + \beta_6(CSR) + \beta_7(UAS) + \varepsilon \quad (2)$$

Where, α represents the intercept, β_1 to β_4 are coefficients estimating the magnitude and direction of influence ε is the error term.

The quantitative analysis involves descriptive statistics, such as the mean wage gap and frequency of exploitation, followed by Pearson correlations among independent variables and, ultimately, panel regression analysis to test the proposed relationships. The panel structure consists of firm-level cross-sections observed over multiple years, allowing for a dynamic assessment of labour exploitation and wage inequality trends.

Qualitative findings are derived from content analysis of multinational corporation reports, non-governmental organisation publications, and labour union documentation, using NVivo software. This approach enables triangulation of patterns, such as repeated outsourcing to areas with weak regulation, tokenistic corporate social responsibility commitments, or strategies leading to regional wage suppression. The model's qualitative component allows for deeper examination of power imbalances and the institutional voids that shape labour outcomes within multinational operations.

While quantitative measures like wage differentials, outsourcing percentages, and exploitation rates provide clear numerical evidence, qualitative data reveal the underlying mechanisms driving these trends. For example, interviews and document analysis often show that local suppliers, pressured by cost targets imposed by multinational corporations, frequently bypass labour laws through informal employment or excessive work hours. Similarly, although internal audits of multinational corporations may present an appearance of compliance, non-governmental organisation reports and union communications often uncover systematic suppression of employee voices, especially in countries with minimal law enforcement.

NVivo was used to code recurring patterns, such as audit deception and union intimidation. This qualitative dimension enriches the quantitative findings by illustrating how organisational narratives, corporate culture, and governance practices foster exploitative outcomes. It highlights the persistent gap between policy and practice, particularly within subcontracted supply networks where accountability is diffuse.

However, the methodology also faces certain limitations. The reliance on secondary data may introduce response and reporting biases, particularly where corporate disclosures are incomplete or curated. Additionally, the purposive sampling of twenty firms—while diverse—limits the generalisability of the findings. Thus, qualitative analysis is essential not only for understanding what is happening but also for uncovering why and how exploitation and wage inequality persist. It strengthens the explanatory power of the model by exposing the contextual and behavioural factors underlying global labour exploitation and wage disparities in multinational supply chains.

Results and Findings

This section presents the empirical findings from the comprehensive panel dataset of twenty multinational companies operating in five developing economies, Bangladesh, Vietnam, Ethiopia, Mexico, and Indonesia, covering the period from 2015 to 2023. The analysis examines how institutional, structural, and stakeholder factors influence labour exploitation and wage inequality within global supply chains. Descriptive statistics reveal notable variation in key variables such as compliance with labour standards, the extent of outsourcing, wage differentials, and union accessibility, reflecting the diverse operating environments of multinational corporations. Table 1 summarises the descriptive statistics for the panel sample (2015–2023), providing an overview of the main variables that inform the theoretical model regarding the presence and impact of multinational corporations. The focus is on patterns of labour exploitation and the distribution of wage inequality across the five countries in the study.

Table 1: Descriptive Statistics

Variable	Mean	Std Dev	Min	25%	Median	75%	Max
LSC	52	15	30	40	52	65	78
BPG	28	11	12	18	28	35	49
OI	54	23	22	34	55	76	88
WDR	12	4.7	5	8	11	16	20
REI	49	16	22	39	50	63	73
CSR	53	20	22	36	54	72	80
UAS	40	18	10	28	35	58	68
LEIS	3.4	8.5	-10	-3	1	11	21

Table 2 presents the correlation analysis, offering insights into the relationships among variables within the theoretical framework that examines the role of multinational corporations in labour exploitation and wage inequality. The significant negative relationship between Labour Standards Compliance and the Labour Exploitation and Inequality Score (–0.52) indicates that higher adherence to international labour standards is associated with reduced labour exploitation and wage inequality. The Bargaining Power Gap exhibits a positive association (0.48) with the Labour Exploitation and Inequality Score, explaining that greater power imbalances between multinational corporations and workers are linked to higher levels of exploitation.

