

**State capitalism in
construction: staffing
practices and labor
relations in Chinese
construction firms in
Africa**

Key questions to address

- What are the characteristics of China's engagement in Africa's economic development?
- What factors influence the Chinese construction firms in their choice of staffing strategy, i.e. to use local labor or Chinese dispatched worker?
- What is the role of the state and its agencies in shaping the labor market space and industrial relations space at the workplace level?
- What implications may this have for the labor market opportunity for host country workers and labor rights protection for the dispatched workers?

Rationale of the study

- A distinct feature of China's involvement in the economic development of African countries in recent years has been the Chinese government's financing and participation in infrastructure construction projects through its state-owned firms.
- The phenomenon of dispatched workers has not been systematically studied in industrial relations, esp. from the temporal and spatial perspective
- The international labor migration of dispatched workers en masse has implications for the labor market opportunities for host country workers
- The role of institutional actors in shaping the labor market space and industrial relations at workplace level needs to be examined

China's engagement in Africa's development

- Political diplomacy
- Financial support (e.g. aid, loan, investment)
- Infrastructure building



Tanzam Railway

(1970-1975, USA\$500m, largest single foreign-aid project by China then)



缩放口, 尼雷尔、毛泽东、卡翁达的头像.jpg

Bridge crossing on the Tazara Railway in Zambia



Financial aid project – Cameroon Sports Stadium



Madagascar International Conference Centre





Senegal Opera House

Dec 2008-April 2011





African Union

HQs



People's Congress Hall (African version)



Theoretical framework – three elements

1. The role of the developmental state

- Economic manager
 - Employer
 - Legislator
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- Statism in China's economic dev.
 - The role of the state in shaping the labor market and workplace space

Theoretical framework (cont...)

2. Temporal dimension in the study of work and industrial relations, e.g.:

- Length of employment contract
- Working time (when to work)
- Shift patterns (when to work)
- Working hours (how many hours to work)
- Non-working time (who controls it)
- Leave entitlement

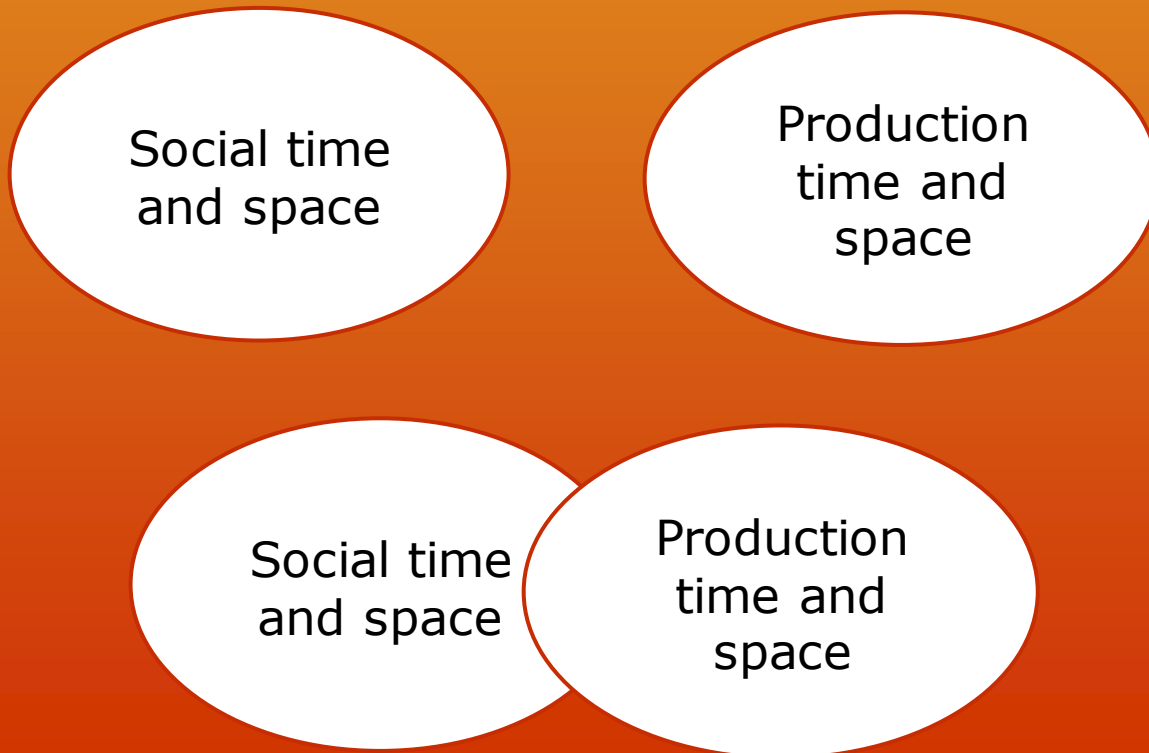
Theoretical framework (cont...)

