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# Ethiopia and the Surge of Wage Labour

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Ethiopia is currently going through a phase of rapid capitalist growth. A substantial amount of scholarship has been forthcoming on this process. Yet, precious little has been said about one of its most deeply transformative aspects: the rapid expansion of wage labour and the social transformation this entails.

## 1. Trajectory of Expansion

Since the modern Ethiopian state embarked on a sustained strategy of socio-economic modernization in the aftermath of Italian occupation, much faith has been put in the ability of the modern sector to generate economic growth, technological development and socio-economic transformation away from subsistence production and – eventually – self-employment<sup>1</sup>. Capitalist growth – whether under state or private auspices – sought by three consecutive regimes has, however, been elusive<sup>2</sup>. Wage employment, as a result, has failed to reach the importance envisioned by the drafters of successive strategies for economic development<sup>3</sup>.

By the mid-1960s, in the heyday of the modernization push of the imperial regime, the modern wage employing sectors employed less than

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<sup>1</sup> See, for instance, Imperial Ethiopian Government (1968) and Provisional Military Government of Socialist Ethiopia (1984).

<sup>2</sup> See Eshetu (2004) for a detailed and historically grounded discussion of this.

<sup>3</sup> Mulat, Fantu and Ferede (2006: 43-46), for instance, show the level of stagnation of employment in the manufacturing sector over the past decades, contrasting with the above cited plans.

300,000 people<sup>4</sup>. Outside of a temporary expansion of military personnel and layers added by unsuccessful experiments in bureaucratic management of the economy, growth rate was sluggish and as a result these numbers remained fairly stagnant throughout the rule of the *Derg*<sup>5</sup>. As the incoming government of the Ethiopian People's Revolutionary Democratic Front liberalised the economy in the early 1990s the bloated statal sectors were trimmed down, and the trajectory reverted to one solidly dominated by household/self-employment.

Economic growth rates have been relatively high for much of the 21<sup>st</sup> century, but much of this growth has failed to fundamentally transform the structure of employment<sup>6</sup>. But as of recently, something substantial seems to be happening.

In the most recent National Labour Force Survey commissioned by the Central Statistical Agency, paid employment was up at a historic high of 4,253,000, which amount to just below 10 percent of the total working population<sup>7</sup>. This is of course a figure much lower than that of the number of people dependent on the incomes of wage labour in the country, and there are significant numbers of wage workers that remain hidden from the statistics<sup>8</sup>. Yet, when compared to the corresponding number of 2,478,000 in the previous survey it reveals a trajectory of rapid expansion<sup>9</sup>. This figure, moreover, is set to accelerate further in the near years to come. The following examples may serve to illustrate this point.

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<sup>4</sup> The sectors comprising the modern economy are listed as industrial agriculture, mining, manufacturing, construction, trade, banking and insurance, transportation, utilities, government, social services, and other services. Stutz (1967: 11-12) argues that the estimate of 294,000 given by the US Department of Labor is too low, and indeed lists non-agricultural sectors as employing 940,000 (ibid: 11). However, while the modern sectors listed in the former are such that wage employment can be assumed to account for the overwhelming majority, it is not certain that the same applies to all employees listed in the latter estimate.

<sup>5</sup> *Derg* – meaning committee – is the Amharic name by which the military-led government that ruled Ethiopia between 1974 and 1991 is usually referred to.

<sup>6</sup> M. Pedro, *Structural Change in Ethiopia: An Employment Perspective*, Policy Research working paper WPS 6749, World Bank Group, Washington, DC, 2014.

<sup>7</sup> Central Statistical Agency, *Statistical Report on the 2013 National Labour Force Survey*, Addis Ababa, 2014, p. 266.

<sup>8</sup> M. Rizzo, *Rural Wage Employment in Rwanda and Ethiopia: A Review of the Current Policy Neglect and a Framework to Begin Addressing it*, Working Paper 103, Policy Integration Department, International Labour Office, Geneva, 2011, p. 3-7.

<sup>9</sup> Central Statistical Agency, *Statistical Report on the 2005 National Labour Force Survey*, Addis Ababa, 2006, p. 215.

Although expansion generated by Ethiopian private capital remains elusive, foreign capital – mostly from emerging economies – has begun to find its way to Ethiopia’s employment generating sectors. The horticultural sector – where Indian capital is dominant – was an early sign of this. Statistics on the growth trajectory are incomplete, but data from the Ethiopian Horticultural Development Agency indicates that the number of employees within the sector more than doubled to a total number of 200,000 between 2008 and 2011 alone<sup>10</sup>. The emergent shoe and leather industry, where Chinese capital is dominant, is another case in point. In one telling example, Chinese footwear giant Huajin Group is planning to develop a ‘shoe-city’ that is to generate employment for between 100,000 and 200,000 people at its Addis Ababa cluster<sup>11</sup>, and another zone under development in Modjo, 73 kilometres south of Addis Ababa, is meant to cluster factories and tanneries that may employ up to 65,000 workers<sup>12</sup>. Several other industrial zones are being developed with Chinese assistance to exploit the availability of cheap labour, and, among others, the potentials of nascent leather and textile industries.