Outsourcing Intensity also shows a significant positive correlation (0.34) with the Labour Exploitation and Inequality Score, confirming that higher levels of outsourcing in multinational supply chains are associated with more exploitative labour practices, often involving informal or weakly regulated networks. Similarly, the Wage Differential Ratio is positively correlated (0.44) with the Labour Exploitation and Inequality Score, highlighting the structural inequalities embedded in multinational operations and the wage disparities present in developing economy value chains.

A negative relationship is observed between the Labour Exploitation and Inequality Score and the Regulatory Enforcement Index (–0.47), demonstrating that stronger regulatory enforcement reduces exploitation, in line with institutional theory's emphasis on state protective mechanisms. There is also a negative correlation between Corporate Social Responsibility Commitment and the Labour Exploitation and Inequality Score (–0.40), indicating that companies with robust worker-oriented corporate social responsibility programs tend to be less exploitative. Finally, the Union Accessibility Score has a negative relationship (–0.42) with the Labour Exploitation and Inequality Score, supporting the hypothesis that increased access to unionisation and collective bargaining is linked to reduced exploitation. This finding aligns with stakeholder theory, which underscores the importance of employee voice and representation in shaping labour outcomes.

Table 2: Correlation Analysis

Variables	**LSC**	**BPG**	**OI**	**WDR**	**REI**	**CSR**	**UAS**	**LEIS**
LSC	1							
BPG	-0.35	1						
OI	-0.22	0.28	1					
WDR	-0.18	0.41	0.19	1				
REI	0.42	-0.3	-0.2	-0.16	1			
CSR	0.39	-0.26	-0.14	-0.12	0.36	1		
UAS	0.33	-0.31	-0.18	-0.15	0.31	0.34	1	
LEIS	-0.52	0.48	0.34	0.44	-0.47	-0.4	-0.42	1

The empirical panel regression results examining multinational corporations and wage inequality across five countries are presented in Table 3. The coefficient for Labour Standards Compliance, which measures the degree of adherence to international labour norms such as International Labour Organisation conventions and local laws, is negative (−0.21). This indicates that greater compliance with labour standards is associated with reduced exploitation and wage repression. This finding supports institutional theory, which argues that adherence to established labour standards protects workers in industries dominated by multinational corporations.

The coefficient for Bargaining Power Gap is positive (0.28), demonstrating that larger power imbalances between multinational corporations and workers are linked to higher levels of exploitation. This affirms stakeholder theory, which contends that power asymmetries contribute to poor wages and weak labour standards in developing economies. Outsourcing Intensity also has a positive coefficient (0.09), explaining that greater reliance on subcontracting—especially to informal or weakly regulated networks—heightens exploitation, in line with the conceptual model's prediction that aggressive outsourcing reduces accountability.

Wage Differential Ratio shows a strong and positive coefficient (0.39), indicating that greater wage disparities within multinational value chains are associated with higher levels of exploitation and wage inequality, echoing the findings from structural inequality research in the literature. The Regulatory Enforcement Index also has a negative coefficient (−0.12), confirming that stronger enforcement of labour laws reduces exploitation and further supporting the centrality of regulatory frameworks in safeguarding workers' rights against exploitative practices.

Corporate Social Responsibility Commitment shows a negative coefficient (−0.14), indicating that authentic efforts in corporate social responsibility are associated with lower exploitation, highlighting the positive impact of genuine, rather than symbolic, initiatives on labour conditions. The Union Accessibility Score, with a negative coefficient (−0.06), shows that greater union access and freedom to bargain collectively reduce exploitation, consistent with stakeholder theory, which stresses the importance of worker representation in achieving balanced workplace relations.

Regarding model adequacy and fit, the model yields $R^2 = 0.68$ and Adjusted $R^2 = 0.67$, explaining 68% of the variation in the Labour Exploitation and Inequality Score across firms and years, which is notably high for cross-country, multi-firm studies. All predictors are statistically significant ($p < 0.05$), indicating that each contributes meaningfully to explaining labour exploitation under multinational operations. The F-statistic ($p < 0.001$) confirms overall model significance.

Diagnostic checks were conducted to validate model assumptions. Residual plots showed no evidence of heteroskedasticity or non-linearity, and normality of residuals was confirmed through Q-Q plots. Multicollinearity was ruled out as all variance inflation factors (VIFs) were below 5. Additionally, Cook's Distance was used to test for influential outliers, and no observation exerted undue influence on the regression results.

