



# IDeIAS

Informação sobre *Desenvolvimento, Instituições e Análise Social*

## Working in the Agro-Industry in Mozambique: Can These Jobs Lift Workers Out of Poverty?

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### Introduction

The Ministry of Labour, Employment and Social Security (MITESS) recently announced that 1.6 million new jobs have been created since 2015<sup>1</sup>. Although job creation is crucial, the prevailing productive structures fail to generate quality employment. This question will be discussed in two IDeIAS bulletins looking at the working conditions in the agro-industry, focusing on the cashew processing factories and forest plantations. This first IDeIAS bulletin analyses key aspects of pay and working conditions, based on data collected in Gaza in 2018-2019 and in Niassa in 2014-2016. We argue that the type of employment created reflects the prevailing mode of organisation of production and work, in which the profitability basis of the companies relies on low wages and poor working conditions. The workers and their households are responsible for the costs of their social reproduction, attained through a range of interlinked paid and unpaid work<sup>2</sup>. We identify the critical areas and suggest that policy focuses on addressing these challenges.

### Jobs, agro-industry and the current pattern of growth

With the number of people in working poverty in Sub-Saharan Africa set to increase from 146 million in 2018 to 149 million in 2020<sup>3</sup>, a key challenge is the creation of quality jobs that can provide a way out of poverty. In Mozambique, the incidence of monetary poverty has been on a downward trajectory but inequality has increased, with the living standards of the bottom 40% improving on a much slower pace than those of the top 20%<sup>4</sup>.

The development of the agro-industry, the attraction of foreign direct investments in natural resources and export-oriented agriculture as well as the generation of jobs have been some of the government's strategic areas to enhance living conditions<sup>5</sup>. Nevertheless, there are some contradictions in the achievement of this goal. Growth driven by investments in natural resources and export-oriented agriculture reproduce the reliance on primary commodi-

ties. Processing is absent or minimal and the economy is highly dependent on imported manufactured goods<sup>6</sup>. The focus on production of primary agricultural commodities for export, through obtaining large amounts of resources (land and water) at low cost, and access to cheap labour are central aspects of the current agro-industrial productive structures. Employment in the agro-industry reflects the productive base and is marked by fragmentation of social conditions of work and the precarity of livelihoods. In this light, addressing the quality of employment in agro-industrialisation is crucial to enable some processes of redistribution of wealth to the poorest.

### Cashew processing industries and forest plantations in Mozambique: a brief overview

#### Cashew

Cashew is one of six industries – tobacco, wood, sugar, flour and prawns – accounting for a third of Mozambican exports<sup>7</sup>. The value of cashew exports in 2018 amounted to 159 million USD<sup>8</sup>. The cashew processing sector now processes 30,000 tons of cashew nut, with 25 functioning plants across the country. It is estimated that the sector employs around 13,000 workers, 65 per cent of whom are women<sup>9</sup>. The factories are mostly located in rural and peri-urban areas, hence the sector has the potential to create jobs for women and men in rural settings.

The cashew processing sector has a long history in Mozambique. With investments in large-scale capital-intensive industries in the late colonial time, Mozambique attained the status of world's first producer, processor and exporter of cashews in the 1960s<sup>10</sup>. Soon after independence, the socialist government identified the cashew sector as key to the Mozambican economy and moved to subsidise the processing industry by introducing a ban on the export of raw cashews in 1978<sup>11</sup>. As a consequence of the civil war the production of cashew, almost entirely in the hands of small-scale producers, declined substantially

and the World Bank encouraged the Mozambican government to liberalise the sector with the aim to increase production as well as producers' prices. The export ban was replaced with an export tax, which was gradually reduced in the 90s, while Incaju and the processing factories were privatised<sup>12</sup>. These reforms have been the object of intense scrutiny and debate as they led to a modest increase of producers' prices and to the complete collapse of the processing industry, leading the World Bank, many years later, to recognise the failure of these reforms<sup>13</sup>.

Thus, after the complete wipe out of the processing factories, the sector entered a phase of 'rehabilitation'. Protests organised by the sectoral trade union, SINTIC, in 1999 led to an increase in the export tax and the introduction of a seasonal export ban in 2003. Meanwhile, driven by the concerted action of the government (Incaju), the private sector and the USAID-funded NGO Technoserve, new factories began to appear in the early 2000s. This new generation of factories is very different from the old one: these factories are labour-intensive, located in proximity of producing areas, and operate within a radically-transformed cashew global value chain, with new dominant players, such as Vietnam and India<sup>14</sup>. The sector has been on a steady path of moderate growth, however key challenges such as high production costs and inefficiencies as well as the inability to capture a greater share of the value at the domestic level, have led some analysts to recommend a new liberalisation package<sup>15</sup>, despite the processing industry's vital reliance on mechanisms of protection such as the export tax<sup>16</sup>.

