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Research Report

Work, Employment, and Training through Africa-China Cooperation Zones: Evidence from the Eastern Industrial Zone in Ethiopia

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POLICY POINTS

The EIZ contributes to the employment and training of local workers; but workers are not yet satisfied with the level of training they received.

Key local intermediaries should be identified to facilitate collaboration among local TVET schools, staffing companies, and EIZ resident companies.

Chinese and Ethiopian governments should include skills transfer in the performance evaluation of EIZ developers and investors.

EIZ developers and investors should invest in zone-wide training of local workers on topics of language, technical skills, work safety, etc.

Work, Employment, and Training through Africa-China Cooperation Zones: Evidence from the Eastern Industrial Zone in Ethiopia

Ding Fei

AS AN EMERGING MODE OF AFRICA-CHINA COOPERATION, the promotion of Chinese special economic zones (SEZs) in Africa has attracted much academic and media attention. However, little is known about the development trajectory of particular SEZs, especially how skills transfer is delivered to and received by local workers in different Chinese companies. Taking the Eastern Industrial Zone (EIZ) in Ethiopia as a case study, this policy brief provides a cross-company and cross-sector analysis of local worker experiences of working for, training with, and learning from Chinese companies.

BACKGROUND

SEZs, CONSIDERED A MAJOR NATIONAL STRATEGY to jump-start China's economic growth, have become a key instrument of the Ethiopian state's development agenda. The Industrial Parks Development Corporation was established in 2014 to manage the development of SEZs and serve as an industrial land bank to lease, transfer, and sell land to developers. The Industrial Parks proclamation was published in 2015 with information on rights and obligations of SEZ developers, operators, enterprises, and residents. Additionally, the federal government has taken a number of measures to improve infrastructure, reduce corruption, and expedite customs and logistics. The Ethiopian Investment Commission (EIC) has also put forward a number of preferential policies that offer tax reductions and logistics support to developers and investors.

The EIZ, located about 32 kilometers south of Addis Ababa, is Ethiopia's first private SEZ developed by a consortium of three private Chinese developers. It was approved as an official SEZ under the "Overseas Trade and Economic Cooperation Zone" program that was initiated during the 3rd Forum on China-Africa Cooperation in 2006.

Despite initial difficulties experienced by Chinese zone developers and manufacturers, the EIZ has recently managed to grow and attract Chinese and other non-Chinese foreign businesses under pro-investment policies and financial support from multiple levels of Chinese government (national, provincial, and municipal). As of 2016, the EIZ had 64 enterprises, of which 31 were fully operational. These enterprises engage in sectors including textiles, garments, footwear, construction materials, auto assembly/parts, and food processing. Although initially most companies came from

southern and southeastern China, primarily the Jiangsu and Guangdong provinces, the EIZ now hosts manufacturers from other parts of China and from various other countries.

METHODOLOGY

FIELD RESEARCH WAS CONDUCTED DURING the summer of 2016 to investigate 1) the operational strategies of zone resident companies; and 2) the perspectives of local workers about their work experiences, training opportunities, and skills development prospects. Field observations investigated the work environment in the EIZ and Chinese factories. Interviews with Chinese factory managers, expatriates, and local technicians were conducted on topics of local recruitment, training, and management practices. In addition, an opinion survey was conducted with 204 local workers from Chinese companies in the EIZ.

FINDINGS

Local Workforce Demographic and Employment Background

The survey of 204 local workers (about 2.6 percent of the total EIZ local workforce) revealed several demographic features and employment characteristics.