To account for potential heterogeneity across countries and industries, country and sector fixed effects were included in robustness checks. Clustered standard errors at the country level were also used to ensure reliability of inference under potential intra-country correlation.

The sample includes 20 firms across 5 countries over 9 years (2015–2023), resulting in 180 firm-year observations in total. These diagnostic tests confirm that the model meets key OLS assumptions, and the high R^2 demonstrates strong explanatory power. The significant coefficients offer robust empirical support for the institutional and stakeholder factors shaping labour exploitation and wage inequality in multinational corporate operations.

Table 3: Panel Regression Results

Variable	Coefficients	Std Error	t-Statistic	p-Value
Intercept	9.85	1.02	9.66	0
LSC	-0.21	0.03	-7	0
BPG	0.28	0.05	5.6	0
OI	0.09	0.02	4.5	0

WDR	0.39	0.08	4.88	0
REI	-0.12	0.03	-4	0
CSR	-0.14	0.03	-4.67	0
UAS	-0.06	0.02	-3	0.003
R2	0.68			
Adjusted R2	0.67			
F-Statistics	$p < 0.001$			

Discussion

The consistency of these results is demonstrated by key coefficients aligning with theoretical expectations and full compatibility with regression principles. Notably, the strong and significant negative relationship between Labour Standards Compliance and the Labour Exploitation and Inequality Score is consistent with institutional theory, which contends that weak labour standards allow firms to engage in more exploitative practices. This finding is in line with Bernhardt et al. (2016), who similarly observed that superficial compliance, without effective inspections and penalties, often characterises multinational operations, especially in countries with limited resources or political will, such as Bangladesh and Ethiopia. The positive coefficient for bargaining power gap also supports stakeholder theory, illustrating how power imbalances between employers and workers contribute to adverse labour outcomes. In many developing economies, weak or suppressed trade unions prevent collective bargaining, enabling multinational corporations to set wages and working conditions unilaterally. Baccaro and Mele (2012) noted that the weakening of collective bargaining further erodes labour protections within global value chains. The current findings confirm that wider bargaining gaps correspond to higher exploitation.

Outsourcing Intensity is also positively and significantly associated with labour exploitation, affirming structuralist critiques of multinational strategies. Reliance on disjointed and loosely regulated supply chains allows cost-saving but often at the expense of labour rights. Wage Differential Ratio, likewise, is strongly and positively linked to exploitation, underscoring how large wage disparities within multinational value chains perpetuate inequality. This aligns with Posthuma (2010), who found that value chain structures frequently lead to an inequitable distribution of risk and rewards, reinforcing inequality in the Global South. Managerial and technical jobs in the Global North attract higher compensation, while production workers in countries such as Bangladesh or Ethiopia face low pay and precarious employment.

The negative coefficient for the Regulatory Enforcement Index highlights the crucial role of robust formal institutions in protecting workers. Countries with weaker enforcement mechanisms experience higher levels of exploitation. The role of corporate social responsibility, while statistically significant, has a modest effect on reducing exploitation. The findings explain that meaningful improvements in labour conditions depend on genuine, rather than symbolic, CSR efforts. Ebisui (2012) highlighted that in authoritarian or semi-authoritarian contexts, union-busting and weak industrial relations remain systemic barriers, as evidenced by the low Union Accessibility Scores in the panel. These patterns point to the need for international support in rebuilding independent union networks.

Although most empirical results are consistent with theoretical expectations, some findings temper optimistic perspectives in the literature. For example, while Javorcik (2004) explained that foreign direct investment can foster productivity and wage growth through supplier development and technology transfer, this study shows such effects are not guaranteed to improve labour conditions, especially in labour-intensive industries.

The benefits of multinational investment tend to accrue in capital-intensive or high-skill sectors. Similarly, Koenig-Archibugi (2004) argued that reputational risk could incentivise voluntary improvements in labour standards, but the present findings show many firms continue to operate within legal grey areas or exploit blocked supply chains, indicating reputational incentives alone are insufficient. Instead, more rigorous regulatory frameworks and greater stakeholder mobilisation are necessary to drive meaningful change at scale.

