THE IMPACT OF CHINESE ENTERPRISES ON URBAN EMPLOYMENT IN AFRICA

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The impact of Chinese companies on Africa's urban employment can be measured quantitatively and qualitatively. Quantitative analysis can be found through official documents and surveys. For example, a report from Angolan authorities and the author's survey showed that 85 Chinese companies in Angola created nearly 5500 jobs in 2007 (Table 1).

In Ethiopia, 24 manufacturing and construction companies in the Addis Ababa metropolitan area employed 10470 local workers and 2650 Chinese (interviewed in 2011 and 2012). These figures give a general idea of the size of the impact of Chinese companies' employment in Africa. However, several points must be noted.

1. The reporting of these figures is not strict. Often they are just estimation or planning due to deficient statistic systems.

2. The numbers fluctuate. A company's employment pattern at the beginning phase, or during peak season can vary greatly from that in other periods because of the diversity of sectors.

3. Categorization is difficult. It is unclear whether these are temporary jobs, contracted workers, or regular seasonal workers. The precise nature of the jobs is questionable due to various and incomplete regulations. While every researcher must be extremely cautious about quantitative empirical research on the impact of Chinese enterprises' employment, a qualitative analysis can shed some light on the development dynamism of the role of Chinese enterprises in Africa's urban employment. The analysis will examine various sectors and focus on the potential of solving long-term urban poverty.

In the construction sector, Chinese companies appear to hire a large number of workers. Yet, not many of them are permanent employees. In Ethiopia, a construction company said they had employed over 500 local employees for ten projects, but only 50 were permanent employees, including lawyers, administrative staff etc. The construction jobs depend on projects, which further depend on donors' funding and governmental projects. Several points can be concluded regarding the construction sector.

1. The number of workers fluctuates greatly.

2. The skill requirements are relatively low. Most are manual laborers. The rest are individual technicians such as drivers, electricians, plumbers and carpenters.

3. Sustainable development of the construction sector is not self-evident.

Table 1 Number and nationality of workers involved in the Sino-Angola enterprises – by sector

Sector	Chinese	Angolan	Others	Total	Local Employment %
Agriculture/Irrigation	72	307	0	379	81.0%
Hydropower plant and transfer	451	335	0	786	42.6%
Education /School Construction	376	676	0	1052	64.3%
Healthcare/Hospital Construction	365	554	0	919	60.3%
Construction of Transportation Facilities	658	1053	0	1711	61.5%
Municipal Construction	349	607	0	956	63.5%
Public Housing	274	455	0	729	62.4%
Commercial Housing	191	486	14	691	70.3%
Telecommunication	235	145	4	384	37.8%
Catering	42	128	0	170	75.3%
Trading	146	432	7	585	73.8%
Manufacturing/Industry	194	304	11	509	59.7%
Total	3353	5482	36	8871	61.8%

Source: * The Ministry of Finance of Angola, June 30, 2007, based on statistics of 30 projects in phase I of the first framework agreement.

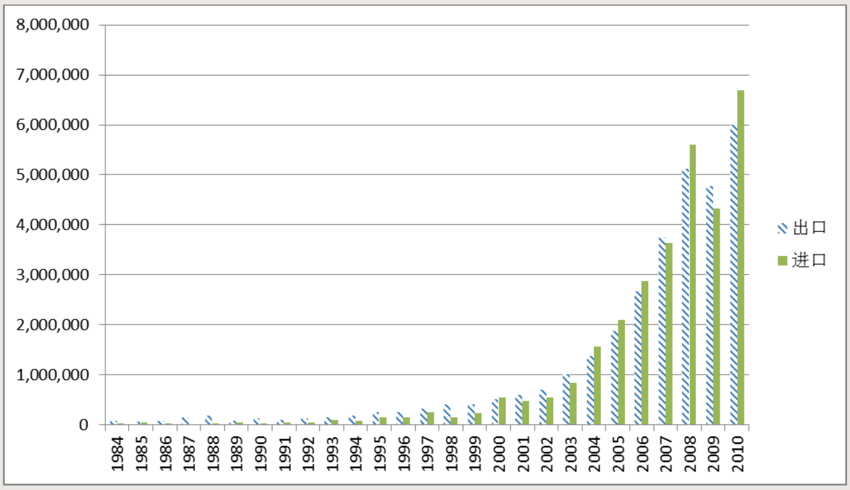
** Based on surveys and interviews of eight Chinese construction enterprises.

*** Based on surveys and interviews of 47 Chinese private companies.

In the service and trade sector, the Chinese enterprises are numerous (Graphic 1), but small in size. Each enterprise merely hires a handful of local workers. Except for some basic linguistic and administrative skills, the work in this sector does not require special skills. Meanwhile, the traded goods between China and Africa are relatively limited and imbalanced. Africa imports electronics, machines, garments and various consumer goods from China, but is able to export only natural resources and basic industrial materials (Graphic 2). Therefore, such trade alone may lead to imbalanced development and cannot create sustainable exchange.

Sustainable development and job creation must come from non-extractive industrial production, namely manufacturing. There are various attempts to bring industrial and manufacturing jobs from China to Africa. In hi-tech/capital intensive sectors, Chinese car companies set up automobile assembly factories in South Africa, Angola and Ethiopia. Huawei and ZTE create thousands of direct jobs across the continent and train tens of thousands of telecom technicians every year. These enterprises target local markets. Since Africa's local markets are small, the total number of employees is still very limited. Besides, the operations in African countries make up just a small part of the whole value chain. Almost 100% of the car components are imported from China or other countries, the factories merely do the assembly job (In a Chinese manager's words, "Ethiopia cannot produce even a screw"). In telecom, the work in Africa is also constrained to installation and maintenance of imported equipment. In addition, the hi-tech manufacturing/industrial jobs require sophisticated education. The well-paid jobs benefit middle-class rather than lower class in urban areas.