While major infrastructural projects and the expansion of the civil service are set to continue to generate employment opportunities, several large statal conglomerates have recently entered the fray. The Metals and Engineering Corporation, established in 2010, is currently running no less than 75 factories, while several more are in the pipelines<sup>13</sup>. But the best example of the vigour with which the state is currently driving the expansion of wage employment is probably the Sugar Corporation. Although a smaller precursor had existed since the time of the *Derg*, the recently re-established corporation has embarked on a course of multi-fold expansion. A moderate calculation based on information from the corporation’s website<sup>14</sup> would indicate that above 250,000 people are

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<sup>10</sup> Ethiopian Horticulture Development Agency, *Ethiopian Horticulture Sector Statistical Bulletin* 1, Addis Ababa, 2012.

<sup>11</sup> E. Jobson, *Ethiopia Could Be Shoemaker of the World*, Business Day, April 4, 2013. <http://www.bdlive.co.za/africa/africanbusiness/2013/04/04/ethiopia-could-be-shoemaker-to-the-world> (accessed June 13, 2014).

<sup>12</sup> ‘George Shoe takes 15,000 Unit Export Baby Steps’, *Fortune* Vol. 15 No 737, June 15, 2014.

<sup>13</sup> W. Davison, *Ethiopian Military-Run Corporation Seeks More Foreign Partners*, Bloomberg, February 13, 2013. <http://www.bloomberg.com/news/2013-02-18/ethiopian-military-run-corporation-seeks-more-foreign-partners.html> (accessed on June 16, 2014).

<sup>14</sup> <http://www.etsugar.gov.et/en/projects.html> (accessed on September 16, 2014). The planned employment figures for the listed projects are Tendaho 50,000; Beles 50,199; Wolkaiyt 33,466; Kuraz 117,131 respectively. The Kessem and Arjo Dediessa projects have no employment estimates listed, but their size is lesser than the former four.

planned to be employed on sites currently under development, with 70,000 to take up employment within this budget year alone – and this figure only covers the immediate employees of the corporation. The number of people depending on wage labour is more daunting. Above 50,000 residential blocks are being constructed to house employees and family members, and this is not taking into account the employment opportunities offered by the emergence of these towns.

Meanwhile, large scale land acquisitions – concomitant enclosures and the establishment of commercial plantations – showcase both the push and pull factors of proletarianisation<sup>15</sup>.

## 2. Questions

The contemporary expansion of wage labour potentially constitutes the biggest transformation in Ethiopian labour and class relations since the land reform of 1975 did away with landlordism and tenancy. Yet, very little is known about the details of this process, and little research is forthcoming on its consequences.

There are indications that working conditions in at least some of the emerging sectors mentioned above remain wanting on a number of aspects<sup>16</sup>. Wages, meanwhile, are depressed<sup>17</sup>. The government boasts being able to supply some of Africa's cheapest labour<sup>18</sup>, and the ability to continue to supply cheap labour is a premise on which current industrial development efforts are based<sup>19</sup>. The ability of workers to organise freely, furthermore, is severely restricted<sup>20</sup>. But beyond such obvious concerns, the picture is far from complete.

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<sup>15</sup> See Fouad (2014) for an excellent exposition on this process.

<sup>16</sup> International Labour Organization, *365th Report of the Committee on Freedom of Association*, Geneva, 2012.

<sup>17</sup> Ethiopia's current labour law includes no minimum wage provisions. A new labour law, however, is under discussion.

<sup>18</sup> Ethiopian Investment Agency, *An Investment Guide to Ethiopia: Opportunities and Conditions 2013*, Addis Ababa, 2013, p. 13.

<sup>19</sup> T. Altenburg, *Industrial Policy in Ethiopia*, Discussion Paper 2/2010, German Development Institute, 2010, p. 19; Ministry of Labour and Social Affairs, *National Employment Policy and Strategy of Ethiopia*, Addis Ababa, 2009, p. 21.

<sup>20</sup> Although the right to unionize is upheld in the Ethiopian labour legislation International Labour Organization (2012: 1, 668-692), Tewodros (2010), Praeg (2006: 185-196) and Dessalegn (2002: 114) describe some manners in which this right is



A number of questions require immediate attention: What are the conditions under which the masses of new wage employees labour and how do they differ? How are these labouring masses constituted: who are they and where do they come from? How are the surpluses generated by their labour divided and appropriated? What will the surge of wage labour mean for broader social relations? How will transforming class relations affect the political configuration?

These are questions that still may be open, but their settlement holds the potential of establishing the social contours of development for the coming decades<sup>21</sup>. The surge of wage labour and the concomitant class relations that are emerging can no longer sustainably be ignored by the scholarly community.

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curtailed in practice. Certain categories of state employees, furthermore, are prohibited from unionizing.

<sup>21</sup> R. Brenner, *The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism*, in *New Left Review*, 1977, Series 1, N. 104, 25-92.

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<sup>22</sup> Ethiopian authors are usually referenced according to given name.

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