

WE WANT DECENT AND SUSTAINABLE AUTO JOBS in Sub-Saharan Africa

How can trade unions trigger/initiate and support the creation of decent jobs based on sustainable industrial structures in Sub-Saharan Africa?

A. Background and Terms of reference

A number of multinational vehicle manufacturers (BMW, BYD, Ford, Geely, Honda, Hyundai/Kia, Nissan, PSA, Renault, Tata, Toyota, VW and others) have announced major investments into automotive manufacturing in Sub-Saharan Africa. The countries targeted for these investments are in particular Ethiopia, Ghana, Kenya, Namibia, Nigeria, Republic of South Africa and Rwanda.

These investments are mainly based on the assumption that there is and will be a significant and sustainable growth of income and therefore of the middle class, hence, an ever-increasing market opportunity.

The investments have the potential to significantly increase industrial manufacturing in the region and to create urgently required new jobs. Since jobs are urgently required almost everywhere in Sub-Saharan Africa most if not all governments will engage themselves in fierce competition around FDI and therefore, a race-to-the-bottom with regards to working conditions and tax incentives is very likely.

As there is not yet a stable and sufficient number of customers, the companies will implement their projects at the lowest economic risk possible. In most of the cases, this means to avoid the construction of proper full-scale production facilities and to focus on the assembly of SKD and CKD¹ kits by African contract manufacturers first. Such production patterns also help the companies to circumvent high import duties for finished vehicles. The required skills of the workers to assemble the kits are rather low.

There are numerous examples for larger scale automotive investments that have failed to bring about sustainable industrial structures and decent jobs (e.g. India, Malaysia, some countries in Latin America and in the Middle East).

In SSA one notable past attempts to resuscitate the auto industry has been in Nigeria. The depreciation of the Naira, poor performing economy and cheap vehicles entering the Nigerian economy stifled these attempts. The recent attempt was through the Nigerian Automotive Industry Development Plan which aimed at providing incentives including fiscal incentives to grow assembly plants and attract new investments of other OEMs (original equipment manufacturer).

The Republic of South Africa (RSA) is today the only country in Sub-Saharan Africa with a significant automotive industry, decent jobs and sustainable industrial relations. The successful development of such structures in the past two decades can be partly used as blue print for the other African countries. The new investments in other countries of Sub-Saharan Africa can easily put competitive pressure on the well-established sector in the RSA.

¹ SKD stands for 'semi knocked down' and means that the vehicle is delivered as a kit of partly non-assembled components that need to be re-assembled

CKD stands for 'completely knocked down' and means that the vehicle is delivered as a kit of completely non-assembled parts that need to be re-assembled

**Research project on new investments in the Automotive Sector in Sub-Saharan Africa
Background information and Terms of Reference (TORs), 12th of June 2020**

Some OEMs are making progress in growing their business in SSA. VW recently signed memorandums of understanding (MOU) in Kenya, Rwanda, Ethiopia, Ghana and Nigeria to establish vehicle assembly facilities, assess the mobility concepts and establish training academies for production and after sales. Toyota has operations in Nigeria, Ghana, South Africa, Kenya and in various other parts of SSA. Companies such as Uber and taxify use Toyota vehicles to ferry customers and this increases the market for the OEM. The VW business in Rwanda is structured around tapping from the Uber and taxify and government business too and build the mobility industry from these platforms (VW Mobility solutions).

In a nutshell: **How can trade unions trigger/initiate and support the creation of decent jobs based on sustainable industrial structures in the automotive sector in Sub-Saharan Africa?**

B. Goal

The goal of the research is to establish processes and platforms for engagement and build capacity for unions in the auto sector to play an effective role to support the creation of sustainable industrial structures in the automotive sector in SSA.

Special attention and priority must be given to the diverse national contexts and the different levels of readiness/preparedness on the side of the unions in those countries.

C. Objectives

Please note: Text in italics indicates objectives that will be pursued in a second step in 2021, based on the research project in 2020. Related budgetary items are not included in the present calculation.

- 1) The recent and future investments in the automotive industry in Sub-Saharan Africa will be sustainable and create decent jobs
 - a. For each of the below mentioned countries a specific research will be carried out analyzing how trade unions can effectively support that current and future investments in the auto sector will be sustainable and lead to decent jobs.
 - b. Based on the findings, measures and policy recommendations will be developed for each of the seven countries in close cooperation with the relevant unions to make sure the recommendations are feasible. Moreover, related training needs for each of the trade unions/countries shall be identified.
 - c. *The recommendations, measures and policies will be implemented.*
- 2) The trade unions in Sub-Saharan Africa will have the capacities to organize the workers in the emerging automotive industry and they will ensure decent pay and decent working conditions through collective bargaining and collective action.
 - a. Possible deficits in organizing, recruiting, capacity building and bargaining will be analyzed for each of the below mentioned trade unions.
 - b. *Specific trainings will be carried out to overcome the identified deficits.*
 - c. *The research will pay particular attention to the fact that the investments will be carried out by multinational companies. Related subjects shall be addressed by specific training measures provided by IndustriALL Global Union and its affiliates. This particularly refers to cooperation and alliances between unions in SSA and unions/employee reps at the MNCs investing in the region such as world works councils or global trade union/company networks.*

D. Work plan

After the approval of the concept, IndustriALL Global Union and the FES TUCC will immediately initiate a tendering procedure and as a result of that install a research coordination team and seven local research teams in the above-mentioned countries.

