FRIEDRICH EBERT STIFTUNG

industriall global union

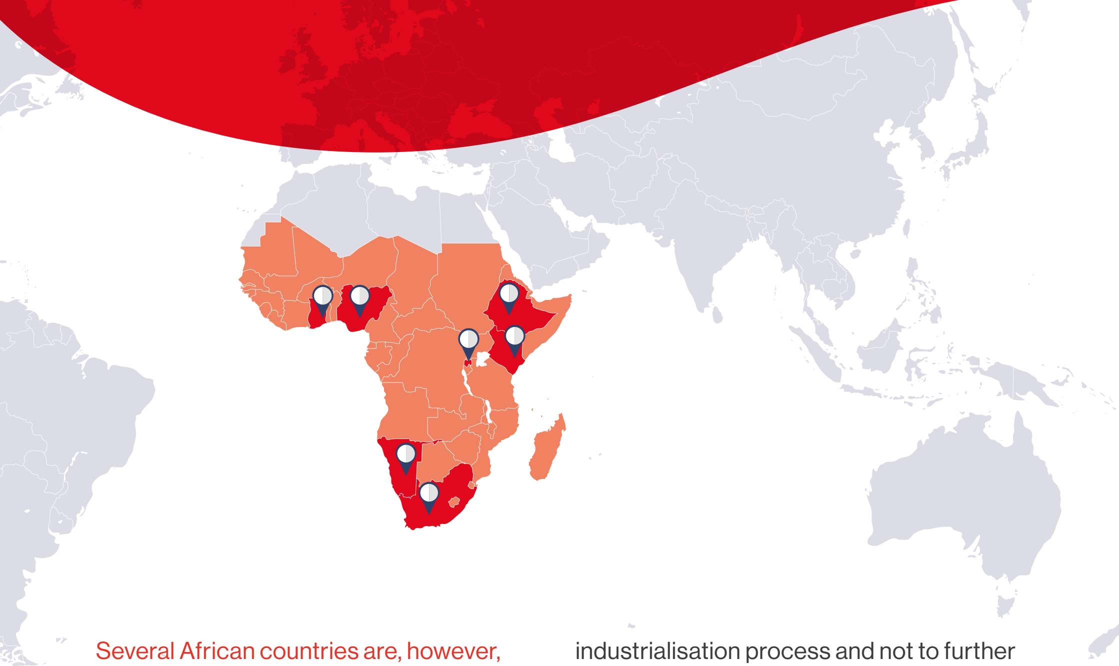
We want **decent** jobs!

Sustainable investments in the SSA auto industry

www.industriall-union.org/affiliates/south-africa

All activities in the Sub-Saharan Africa region are organised through the regional office located in Johannesburg, South Africa.

When looking at the global automotive industry, much attention is paid to traditionally established industries in the Global North (Europe, US, Japan) and to emerging giants in the Global South (China, Mexico, Brazil etc.). Across the African continent, few stories are known.



Several African countries are, however, industrialising and actively promoting their auto industries, trying to attract investments and to develop a local manufacturing base. Amongst these are **Ghana, Ethiopia, Kenya, Namibia, Nigeria, Rwanda and South Africa.**

While structural issues persist – poor infrastructure, uneven distribution of skills, financial instability, inequalities, etc. – all these countries own resources, capabilities and skills, and show high potential for growth and development. They also show a commitment to own their industrialisation process and not to further lag behind. Some of them have designed targeted industrial policies (Ghana, Kenya, Nigeria, South Africa) and most have signed agreements with the major global auto players (VW, Nissan, BMW, Toyota, etc.).

They are all actively trying to attract domestic or foreign investments through different kinds of incentives (tax exemptions, establishment of SEZs, etc) and some are exploring innovative options for sustainable and greener growth (e.g. EVs in Ethiopia and Rwanda).

Developing the industry and attracting investments

Ghana

Ghana has included both financial (tax and import duty exemptions) and non-financial (e.g. ban on the import of overaged vehicles) incentives in the 2019 Ghana Automobile Development Policy (GADP), and is trying to move from SKD/CKD assembly to domestic manufacturing. In the meantime, the Ghanaian government has been supporting the 'national champion' Kantanka Group for example through public procurement. The government has also signed MoUs with big auto players (VW, Toyota, Nissan, Sinotruk) and has declared their commitment to establish the Automotive Development Industry Support Centre.

Ethiopia

Ethiopia has also listed the engineering-automotive sector as a key priority in its Growth and Transformation Plan II (GTPII), given its potential to create linkages and job opportunities. The country can also count on a domestic player, the Bishoftu Automotive Industry (BAI), with plans to invest and localise production. Overall, the Ethiopian government has been trying to attract investment by offering incentives (including cheap infrastructure and labour) and preferential trade arrangements, and by setting up industrial parks/SEZs with favourable conditions to open new plants.