Geographical variations in outcomes are also evident. While all five countries studied display signs of labour exploitation, the magnitude and underlying factors vary. For instance, Mexico, with stronger regulatory enforcement, demonstrated slightly improved outcomes compared to Ethiopia or Bangladesh, where institutional weaknesses are more pronounced. This finding is consistent with Raj-Reichert (2022), who emphasised the significance of national regulatory capacity and labour activism in moderating global supply chain abuses. Although this research did not explicitly disaggregate results by gender, the literature indicates that occupational segregation and gender wage gaps, particularly in sectors reliant on female labour, likely exacerbate exploitation (Seguino, 2010). This remains a critical area for future research.

Notably, some findings reveal nuanced realities that challenge overly optimistic views. The modest effect of corporate social responsibility and the persistent exploitation despite foreign direct investment underscore the complex interplay of institutional weakness, power asymmetries, and regulatory enforcement. These insights suggest the need for future research to incorporate dynamic analyses capturing changes over time and to disaggregate effects by gender and sector to better understand heterogeneous impacts across populations and industries.

This study provides robust empirical support for the view that multinational corporations, through their business practices and institutional relationships, sustain systemic labour exploitation and wage inequality in the Global South. Although incremental progress is observed in some contexts, the broader pattern underscores the limitations of voluntary compliance and highlights the need for binding, transnational mechanisms of labour governance (De Stefano, 2020). Initiatives such as the European Union's proposed Corporate Sustainability Due Diligence Directive and the International Labour Organisation's Decent Work Agenda represent progress, but global enforcement remains a substantial challenge.

Conclusions and Policy Implications

This article examines the complex and often uncomfortable relationship between multinational corporations and labour rights in Bangladesh, Vietnam, Ethiopia, Mexico, and Indonesia between 2015 and 2023. Drawing on institutional and stakeholder theories, and using a robust empirical model across twenty multinational corporations in five developing countries, the research compellingly demonstrates that corporate strategies, combined with weak enforcement and unequal bargaining power, systematically produce labour exploitation and wage inequality. The analysis revealed that low compliance with international labour standards, greater outsourcing, and wider wage differentials are closely associated with higher labour exploitation. Conversely, strong enforcement of standards, union accessibility, and authentic corporate social responsibility efforts are linked to improved labour conditions and reduced wage disparities. These findings reinforce arguments in the literature on global labour governance, which suggest that voluntary codes of conduct are inadequate and institutional protection is often insufficient. Multinational corporations continue to benefit from cost arbitrage and fragmented accountability within global value chains, while workers bear severe negative externalities that are largely unaddressed. The article underscores the need for a transition from symbolic to substantive labour protections, which must be implemented not only by national governments but also through international law or binding corporate commitments.

Ultimately, the study confirms that labour exploitation and wage inequality associated with multinational corporate operations are rooted in structural and institutional asymmetries. Addressing these challenges requires comprehensive reforms at both international and local levels. However, this study is not without limitations. Its sample is restricted to twenty multinational corporations across five developing countries and may not fully capture sectoral variations or informal labour dynamics. Additionally, the reliance on secondary data and institutional indicators may constrain the granularity of worker-level experiences. Future research should consider longitudinal approaches to explore dynamic effects over time, incorporate direct worker surveys for more grounded insights, and investigate gender-specific impacts of labour exploitation. These extensions would deepen understanding of the mechanisms through which corporate power interacts with labour vulnerability.

For policy recommendations, governments should align with frameworks like the German Supply Chain Due Diligence Act, which mandates that multinational corporations identify, disclose, and prevent human rights risks throughout their supply chains, with real consequences for non-compliance. Urgently, governments should increase investment in national labour inspectorates, ensuring inspections are frequent, independent, and well-resourced to detect violations and hold firms accountable. Legal safeguards must also be established to protect the right to unionise, prevent union-busting, and promote collective bargaining, particularly in export-oriented industries and special economic zones.

Looking ahead, to address cross-border labour exploitation networks, regional agencies such as the Association of Southeast Asian Nations and the African Union should establish labour rights tribunals to adjudicate cases and impose judgments against multinational corporations in member states. Policymakers should also incorporate enforceable clauses on labour rights in bilateral and multilateral trade agreements, establishing monitoring and dispute settlement mechanisms specifically addressing labour rights issues.

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