In order to accommodate for a smooth and efficient conduct of the research the following aspects shall be adhered to:

- A list of guiding principles will be provided to the researchers by IndustriALL Global Union.
- The researchers shall have profound knowledge of the automotive industry. Furthermore, they should have an understanding of the core factors of a sustainable investment policy in the auto sector:
 - o A national infrastructure of traffic routes that makes it easy and attractive to drive cars, trucks and buses.
 - o An industrial policy that both promotes investments but also looks at the (initial) protection of the national industry.
 - o A national political context that is characterized by transparency (anti-fraud).
 - o A national and private policy that promotes education & research to make sure the country has both a skilled workforce and a sound scientific base.
 - o A framework that allows and promotes the freedom of association, proper industrial relations, social dialogue and bargaining.
 - o Tax & trade policies that promote the industry without giving up national sovereignty.
 - o A policy framework that takes social aspects into account and makes sure the investments lead to sustainable and decent jobs. Particular emphasis shall be given to an inclusive occupational health and safety policy (OHS) promoting joint OHS committees with workers' and management representatives.
 - o A national income policy that promotes the purchasing power of the masses and therefore the option to purchase a vehicle.
 - o A policy framework that promotes the establishment of a national auto cluster (OEMs, suppliers, research and development, training, government, unions etc.).
- The research shall go beyond a pure desk study and therefore include interviews with relevant stakeholders. Therefore, access to unions on the ground is needed, usually based on trust and knowledge.
- The lead researcher will suggest a list of interviewees to each local researcher.

Due to COVID 19 all coordination will be done by remote meetings. The budget for 2020 includes no funds for (international) travel.

E. Terms of Reference

1. Focus of the research
 - 1.1. As the priority is on the creation of sustainable quality jobs, decent pay and working conditions, and as the investing companies are quite diverse and come from a larger number of countries the research shall look at the sector rather than at individual companies. *What OEMs have investment plans for each of the seven countries and what are the core elements and objectives of the investments (each national researcher for his/her country)?*
 - 1.2. As the huge majority of the investments arranges for SKD and/or CKD manufacturing the creation of a larger local supply base is quite unlikely. Therefore, the research shall concentrate on the activities of the OEMs. However, as many OEMs (at least in the first instance) intend to start their operations based on contract manufacturing through an external local partner *an analysis of those assembly companies is of key importance.*
In case a local contract manufacturer is involved in the investment (each national researcher for his/her country):
 - 1.2.1. *Brief description of the contract manufacturer(s) (brands produced, number of employees, revenue, national and foreign partners etc.)*
 - 1.2.2. *Are workers unionized (a brief description of the trade union density, landscape and organizing capacities in the sector)?*
 - 1.2.3. *What role does/will the local manufacturer play in the national auto investment policy?*
2. Based on the twofold objective of the project (see above) the research should, first of all, make reference to the aspects of **sustainable investments in the auto industry** and describe the regional and national context in which the investments will take place.
 - 2.1. *Briefly describe the regional context regarding the above-mentioned aspects of a sustainable investment policy (only for research coordinator)*
 - 2.2. *Briefly describe the national context regarding the above-mentioned aspects of a sustainable investment policy for each of the seven countries (each national researcher for his/her country).*
 - 2.2.1. *Which of the above-mentioned aspects can/could be influenced by the union(s) at national level and in what way (each national researcher for his/her country)?*
 - 2.2.2. *What are the requirements, necessities, pre-requisites and opportunities for trade unions in each of the seven countries to pro-actively support a sustainable investment policy (each national researcher for his/her country)?*
 - 2.2.3. *As a result, can/could a dedicated union policy make a difference and increase the grade of sustainability of the investment(s) (each national researcher for his/her country)?*
3. Secondly, the research shall analyze the existing and the required structures, capacities and strategies of the unions in each of the countries to ensure that the future workers will be unionized and be subject of high-quality collective agreements providing at least decent wages and working conditions. Moreover, the research shall take into account that the investments will be made by MNCs of which many are used to social dialogue and collective bargaining although with diverse traditions depending on the MNC's home country. This is related mainly to existing global trade union networks or global works councils in companies such as BMW, Daimler, Ford, PSA, Renault, VW, Volvo (AB).
 - 3.1. *What are the recommendations regarding measures and policies that each of the national union(s) in the seven countries shall develop and apply, in a national context, to ensure the achievements of the above-mentioned objectives? This shall include some analysis on the*

**Research project on new investments in the Automotive Sector in Sub-Saharan Africa
Background information and Terms of Reference (TORs), 12th of June 2020**

structural aspects inside the unions: leadership, role of the locals, involvement of shop stewards etc. (each national researcher for his/her country)?