1. Workers are young adults between 16 and 28 years old.
2. Almost 80 percent of the workers are single.
3. Forty-seven percent of workers have post-secondary education: 93 attended Technical and Vocational Education and Training schools, three attended college.
4. Ninety-three percent of workers grew up in the Oromia region where the EIZ is located, particularly the nearby towns of Dukem and Debra Zeit.
5. Chinese companies are the first employer for 80 percent of workers, indicating that the EIZ contributes to the employment of young adults who have recently entered the job market.
6. Employees have worked in their current companies for various lengths of time (an average of 18.6 months), the longest being 80 months and shortest starting just one month before the survey.
7. Workers are employed by two primary actors: zone developers/operators and resident enterprises. Workers employed by zone developers/operators engage in: 1) construction (i.e. building factory sheds and other zone infrastructure); and 2) services (e.g. zone security and cleaners). Those employed by resident enterprises include workers from four sectors: 1) footwear (e.g. leather shoes); 2) industrial materials (e.g. cement, steel

pipe, and metal); 3) textiles (e.g. spinning, weaving-fabric, knitting, finishing, and garment fabrication, bedding products, etc.); and 4) auto assembly/parts.

WORKING IN THE EIZ

Chinese companies in the EIZ have certain similarities in operational strategies.

1. Investors are mostly small, private manufacturers.
2. Companies recruit many more Ethiopians than Chinese expatriates, with a workforce localization rate between 80 and 99 percent.
3. Companies are relatively autonomous from their local head offices in Addis Ababa and headquarters in China in daily decision-making.

Yet, their specific sectoral focuses, scales of investment, and market positions lead to variations in specific production arrangements and labor management strategies.

Recruitment: Employers typically post a job advertisement on a bulletin outside the zone and interested candidates can visit the factory for an interview or screening. Factories that recruit large amounts of workers work with the local labor office and police station for labor recruitment.

Workweek Length: Workers work five to seven days a week and six to fifteen hours per day. Service sector personnel work the longest hours for an average of 10.6 hours per day, followed by textile workers for 10.1 hours, and footwear workers for 9.5 hours. Textile and footwear companies operate one to three shifts a day, seven days a week. Workers in construction and industrial materials work about eight hours per day. Auto assembly/parts companies have the shortest work time with an average of 7.6 hours. Market demands and contract deadlines play a major role, affecting work schedules in footwear, textiles, and industrial materials manufacturing. Huajian, while formally employing 4,600 locals, utilized only 2,400 workers during the survey. During “slack” production seasons, the company will adjust working hours and shifts accordingly. Each worker, in those occasions, may have two days off in a week.

Training: Sixty-one percent of surveyed workers reported having received employer-sponsored training. On average, they were trained for nine days, 7.6 hours per day. For workers in the auto assembly/parts sector, training was almost non-existent. Workers were recruited through TVET schools and already had relevant background in automotive or mechanical engineering.

Most workers in the industrial material and textiles sectors reported fewer total training hours, yet variations existed among

workers and companies. For example, among specific companies Linde Garment provided the longest length of training—an average of 20 days—to new workers. Their products were mostly exported to European markets, which implied higher quality standards compared to companies who sold in local markets. Workers in the footwear sector received long overall training, which could also be explained by the quality requirements for their European and US clients.

Other than skills training, companies also pursued other measures to boost workers' morale and discipline. Some companies put up banners with lofty slogans, such as “pure gold fears no fire”, in Chinese, English, or Amharic. Huajian, in particular, engaged all workers in physical training three times per day. This was promoted as part of the company culture as the owner of the company was a veteran in China.

Lunch and Shuttle Services: Chinese managers have varied opinions about providing lunch to local workers. Some believe keeping workers in the factory for employer-provided lunch is an efficient and easy way to manage. Others prefer not to do so for fear of food sanitation issues and high logistical costs. Companies with large numbers of workers also tend to provide shuttle services. There are also local minibuses waiting to transport workers in the evening. Overall, commute times range from two minutes to 90 minutes among surveyed workers, the average being 28 minutes. With the boom of the EIZ, there are also scattered shed houses available for rent near the zone.

WORKERS' PERCEPTIONS

WORKERS WERE ASKED TO IDENTIFY AND RANK three major incentives and challenges of their work in Chinese companies. The results show both similarities and differences in workers' perspectives across the footwear, industrial material, auto/parts, and textile sectors.