#### Forest plantations

Forest plantations have been encouraged by the Government but faced different dynamics throughout Mozambican economic history. In the colonial and post-independence time, the State sustained the plantation of forestry to reduce the pressure over the native forest that

<sup>1</sup> *A Verdade*, 2019. Ministra Vitória Diogo clama criação de 1.667.268 empregos desde 2015 mas admite que só um terço desses novos trabalhadores estão inscritos no INSS, 3 July, Maputo.

<sup>2</sup> This question will be the focus of discussion in the second of these two IDeIAS bulletins.

<sup>3</sup> ILO (2019). *World Employment and Social Outlook*.

<sup>4</sup> Mozambique Ministry of Economy and Finance (2016). *Pobreza e Bem-Estar em Moçambique: Quarta Avaliação Nacional*; World Bank (2018) *Mozambique Economic Update: Less poverty, but more inequality*.

<sup>5</sup> Government of Mozambique (2015). *POG 2015-2019*. Maputo: Boletim da República, 14 April 2015.

<sup>6</sup> Castel-Branco, C. N. (2010). *Economia Extractiva e Desafios de Industrialização em Moçambique*. Cadernos IESE nº 1, Maputo: IESE.

<sup>7</sup> Sutton (2014). *An Enterprise Map of Mozambique*. IGC.

<sup>8</sup> Sutton (2014); USAID (2018). *Estudo Económico do Caju, Speed+ Project*

<sup>9</sup> Mozacaju (2017). *Mozacaju Impact Report*.

<sup>10</sup> Pereira-Leite (1995). *A Guerra do Caju e as Relações Moçambique-Índia na Época Pós-Colonial*. Cesa.

<sup>11</sup> Camer (1999). *Can Africa industrialize by processing primary commodities? The case of Mozambican cashew nuts*. *World Development*.

<sup>12</sup> MacMillan et al. (2002). *When Economic Reform Goes Wrong: Cashews in Mozambique*. NBER.

<sup>13</sup> Aksoy and Yagci (2012). *Mozambique Cashew Reforms Revisited*. World Bank.

<sup>14</sup> Mishra and Martin (2017). *Mozambican cashew industry analysis*. Technoserve.

<sup>15</sup> USAID (2018).

<sup>16</sup> Interview with investor in the cashew sector, 6th November 2018.

was emerging. In the early 1990s, some of the productive units, such as IFLOMA, were privatised, which led to a decline in the plantation activity<sup>17</sup>. From the mid-2000s, large-scale forestry plantations of exotic or fast growing species (eucalyptus and pinus) have been established, particularly in the central and northern regions of Mozambique, for the export of wood and its derivatives. Job creation was one of the promises made by the companies during community consultations, to justify the expropriation of land. Forward linkages are limited, with the exception of wages, and the existing backward linkages (for example, sub-contracting companies to prepare the land and planting) are also restricted and not well-established.

In 2012-2013, almost half of the planted forests were concentrated in Niassa province as part of the government's strategy to address poverty, facilitated by Malonda Foundation<sup>18</sup>. Nevertheless, according to the recent official estimates of the HBS 2014-2015, Niassa has recorded an increase in poverty compared with the levels of the past decade (when the forest companies were established) and it is currently the poorest province in the country (poverty rate of about 61%)<sup>19</sup>. Moreover, since 2014 the forestry companies entered a phase of crisis due to financial difficulties, limited prospects for expansion, and uncertainty over the installation of a factory to produce paper pulp. In an effort to cut labour costs, the companies implemented a significant reduction in labour recruitment, lowered working conditions, turned to outsourcing or sub-contracting of services and dismissed workers. More than half of the forestry companies in Niassa disappeared.

Currently, around half a dozen forestry companies are operating in the country. Two companies, the Norwegian Green Resources and the Portuguese Portucel, have the biggest land concession, although plantation covers only a small part of the concession area<sup>20</sup>. Questions on the impacts on the resident population remain unaddressed.

### System of work, pay and working conditions

Despite the obvious differences in product and activity in the cashew processing factories and in the forest plantations, there are some commonalities on how work is organised, pay and working conditions. Both sectors organise production around task-based work, which lies at the basis of work intensification, casualisation and absenteeism. The key dimensions of pay and working conditions that emerged from qualitative interviews conducted with workers in these sectors are discussed as follows.

#### Wages below the statutory minimum wage

The cashew processing industry is not considered to be part of the manufacturing sector and, as such, the sectoral minimum wage is 4,300 MZN, which is closer to minimum wages in agriculture than those in the manufacturing sector. The classification of the agro-industry as different from the manufacturing industry is object of contestation. However, the key area of disappointment highlighted by workers is the difficulty to actually attain the minimum wage at the end of the month. There are two key practices that make the pay structure essentially stuck against the ability of workers to receive the minimum wage. First, those

workers who are paid based on the number of days they are present at work – *marcados por presença* – would be able to receive the minimum wage only if they worked every day of the month but, as they do not work on Sundays and Bank Holidays (*feriados*), their wage ends up being lower than the minimum. Second, those workers who are paid on a piece or task-work system depending on how much they produce, need to attain the daily production target to receive the minimum wage. The workers we interviewed reported difficulties in reaching the targets every day because the targets are very high and, in some cashew factories, there may be shortages of nuts. Likewise, in the forestry plantations, the intensification of labour and the attainment of production targets is a great concern. For example, a range of activities which used to be carried out by more than one worker are now performed by a single worker. In forestry company A, around 78% of the casual workers are paid below the minimum statutory wage for the sector.