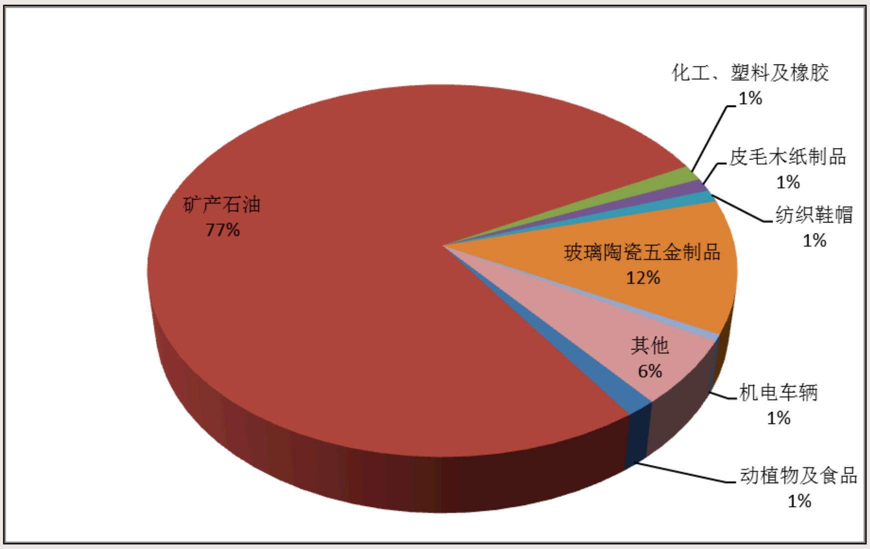
Figure 1 The trend of China's trade with Africa 1984-2010 (in tens of thousands US$)



Source: *China Statistic Yearbook*, China Customs (in tens of thousands US$)

In the low-tech manufacturing sectors, such as textile and footwear, the impact of Chinese companies seems to be negative at the first look. The influx of a large number of made-in-China goods has had a huge impact on existing producers in Africa. The highly competitive Chinese products not only take over domestic market, but also eclipse the export market of African manufacturers. Tens of thousands of African jobs in these sectors are menaced. For example, there are over two thousand small and micro shoe-makers in Addis. In a 2007 survey, under the pressure of Chinese imports, 32.4% of the producers downsized activities, 27.8% producers went bankrupt, 11.1% closed the company temporarily.[1] In order to protect its own industry and employment, the Ethiopian government imposed 100% duty on imported shoes and saved the local shoe industry for the time being. Sub-Saharan Africa's textile manufacturers lost almost 50% of their export market in US and Europe during 2005-2010 (Graphic 3), mainly to the Chinese competitors. In order to mitigate the abrupt impact after the Multi-fiber agreement, the USA and EU re-introduced a quota system during the three-year transition period. Although the decline of local textile industries was slowed, these measures did not fundamentally change the trend.

Figure 2 Composition of Africa's exports to China 2010 (in US$ value)



Source: UN Comtrade

Nonetheless, a new trend in labor-intensive manufacturing sectors shows promising pictures for Africa's urban employment. During recent years, the Chinese government has called for industrial upgrading and encouraged enterprises to move part of their traditional production bases overseas. In 2011, two shoe companies from Guangdong province moved to Addis Ababa to produce shoes for export to Europe and USA. By now they have employed over 1,200 local workers. One of them, Huajian Group, sent 86 Ethiopian young graduates to China for a two-month training and is planning to send another 300 trainees to China. They are going to partner with CADF to invest US$ 2 billion to build a shoe-producing base in Addis in the next five years, and expect to employ over 10,000 local workers. The reason for this immense investment is the pressure of rising labor costs in China. The company has 25000 Chinese workers, who earn on average 2000-3000 RMB/month ($USD 300-500), whereas in Ethiopia, the company only needs to pay workers 600 Birr/month ($USD 35). This is not a single case, several glove making factories also plan to move to Ethiopia in response to increasing salaries in China. In the Sino-Africa Economic Cooperation Zones in Egypt and Nigeria, a handful of factories producing shoes and garments hired nearly 1000 workers by 2011.

However, this movement just started and the trend is far from certain. The favorable factors for Africa include low labor cost, abundant raw materials, and tariff exemption within the framework of AGOA and All but arms. But Africa's backward infrastructure, weak industrial bases, inconvenient logistic supply, insufficient government capacity may hinder further investment. Even with higher salary, the high manufacturing productivity in China still makes the overall production costs there lower than in Africa. Southeast Asia can become an attractive alternative for the manufacturing relocation too.

In sum, the overall impact of Chinese enterprises on Africa's urban employment is huge and extensive. Yet, jobs in different sectors have various implications to the overall long-term development of Africa. Construction and trade sectors are currently major job creators, but they may not be sustainable in the long run on their own. Of course, they are still needed, as they improve infrastructure, invigorate trade, increase income and develop basic industrial structure. The question is how to evolve from this basis.

More profound impacts on employment can be traced in the manufacturing sectors, especially the labor-intensive sectors. On the one hand, products made in China seriously threaten tens of thousands of jobs across the continent. Protection measures are necessary to avoid dramatic rise of mass unemployment and poverty. On the other hand, the FDI and relocation of Chinese companies may also provide numerous jobs. Yet, pro-active policies and orchestrating efforts are urgently required to nurture and promote this new trend.

[1] Tegegne Gebre-Egziabher, "Impact of Chinese imports and coping strategies of local producers", Journal of Modern African Studies. 2007(45,4) p. 663.