Work Incentives: Skills development was identified as a key work incentive, especially among those in the footwear and textile sectors. Workers in these two sectors also valued career development and coworker relations in their companies. Workers in industrial material production named job stability as their top incentive. Companies like East Steel and Zhongshun Cement enjoyed relatively large shares in the domestic market, particularly through Chinese clients. Working in this sector was therefore considered a stable job compared to construction, for example.

Workers in auto parts (particularly female workers from Shadeka) chose work environment as their top incentive. Shadeka

employs a larger number of men than women and pursues a gender-based division of labor in production: male employees operate machinery and female employees work in small groups to manufacture auto parts like air filters.

Work Challenges: Low payment was identified as the top challenge across all sectors. Workers received monthly wages between 1200 birr and 2200 birr, with the average pay slightly lower in textile companies and higher in auto and industrial materials companies. While Ethiopia does not enforce a national minimum wage, compensation offered by the companies is higher than the national average of US\$49 per month. Nonetheless, workers do not consider the income to be sufficient when considering their household expenses and the number of unemployed family members who are dependent on their income.

Workers in footwear and textile sectors cited career development as both an incentive and a challenge. While they believed that work experience in current positions would expand their career choices in the future, they also thought there was little room for promotion within their current company. While a few locals were promoted as foremen, they were mostly considered subordinates to Chinese expatriates, and very few could participate in management or decision-making within their companies. Chinese managers expressed their willingness to promote locals, but said they were unable to do so given the limited availability of qualified and skilled candidates.

Workers' Assessment of Work and Work Relations: Workers generally agreed that the work schedule was acceptable and the Chinese were competent in professional skills. A slightly higher rating was given to collaboration between Ethiopian coworkers than to collaboration with Chinese expatriates, however. Management was rated lower than other statements, with social interaction rated the lowest. In terms of training, while workers tended to agree that training was helpful and work experience contributed to skills development, they were not satisfied with the on-the-job training offered by their companies.

CONCLUSIONS

The EIZ and its resident companies have relied upon the local workforce for daily production. While companies employ varying numbers of Chinese expatriates, the number is much smaller when compared to local recruits.

Both similarities and differences exist in terms of recruitment processes, work schedules, management practices, and training provisions between companies and across sectors. Overall, manufacturers are demand-oriented and will adjust their work

schedules accordingly. Nature of industry, scale of recruitment, and market conditions played important roles in the daily production and workforce organization.

Inter-firm and inter-sectoral similarities and differences are also evident in workers' perceptions of their working experiences in the EIZ. Local workers value the learning opportunities in Chinese companies, and agree that their employment is contributing to skills development. However, workers are not satisfied with the level of training provided. At the same time, the salaries offered by companies, while higher than the national average, are not considered sufficient to cover household expenses, particularly with increasing rent in the neighborhoods surrounding the EIZ.

Companies engaged in export-oriented production tend to invest more time in training than those who cater to the local market. This is primarily due to high-quality standards required by European or US clients.

POLICY RECOMMENDATIONS

1. Specific requirements (i.e. type, length, and content) of training should be included in government investment policies and industrial park regulations. Preferential service facilitation, such as expedited one-stop service for work registration or customs clearance, can be provided to companies that comply with government training requirements.
2. Zone developers should take a more active role in organizing zone-wide training on work safety, security, and time management. Training should be formally

included in performance evaluations of zone developers by the Chinese and Ethiopian governments.

3. Companies, particularly during low production seasons, should invest more time in training local workers. Improved skills can greatly contribute to companies' productivity and the quality and competitiveness of their products. Training should be organized around topics such as Chinese language learning, technical skills, and company culture, which not only give workers the opportunity to improve their skillset, but also increase their sense of belonging within their companies.
4. Key government agencies should be identified as intermediaries to facilitate collaboration between local TVET schools and zone resident companies. Similarly, professional staffing companies, supported by government funding, should build a database of local workers (and TVET school graduates), organize workforce training, and provide targeted recruitment services to zone resident companies. ★

AUTHOR

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