#### Vague and unclear contracts

Primary research suggests that the practice of using contracts varies across the cashew processing industry, with some employers giving a contract to all workers and others employing part of the workforce informally without contracts. However, even when contracts are used, there are issues with both clarity and enforcement. The type of contract used in one cashew factory where we conducted fieldwork is for 'various services' (*serviços vários*) and 'uncertain time' (*tempo incerto*), which exposes the vagueness of these contracts. In addition, the contract indicates a probation period of 15 days, which is commonly misunderstood for the duration of the contract. The contract states that the working hours are 8 per day and 48 per week and that the pay amounts to 4,300 MZN per month, however, our primary evidence suggests that these clauses are not always complied with. In forestry plantations, contractual arrangements can be opaque. The evidence shows that the workers who are sub-contracted by individual agents providing services to the forestry companies do not possess written work contracts. Employers are entitled to recruit workers when they need them, but workers are not guaranteed regular work. So, even the workers who have a written work contract, have no guarantee that they will work all the days stipulated in the contract.

#### Lack of clarity over social security entitlements

The workers are concerned that monthly contributions to the INSS are discounted from their wages, but they do not enjoy any social benefits. Workers must reach a minimum of 20 days' work a month before they can benefit from the social security system. However, workers are not clear on how benefits are calculated, particularly in the case of short-term and 'uncertain time' contracts.

#### Long working days

In some cashew industries, the workers who are paid based on production targets, mostly women, start working at 6-6:30am but they do not have a specific time for the end of their working day, as this depends on how quickly they

can move through their daily task. Their working day can last up to 10 or 12 hours, although the contract states they are expected to work for 8 hours a day and the extra hours are not paid. Workers saw this as an important problem as it creates tiredness as well as difficulties for some workers to go back home when it is already dark and transport less frequent and not affordable for many. Importantly, due to the gendered composition of the workforce and division of labour, there are specific barriers to female workers who see their time to take care of children and carry out domestic work significantly squeezed.

#### Insufficient equipment

In the cashew industries, due to the corrosive substance contained in the shell of the cashew nut, it is essential that workers who deal with the shell (e.g. de-shelling, scooping) wear gloves. Workers explained to us that a new pair of gloves last for only 4-5 days before it needs to be replaced, however the employer often fails to provide new gloves when needed. In addition, the uniforms should protect workers from the hazards of their job, but in some cases they are not fit for purpose. For example, we observed that workers whose uniform is too small are left with wrists and ankles exposed to contact with the corrosive substance that produces burns.

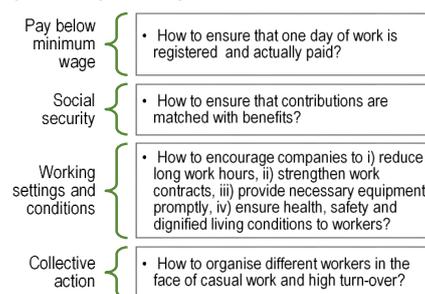
#### Provision of meals and break time

Employers in the cashew sector employ the practice of providing meals to the workers – breakfast and lunch. In our interviews, workers expressed appreciation for this practice but also lamented that the meals are always the same. This creates health concerns as it is fully clear that diversified and balanced diets are a core component of health status. Besides, in forestry plantations, due to the intensification of work, with long working days, workers' time for preparing food and for meals as well to rest are limited. Hence, they take rapid and not varied meals, opting for cheap and easy to prepare food and there are workers who organise themselves into groups so as to prepare food rapidly, making a sort of "food xitique", or rotation in preparing the food, which also allows them to minimise the costs of food by sharing them.

### Areas for policy focus

Improving working conditions in the agro-industries in Mozambique is crucial to reduce poverty through employment creation and to enable some channels for wealth redistribution. The key challenges for the sector's key stakeholders, such as MITESS, trade unions and NGOs are summarised in Figure 1.

Figure 1: Key challenges



<sup>17</sup> Ministry of Agriculture (2009). *Estratégia de Reflorestamento*. Maputo.

<sup>18</sup> Ministry of Agriculture (2015). *Plantações florestais em Moçambique: Desafios*. Maputo.

<sup>19</sup> National Statistics Institute, 2016. *Inquérito ao Orçamento Familiar (IOF-2014/15. Final Report*. Maputo.

<sup>20</sup> Ali, 2018. *Dinâmicas e dilemas do emprego, trabalho e bem-estar nas agro-indústrias florestais em Niassa*. In R. Ali., C. N. Castel-Branco, C. Muianga (Eds.) *Emprego e Transformação Económica e Social em Moçambique*. Maputo: IESE