3. Spatial dimension in the study of work and industrial relations, e.g.:

- Macro level space, e.g. labor market
- Micro level space, e.g. workplace
- Work space – for production activities
- Social space – for reproduction of labor power

Theoretical framework (cont...)

The intersection of temporal and spatial dimensions for work and life



Research methods

- 51 interviews in total, with 33 managers (both SOEs and private firms), 7 senior managers from employment agencies, 9 gov officials, 2 African host country nationals
- Company internal documents and website information
- Secondary data (e.g. media reports, publications from governments, international NGOs)

Findings and analysis

1. Staffing practices: local vs. dispatched workers (i.e. who has the job)
2. Labor conflicts: causes of disputes and mechanisms of resolution (i.e. how bad the job is)

Findings and analysis (1)

1. Staffing practices: local vs. dispatched workers

- Hiring local workers – motives
- Hiring local workers – challenges
- Deploying dispatched workers from China: reasons
- Deploying dispatched workers from China: pitfalls

Hiring local workers – motives

- Compliance of labor laws of host country
- Save cost due to cheaper labor wages
- Pressure from local communities and other political bodies (e.g. trade unions, opposition parties)
- Long-term business strategy for sustainable business in Africa

Hiring local workers – challenges

- Lack of skills
- Low efficiency
- Work ethics
- Strict labor protection regulations

Temporariness and temporal control

- *'The recruitment of these workers are quite simple, they come to your door step; sign contract for only a few months; local workers are quite lazy, they work for a few weeks, get some money, then go and play and spend the money, then come back to work again after all money is spent; there are also guerrilla (transient) workers [打游击的], only come to work for two weeks; some only come to do particular type of work. When the work is over, they leave; so lots of flexibility.'*
(Manager 8)

Deploying dispatched workers from China – reasons

- More skilled and multi-tasking
- Easier to manage (e.g. less language and cultural barriers)
- Able to control their social and work space to control their work efforts and behaviour
- Political task imposed from the government for job creation

***'Dispatched workers are much easier to manage than the local workers. The main thing to consider is to take care of their personal safety, provide good catering and accommodation, and some entertainment facility for social life.'* (Manager 2)**



Deploying dispatched workers from China – pitfalls

- Rising wage cost
- Over claim of skill level
- Poor workplace behavior that leads to labor disputes

'Some workers also claimed they possessed certain skills but they did not. For example, once a subcontractor recruited a worker who claimed to be a bulldozer driver but fractured other's legs while operating the machine. In such cases we have to downgrade the contract from skilled worker to labor.' (Manager 14)

'... in South Africa, it is troublesome to use local workers because of various labour laws, high cost and laziness of local people. We use workers from Zimbabwe, they are illegal workers, they do better jobs than the local workers and they are easy to manage.' (Manager 3, private subcontracting firm)

Findings and analysis (2)

Labor conflicts: causes of disputes and mechanisms of resolution

- Causes of tensions between the construction firms and the local workers and resolution
- Causes of tensions between the construction firms and the dispatched workers and resolution

Causes of tensions between construction firms and local workers

- Local workers prone to collective actions 'mob actions' (聚众闹事)
- Demand for increase in wages and benefits beyond justification of productivity
- Non-compliance of labor regulations
- Sense of entitlement

Methods of resolution

- Usually simple – through financial means, to the workers and/or to labor dispute/labor inspection authorities

Causes of tensions between the construction firms and the dispatched workers

- Downgrading of employment terms and conditions
- Similar work but unequal pay due to multi-employers on the same site

Subcontracting arrangements

A typical mode of production organization on a large project construction site is that a number of smaller Chinese subcontractors will be used by the lead Chinese construction firm. The latter is the project contractor of the host country client and will be responsible for the overall management of the project. Many subcontractors are private firms specialized in certain aspects of the project. Subcontractors are used in part because they operate at a lower cost level than the SOEs, often through reduced employment cost.

Resolution of labor disputes

- Containment of disputes within the workplace
- Involvement of higher authority from the lead state-owned construction firm as dispute arbitrators
- Resolution is via administrative means instead of legal mechanism
- Avoidance of involvement of local authorities to prevent further trouble