In addition, several Ethiopian companies have established partnerships with foreign auto firms like VW, Hyundai, KIA, Peugeot, and Geely. Such partnerships have also allowed the introduction of electric and hydrogen vehicles to the domestic market. Finally, Ethiopia is investing in energy (wind, hydro, etc.) and infrastructure (roads, railways and airways) to support the development of its industry.

Developing the industry and attracting investments

Kenya

Kenya is one of the countries actively seeking to shift from simple assembly to local production. It currently has three plants undertaking some manufacturing operations (Isuzu, AVA and KVM), all promising to expand in terms of new models, additional labour inputs and related services. Policy-wise, Kenya also has a National Automotive Policy, which aims to reduce the importation of used vehicles and to strengthen the public procurement of locally produced vehicles in the next few years.

Namibia

Namibia's automotive industry is still at a very incipient stage, but the country hopes to become an important manufacturing and exporting platform in the future, mainly counting on the infrastructure around the Port of Walvis Bay. At present, the industry essentially operates in the retail and aftermarket segments. One company is involved in the manufacturing of vehicles for security services (Windhoeker Maschinenfabrik) and since 2018 the country also hosts the Peugeot Opel assembly plant (POAN).

Nigeria

The Nigerian auto industry went through different phases of expansion and contraction, with a significant crisis following the liberalisation, privatisation and de-regulation imposed by the SAPs. Since the early 2000s, the country has actively tried to revive the sector, with the National Automotive Council promoting measures to discourage imports and attract investments. A National Automotive Design and Development Council (NADDC) was set up, which also designed the National Automotive Policy (NAP) and the National Automotive Industrial Development Plan (NAIDP) (2014-2024)*. The country recently signed agreements with VW, Honda, Nissan, KIA, Ford, Hyundai and other big auto players. Overall, the country has tried to design fiscal incentives for local manufacturing to move from SKDs to CKDs, and to counter the high importation of used vehicles through land borders.

*The NAIDP includes a focus on investment promotion, infrastructural development, improvement of standards, skills and market development.

A motorbike parked at Ampersand's swap station in Kigali, Rwanda.
Photo by Ampersand.

Rwanda

The Rwandan automobile industry, albeit at an infant stage, has also seen interesting developments. The Rwandan government has been pursuing a green growth strategy, and companies like Safi and Ampersand have started operations to assemble electric motorbikes (image above), while Victoria Motors has been testing the assembly of hybrid vehicles. VW CFAO Motors Rwanda is the only company that has been assembling cars in the country so far, but the Rwandan government has been seeking to attract other foreign investors, for example through the establishment of SEZs.

South Africa

South Africa has a long established auto industry, with major auto players operating on its territory (Nissan, VW, Toyota, Mercedes, Ford, Isuzu, BMW). The country has already implemented several auto plans since its first market liberalisation (MIDP, APDP) and is currently moving towards the 2035 South African Automotive Masterplan (SAAM). Compared to the auto industry in the other SSA economies, the SA auto sector is more diversified and technologically advanced. However, the SA government, together with main industry associations (NAAMSA, NAACAM), is committed to face challenges that still remain important, like the development of the local supply chain, the transformation of the industry (BBBEE agenda) and the integration in a regional market. As of 2019 and early 2020, all OEMs and several large component manufacturers had announced investment plans, showing confidence in the SA market. Unfortunately, the COVID-19 crisis has already had a negative impact on the industry, and actual investment trajectories will have to be confirmed.

Setting priorities: local development and decent jobs

All these initiatives are examples of the willingness to claim ownership of the development process and to valorise the wealth and the capabilities all these countries possess.

Structural weaknesses remain (lack of infrastructure, market distortions like the continuous inflow of imported components and used vehicles, poor regional integration, etc.), but there is commitment to move on and to overcome them. The promised investment plans will have to be verified after the ongoing COVID-19 crisis is over, but they do indicate confidence in the potential of these countries to grow and to expand their auto industries.

However, it will be of supreme importance to make sure that such investments will meet the actual needs of the countries involved. For the Sub-Saharan region, this will mean inverting the historical plundering of resources and triggering local development. It will mean ensuring that any economic growth will have shared social benefits, create linkages with local economic activities and generate quality employment opportunities.

This last point will be crucial. There will be no reduction in current poverty and inequality levels without the creation of more, and decent jobs. As the countries involved in this project testimony, this will be the imperative for any future investment. The challenges are huge, but will have to be faced and urgently addressed.

“ *There will be no reduction in current poverty and inequality levels without the creation of more, and decent jobs.*

The labour issue: current challenges

Ghana

As reported by Ghana, the majority of the workforce is engaged in vulnerable employment (76,4%), and is not trained on developing the skills needed by the industry.

Ethiopia

As the Ethiopian case confirms, poverty wages are still used as a competitive advantage and minimum wage thresholds are rarely respected; structures for social dialogue are generally weak and collective bargaining systems are often obstructed by only granting firm-level negotiations (if any). In many cases, bargaining agreements and workers' rights have actually been suspended during the COVID-19 pandemic, to allow firms easier maneuvering to face the crisis. This led to easier lay-offs and even worse working arrangements.

