IDCEA Research brief

Chinese firms and employment dynamics in Sub-Saharan Africa: A comparative analysis

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African countries and in particular Ethiopia and Angola have been major destinations of Chinese FDI and Construction Projects in recent years. These investments and construction projects by Chinese companies often generate jobs for African workers in labour market contexts characterised by widespread underemployment and very limited decent work opportunities. New jobs in manufacturing and construction may contribute to much needed structural change in African economies.

But these investments and construction activities have generated widespread controversy. There are common perceptions, especially in media, that employment outcomes in Chinese firms are poor. However, there has been a notable lack of systematic evidence either for or against such claims.

The 'Industrial Development, Construction and Employment in Africa (IDCEA)' research project conducted systematic surveys of firms and workers in Ethiopia and Angola on employment conditions in both manufacturing and construction. This Research Brief reports on the main results of this project.

The quantitative worker survey covered 76 firms and over 1,500 detailed questionnaire-interviews with workers employed in manufacturing activities and infrastructure construction (mainly road building) in Angola and Ethiopia. The samples included workers in Chinese, Ethiopian, Angolan and other foreign firms, among the leading companies in the target sectors for this research. Intensive field-research took nearly three years, including more than 250 qualitative interviews.

Understanding labour outcomes and employment dynamics in the emerging construction and manufacturing sectors in African countries requires a careful analysis of a multi-layered configuration of labour regimes. Overall, the study shows that context, both national and sector contexts, as well as the circumstances of the economies and countries when surveys were conducted, are more important determinants of labour outcomes and labour relations than the origin of a firm.

Job Creation and Workforce localization

One popular misconception about Chinese firms in sub-Saharan Africa is that the majority of their workers are Chinese—especially on infrastructure projects. However, our survey suggests that workforce localization rates are much higher than assumed. In Ethiopia about 90% of workers in Chinese firms were, in fact, Ethiopians. The small minority of expatriate workers was concentrated in managerial or skilled technical jobs. In Angola, where localization is more severely constrained by binding skill shortages, our estimated rates were close to 75%. We also found that localization had grown significantly in the previous 10 years as Chinese firms settled in the Angolan market, a trend that is shared by most other African countries. Given that Chinese contractors have dominated the road construction market in Ethiopia and Angola, they have been the main contributors to job creation in absolute terms, especially in recent years. Moreover, Chinese firms led the creation of new manufacturing jobs among foreign firms in Ethiopia since 2000.

Labour force characteristics

Different sectors and firms employ heterogeneous workforces, especially in contexts of a slow transition towards non-agricultural employment. In both countries we found evidence of significant labour force segmentation, especially in Angola, where we could distinguish between two clear segments: a) poorer migrant workers with lower education levels and much less relevant sector work experience dominate the workforces in many Chinese firms in both construction and manufacturing; b) a relatively higher-skilled segment of workers, with education levels above the average urban worker, and more work experience in construction and manufacturing, who are older and enjoy more stable work arrangements, is concentrated in Angolan and other foreign firms, especially in Angolan factories in Luanda and firms operating in a major dam project. The first segment of workers are employed primarily under a 'dormitory labour regime', whereby Chinese companies offer free accommodation and meals in addition to cash wages in order to recruit and retain migrant labour from distant provinces.

Segmentation among Ethiopian workers has different characteristics. Among the low-skilled workers, employees of Ethiopian companies are much older and also have markedly lower levels of education than workers in Chinese or other foreign-owned firms, where workers are very close to one another in average age. While women form the majority of the low-skilled labour force across all company types, this is most pronounced in other foreign firms, including Chinese firms. Factory work is highly gendered in Ethiopia, with dominance of women workers especially in textile, garment and shoe factories, whereas Angolan factories producing building materials are entirely male-dominated.

Wages and Working Conditions

A combination of descriptive and statistical regression analysis reveals that there is significant variation in wages, by sector, skill group of workers, size, and origin of firms. According to our statistical analysis, the main determinants of wages are, for Ethiopia: skill level of workers (high premium for semi-skilled workers); working in construction (higher wages i.e. +); job tenure in company (+); education (+); work experience (+); socio-economic status (+) and location effects, like being located in an industrial park, where wages are slightly lower. In Angola the main determinants of wages are: skill level of workers (+); job tenure (+); work experience (+); socio-economic status (+); specific location effects; and an indicator of sample bias. Once we take all these factors into account the origin of a firm does not impact on wages on average. In other words, wages in sampled Chinese firms are broadly similar to other top firms in the same sectors, once other worker and company characteristics are taken into account.

Furthermore, reported wages are not 'poverty wages' in the strict sense. In Angola and Ethiopia, even the lowest-paid low skilled workers receive wages that are above the extreme and moderate international poverty lines or national poverty lines. In Angola, all workers earned wages that were above the sector minimum wage and a majority of workers earned well above minimum wages. However, most workers complained that their wages were too low when compared with relatively high living costs, especially for migrants who had to face high housing and food costs in those situations where accommodation and food were not provided by employers.

Non-Wage Working Conditions

Sector specificities and country context are also crucial to understand differences in the non-wage benefits workers obtain, which vary substantially, as well as the degree of 'formality' in labour arrangements. What was common to both countries was the absence of labour intermediaries and complex labour recruitment systems. Workers were directly employed by sampled firms. In Angola, Chinese firms are more likely to offer free food and accommodation whereas other firms reflect more formalization in labour arrangements through higher incidence of benefits like sick leave, holidays, and medical assistance. In Ethiopia the differences are less systematic but both Chinese and other foreign employers are more likely to offer meals in factory sites. Occupational hazard, especially reported injuries and work accidents are broadly similar across firms by origin, although more common in construction sites and less common in Chinese firms.

Labour relations, unions and bargaining

We find evidence that, generally, leading national firms are more used to having trade union presence, whereas foreign firms, including Chinese companies, are more reluctant to engage with unions, and they tend to adopt different management styles. However, we also find that there is no difference in the level of labour conflict across firms in both countries as all kinds of firms are similarly affected by strikes over wages, especially in the Ethiopian manufacturing sector. Labour conflict is not only manifested in strikes and tense encounters at the workplace. It is also reflected in forms of passive resistance such as absenteeism and theft, which was reported to be common in Angola but not in Ethiopia. Instances of verbal abuse by managers and supervisors, more widely reported in Chinese and other foreign firms in Ethiopia, and poor communication, a feature found in both countries, reflect some of these workplace struggles. There is also a clash of expectations between an emerging industrial working class with aspirations of well-paid and stable jobs, and new investors in search of a low-cost and docile labour force. The weakness of labour institutions in both Angola and Ethiopia and especially the lack of a sector-relevant minimum wage in Ethiopia contribute to some of these tensions at workplace level.

Training and Skill Development

We find evidence that in Ethiopia sampled Chinese firms contribute to training and skill development at least as much as other firms in the same sector, but it is in the manufacturing sector where training is widespread and considered as much more necessary by firms. In Angola, all firms have to provide different forms of informal on-the-job training given the severe skill shortages in the country, especially for workers lacking relevant experience and education, but national firms and some foreign firms tend to have some more formal types of initial induction training. In any case, the contribution to skill upgrading, whether through formal or informal means, is beyond doubt, especially for workers with very limited prior experience in these sectors. Labour retention problems are also often reported as reducing the impact of training and especially discouraging foreign firms from more substantial investments in skill development in early operational stages.

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