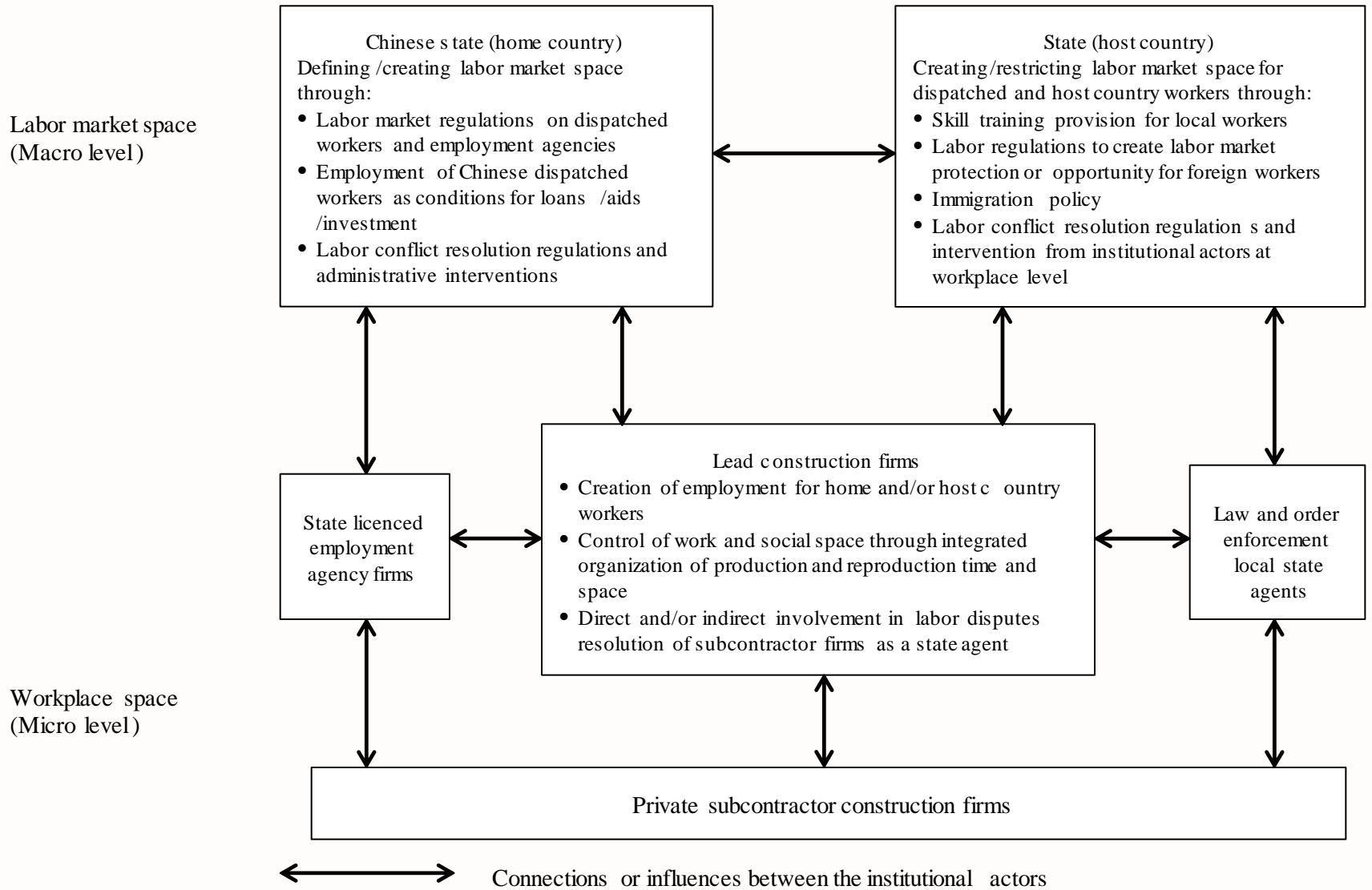


Figure 1. The role of the states and their agents in shaping the labor market and labor relations space

Conclusions

- Statism is manifested through vertical control and sanction → opportunism → further control and sanction; it is also exhibited horizontally between the home and host governments and their agents/agencies
- The role of state is important in shaping the space of a global labor market
- Spatial and temporal control exerted by Chinese construction firms is intertwined to maximise productivity

Conclusions (cont..)

- However, shared social space in confinement is also a breeding space for workers' unrest due to dissatisfactions with work and life. This forces firms to improve living conditions to pacify the workers.
- The formal business subcontracting relationship between the lead firm and the subcontracting firm provides authority legitimacy for the former to be involved in the labor disputes resolution and workplace management. Such interventions enable the construction firms to contain, with a level of success, the political and social space within which aggrieved workers can express their discontent of employment terms and conditions.

Conclusions (cont..)

- This study highlights the interdependence and interconnectedness of the Chinese lead construction firms, subcontractor firms and employment agencies on the one hand, and legislative and representational gaps for the Chinese dispatched workers on the other.

Question:

- How can IR models be constructed to offer explanatory power when employment and employment relations take place straddling national contexts where formal IR institutions and law enforcement capacity are (deliberately) weak?

Thank you!