Kenya

Despite a relatively established auto industry and existing unions, vulnerable employment persists in Kenya, too, with fixed-term and piece-rate contracts still frequent in the sector. The workers on piece-rating arrangements are those suffering the most precarious conditions, and the most difficult to unionise. This category of workers experiences high job insecurity, is easily replaced, and often has no written working agreement. Outside of a pool of 'formal', but still vulnerable employment, up to 84% of the Kenyan workforce is reported to belong to the informal sector, where insecurity is even higher.

Namibia

In Namibia, vulnerability and persistent inequalities also emerge strongly: salaries are still far from a proper living wage; race and gender based discriminations are frequent; social protection is still scant and union density is very low. With frequent anti-union behaviours put in place by employers in the industry, there is no central bargaining system.

The labour issue: current challenges

Nigeria

In Nigeria, following the SAP crisis in the 1980s, privatisation and deregulation in the sector led to rising unemployment, increasing levels of casualisation, informalisation and outsourcing. Today, only in the automotive industry, up to 70% of the workforce is employed on a casual/contract basis. Such processes were followed by reduced union capacity and declining membership.

Rwanda

Linked to the early stage of the industry, social dialogue is weak or almost non-existent in the Rwandan case. Many workers are still extremely vulnerable, employed with no written contract, with no access to social security and unaware of their rights. No minimum wage has been fixed yet, and the pool of informal workers is still extremely wide (especially within small component manufacturers and auto repair services). Unionisation in the sector is still very low.

South Africa

In South Africa, social dialogue and collective bargaining in the auto industry are amongst the strongest on the continent. However, challenges still remain: employment growth has not occurred as expected, and a-typical forms of work are on the rise, channelled by the use of labour brokers. While this has been relatively contained within large assembling companies, it is still frequent amongst component suppliers and down the value chain. Overall, the role taken by NUMSA in the discussion of industrial policies, investment plans and as part of the collective bargaining process can certainly provide important lessons.

> *In South Africa, social dialogue and collective bargaining in the auto industry are amongst the strongest on the continent.*

A decent work agenda for the SSA auto industry

Indeed, without investments and expansion of the industry there will be no benefits and no employment will be generated. But how will we guarantee that investments will be sustainable and will translate into decent jobs, helping to lift the most vulnerable workers out of poverty and precarity, whilst contributing to confront the challenges highlighted above?

In this, the role of trade unions will be crucial.

Unions will have to apply pressure to make sure that growth and expansion will mean local development, and that benefits and wealth created will not be plundered again.

Unions will have to fight to protect vulnerable workers, to make sure that their poverty and insecurity will stop being used as an advantage to the bosses.

Unions will have to struggle and build bridges across the continent, to raise awareness, unity and solidarity.

How? Here follows some inputs we put together, hoping they may represent some building blocks towards a continent-wide discussion on a sustainable auto industry, gathering workers and unions' voices, saying out loud, "We want jobs, and decent jobs!"

01

Trade unions should be consulted in investment decisions and involved in industrial policy planning. The participation of the SA NUMSA in the SAAM and the previous ASCCI initiative represents a positive example. Once involved, the unions should more strongly advocate for localisation, local supply chain development, and in direction of all those segments with a higher potential for employment creation.

02

A joint effort should be made to re-energise and strengthen union organising

Specifically where this is weak or where union density is low: beyond OEMs and along the supply chain, in newly formed companies where union presence is obstructed (e.g. Nigeria) or where anti-union sentiments persist (e.g. Namibia, Rwanda).

03

More support is needed to develop structures for social dialogue, specifically where this is weak or absent (e.g. Ethiopia, Rwanda).

04

More support would be needed to expand the collective bargaining coverage, specifically in the contexts where plant/firm level bargaining is imposed or dominant (e.g. Ethiopia, Namibia).

05

Stronger political strategies should be implemented to secure Minimum Wage Agreements, specifically where these do not exist, or where they have been promised but never enacted (e.g. Rwanda, Namibia).

06

More capacity-building initiatives should be organised, involving both workers and union leaders, on issues such as collective bargaining, skills development, labour laws etc.

07

Stronger and more effective strategies are needed to counter processes of casualisation, informalisation, outsourcing and the increasing employment of workers on short-term contracts. See Kenya's piece-rating system, as well as Nigeria and Rwanda. Keeping a vigilant eye on the impact of the ongoing COVID-19 crisis will also be crucial.

08

Looking at the COVID-19 crisis, unions will have to make sure that all temporary suspensions of workers and union rights are lifted (e.g. Ethiopia).

09

The harmonisation of OSH policies at sectoral level is urgently needed, especially in light of the experienced pandemic.

10

Regional Framework Agreements and Regional OEM Union Networks, per company but across countries. These could be created to strengthen international dialogue and develop common strategies. This could build on the existing IndustriALL umbrella.

Industriall SSA Regional Office

+27 11 242 86 80

aro@industriall-union.org