- 3.2. *What are the recommendations regarding measures and policies that each of the national union(s) in the seven countries shall develop and apply, in a global context, to ensure the achievements of the above-mentioned objectives (each national researcher for his/her country)?*
- 3.3. *If deemed beneficial and possible, the research could even refer to lessons learned in similar investment situations in other countries, e.g. in India 10-15 years ago (each national researcher for his/her country with the support of the coordinating researcher).*

Finally, the local research shall be combined into a regional study differentiating between overall and national/local conclusions and recommendations (by the coordinating researcher).

F. Outputs

1. Improved understanding of the auto sector in Sub Sahara Africa.
2. Organizational learning and capacities to engage in policy in the auto sector.
3. Advocate and promote sustainable industrial policy for growing the auto sector in SSA.
4. Build organizational strength and capacity through mobilization and advocacy for change.

G. Partners:

- 1) FES Trade Union Competence Centre for Sub-Saharan Africa (FES TUCC), Johannesburg and national offices in the respective countries (communication via FES TUCC)
- 2) IndustriALL Global Union, Sub-Saharan Regional Office, Johannesburg
- 3) Researchers:
 - a. 1 Leading researcher from the Republic of South Africa
 - b. 7 associated researchers (1 for and from each of the above-mentioned countries)
- 4) CETU & Industrial Federation of Construction, Wood, Metal, Cement & Other Trade Unions, Ethiopia
- 5) Industrial & Commercial Workers' Union (ICU), Ghana
- 6) Amalgamated Union of Kenya Metalworkers (AUKMW), Kenya
- 7) Metal and Allied Namibian Workers' Union (MANWU), Namibia
- 8) SEWUN, AUTOBATE, Nigeria,
- 9) National Union of Metalworkers' of South Africa (NUMSA), RSA
- 10) CESTRAR, COTRAF, Rwanda

H. Timeline

- The process of identifying and nominating a researcher shall be completed **by 30 June 2020**.
- The local research in the seven countries will be conducted in the months of **July and August 2020**.
- The leading researcher will draft the final report in the week commencing **31 August**.
- IndustriALL Global and the FES TUCC will amend the draft report the following two weeks.
- In the week commencing **21 September** the IndustriALL Global Union affiliates in the seven countries will be consulted.
- Based on input of IndustriALL affiliates the report and the administrative tasks **will be finalized by 31 October 2020**.

I. Contact Persons

- 1) IndustriALL Global Union, Geneva/Johannesburg
www.industrial-all-union.org / <https://www.facebook.com/IndustriALLGlobalUnion/>
Kenneth Mogane, Sub-Saharan Africa Office, Regional Officer, KMogane@industrial-all-union.org
Georg Leutert, Central Office, Director Automotive Industry, GLEutert@industrial-all-union.org
- 2) FES TUCC, Johannesburg
www.fes-tucc.org / www.facebook.com/festucc
Dr. Iris Nothofer, Junior Expert, FES TUCC (Iris.Nothofer@fes-southafrica.org)
Bastian Schulz, Director, FES TUCC (Bastian.Schulz@fes-southafrica.org)

J. Scope / Additional Information:

Countries in Sub-Saharan Africa that have been chosen by foreign investors for major automotive investments:

- 1) **Ethiopia** –The population size of Ethiopia is 95 million, which makes it the second largest population in Africa after Nigeria. Ethiopia’s economy is the third largest in East Africa and has been growing at an impressive rate of 10.9% per annum since 2010 to date. The economic growth of Ethiopia can be partly attributed to efforts by government to attract investments through fiscal incentives and industrialization policies and the legislative regime. The country is developing infrastructure for industrial development in its industrial parks where various companies in textile and chemicals are being hosted. The automobile sector is however weak despite its huge market potential. Ethiopia relies on second hand commercial and passenger vehicles imported from other parts of the world. Bishoftu Automotive Industry, which is run by the military, manufactures and assembles buses, pickups, SUVs, trucks and military equipment such as tanks and armored vehicles. Volkswagen recently entered into a memorandum of understanding with the Ethiopian government to establish vehicle assembly facility and conduct a feasibility study for an integrated mobility concept. These developments provide job opportunities for workers and potential membership for unions in the automobile sector.
- 2) **Ghana** – The automotive sector in Ghana is stable and vibrant and receives foreign direct investments and major automotive brands such as Toyota, Mercedes Benz, Nissan, KIA, Hyundai and Volkswagen amongst others are present in the Ghanaian auto market. The auto parts sector for passenger vehicles is growing. New car dealers, service stations or garages and fleet garages

Research project on new investments in the Automotive Sector in Sub-Saharan Africa
Background information and Terms of Reference (TORs), 12th of June 2020

are emerging and growing in the country. There are reports of an increase in new passenger vehicle with sales estimated to at just over 4000 vehicles per annum. The ICU organizes in the sector and prospects of an incremental growth of the sector raises potential for more job opportunities which can benefit the union. It is hoped that the presence of Volkswagen will serve as an example of the stability of the Ghanaian economy and further attract other big auto brands to set up manufacturing operations to service West Africa.

- 3) **Kenya** – Kenya has the most developed economy in the East Africa economic hub growing at annual rate of about 5%. The automotive assembly, distribution and maintenance of passenger and commercial vehicles drives the auto sector in Kenya. Some of the assembly companies are Isuzu, Peugeot, Volkswagen, Kenya Vehicle Manufactures, Associated Vehicle. KVM assembles Tata motors, canter, Scania, Toyota Land Cruiser. KVM, AVA and ISUZU are the key major companies which assemble motor vehicles. There are four vehicle assembly plants in the country which assembles pick up trucks and heavy commercial vehicles such as Isuzu, Man, Tata and Scania. The spare parts industry services the large market of imported second hand vehicles. The slump in volumes of new vehicles sold is directly attributed to competition of the second hand vehicles. The Amalgamated Union of Kenya Metal Workers organizes in the sector and has experienced a relatively stable membership with good prospects of growth in membership proportionate to the growth of the industry.
- 4) **Namibia** – Namibia is a relatively small country with a population size of 2,4 million and is politically and economically stable. However, the Covid19 virus continues to dim economic growth prospects for the country. The automotive industry in Namibia is at its infant stages and economic models are being experimented to boost the growth of the industry. Peugeot, Nissan, Toyota, BMW, Mercedes have dealership and after sales service. Peugeot established an assembly plant for SKDs but production is slow or stalled due to poor sales of the vehicle. MANWU organizes workers in the sector.
- 5) **Nigeria** – Nigeria with a population size of 191 million is the largest economy in Africa. The country's economic growth is estimated at 2.3% in 2019 benefiting mainly from oil sales revenues. The automotive sector in Nigeria went through promising stages of development since independence in 1960. Big brands like Peugeot and Volkswagen entered into partnerships with Nigerian companies to manufacture vehicles which led to an increase in vehicle production of locally assembled vehicles. However due to economic in the melt down of the 1990s onwards the automotive manufacturing sector suffered a decline. To date the auto motive sector in Nigeria is outcompeted by second hand vehicles at a large scale. However, government put in place a policy structure which provides fiscal incentives to attract investors in the automotive sector, discourage second hand imports and promote local production of vehicles. Volkswagen signed an MOU with Nigerian Government to establish vehicle manufacturing operations. The developments are positive in that more brands may be attracted to operate in Nigeria thereby providing job opportunities to Nigerian workers. IndustriALL affiliates, SEWUN and Autobate stand to benefit in membership growth, stability of the industry and economic growth prospects.

***Research project on new investments in the Automotive Sector in Sub-Saharan Africa
Background information and Terms of Reference (TORs), 12th of June 2020***

- 6) **Republic of South Africa (RSA)** – The automotive sector in South Africa is relatively well-established hosting in total seven Original equipment Manufacturers (OEMs). BMW, Mercedes Benz, Toyota, Volkswagen, Nissan, Isuzu and Ford have operations in South Africa. These OEMs provide foreign direct investments to the country and in turn enjoy fiscal incentives such as tariffs and import duty from the state. The automotive sector is the largest manufacturing sector that employs approximately 450 000 workers and contribute 7% to the GDP of the country. NUMSA, an IndustriALL affiliate organizes in the automotive sector and plays an important role in policy development of the industry as well as support union building in the automotive manufacturing sectors in Sub Sahara Africa.

- 7) **Rwanda** - Rwanda has a population size of 12,3 million. The Rwandan economy has been growing at an impressive rate and in 2019 it grew at 8,7%. The country is improving its road infrastructure and with rising incomes and economic stability there is a likely increase in demand for passenger and commercial vehicles. Volkswagen signed an MOU in 2018 with the Rwandan government to establish an assembly plant in Kigali. It is estimated that that the operation will produce 5000 vehicles per annum. An IndustriALL affiliate in Rwanda, STRIGOCOMIE, is organizing workers at this early stage of the operations of Volkswagen.