Labor Conflict within Foreign, Domestic, and Chinese-Owned Manufacturing Firms in Ethiopia

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INTRODUCTION

Developing countries on the African continent have received approximately $45 billion dollars in foreign direct investment (FDI) for each year during the past two decades (UNCTAD 2019). As part of this investment, firms from countries like the Netherlands, Israel, and the People's Republic of China (PRC) have established foreign-owned manufacturing subsidiaries (e.g., Bräutigam & Tang, 2011). The potential for FDI to contribute to economic growth hinges on a win-win premise: as developing African economies become integrated in a global export market, local workers receive improved job opportunities and skills, while firms turn a profit. In contrast with this premise, commentators and researchers have reported high levels of labor conflict, understood here as occurrences of organized disputes between managers and employees, within foreign firms operating in Africa (e.g., Admasie, 2018, Akorsu and Cooke, 2011, Lee, 2009, Zhao, 2014). The purpose of this paper is to cast new light on labor conflict using a combination of quantitative and qualitative data collected in Ethiopia, the African continent's eighth-largest recipient of FDI (1.5 billion USD) in 2014 (UNCTAD, 2019).

Although there has been widespread scholarly attention devoted to this wave of labor conflict, and especially labor conflict within Chinese-owned firms in Africa (Oya & Schafer, 2021; Fei, 2020; Bräutigam, 2009; Zhao, 2014; Bräutigam, 2015; Lee, 2017; Driessen, 2019), comparisons among Chinese-owned, other foreign-owned, and domestic firms remain rare. Indeed, as Oya notes, many existing studies focus exclusively on Chinese firms, with samples that cannot exclude the possibility that labor management challenges are present across all firms (Oya, 2019: 257). As such, there remains scarce context to evaluate several different explanations proposed for this recent wave of labor conflict. Some commentators have attributed labor conflict to overall worker frustration against "developmental state" policies that actively promote rapid industrialization by ensuring access to cheap labor (e.g., Whitfield, Staritz, & Morris, 2020, Mains & Mulat, 2021, Hardy & Hauge, 2019). According to this view, the recent wave of labor conflict ought to be general across all firms, whether foreign or domestic (Admasie, 2018). Other researchers imply that Chinese-owned firms are uniquely likely to experience high rates of labor conflict because of specific cultural differences, e.g. because Chinese managers hold Confucian values (such as hard work and "eating bitterness") that clash with those of Ethiopian employees (Wu, 2020, Driessen, 2019, Hofstede & Bond, 1988). Yet other researchers posit that cultural differences are secondary and likely reflect processes that are general across foreign-owned firms. For instance, whether managers are Chinese or not, labor conflict may emerge in firms that have strong ties to foreign state capital, such as state-owned firms (e.g., Lee, 2017).

To contribute to this debate, we investigate labor conflict issues in the economic heartland of Ethiopia, in and around the capital city of Addis Ababa. We adopt a mixed method approach that combines a quantitative survey of firms, with case studies conducted in the same study population. The quantitative data allow us to rigorously document statistical differences between domestic and foreign-owned firms, and to further contrast the experiences of Chinese-owned and other foreign-owned firms operating in the same legal and institutional environment. We then rely on case study analysis to investigate possible reasons for the patterns we observe.

Evidence from the quantitative survey reveals that, even controlling for firm size and age, foreign firms in Ethiopia face a higher frequency of worker complaints, protests, and strikes than domestic firms. These labor conflicts arise even though foreign-owned firms provide similar benefits, wages, and hours worked to a similarly composed labor force. They also coincide with foreign firms reporting fewer challenges in hiring and retention than domestic firms. The quantitative evidence further shows that Chinese-owned firms are more likely to experience worker complaints and protests compared to other foreign firms operating in Ethiopia.

Despite the scale of the firm survey, the results do not explain why Chinese ownership correlates with higher rates of labor conflict than domestic or other foreign-owned firms. To explore potential explanations, we draw on case-studies of 14 manufacturing firms divided between domestic firms and foreign-owned firms. We deliberately oversample Chinese firms, resulting in a final sample of 5 Chinese, 1 Indian, 1 British, 1 American, and 6 domestically owned firms. Furthermore, to ensure that the results are not unique to a specific industry, we sample across a variety of industries within manufacturing. For each of the firms that we study, we conducted interviews with managers (chief executive and/or human resource manager) and employees (union representatives and front-line employees). To triangulate our findings, we also collected administrative data, observed factory floor production, and recorded interactions between managers and employees. This approach allows us to provide a rare glimpse into labor relations in a study population for which data collection has been historically difficult (Ferguson, 2006: 28).

The main theme that emerges inductively from our investigation relates to differences in overall perceptions about the role of local labor laws in governing labor relations. In firms where labor relations are antagonistic, employees view the law as a starting place for amicable relations and expect their managers to follow formal legal requirements and conflict resolution processes. In contrast, many managers expect discretion in their relations with employees, and perceive employee requests for rote compliance with formal legal procedures as a sign that employees are taking advantage of them. These field observations suggest that labor conflict is correlated with divergent expectations about the role of formal labor institutions, which are separate from perceptions about specific laws, or within-firm practices in response to specific laws.[1]

It has long been noted that managers and employers have different expectations about working conditions such as working hours, salaries, holidays, and the like. These differences may by themselves lead to labor conflict. In response, local and national governments establish labor laws about working conditions and how to address disagreements. In theory, these laws should help managers and employees establish common ground (e.g., Chwe, 2013, Meyer, 2014, Hampden-Turner & Trompenaars, 2000, Morrill & Rudes, 2010). The research presented here suggests that managers and employees may also have different expectations about the overall *role* of labor laws in governing working conditions – i.e., they can have

[1] By formal institutions, we mean the administrative and "explicit constraints that structure human interaction" (North, 1990: 3), the purpose of which is to "create order and minimize uncertainty" (e.g., Aguilera & Grøgaard, 2019: 28).

different expectations on when labor laws are to apply. This, in turn, may lead labor relations to sour if each party perceives the other acting in a nefarious way. We document this phenomenon in five foreign-owned firms that we visited, four of which are Chinese owned.

Our findings contribute to two literatures. The first is the literature on labor conflict in global value chains and foreign-owned manufacturing in developing countries. Our work builds most directly upon Oya & Schafer's (2021) study of labor agency in Ethiopia, broadening the scope of their quantitative inquiry beyond the apparel industry while also resolving a debate about whether the higher incidence of labor conflict is general across the manufacturing sector, specific to foreign firms, or localized among certain groups of foreign-owned firms (Oya, 2019: 257; Whitfield, Staritz, & Morris, 2020, Mains & Mulat, 2021, Hardy & Hauge, 2019). We find that foreign firms face unique labor management challenges despite offering working conditions that are on par with domestic firms. As Oya & Schafer's (2021), our research includes interviews with workers. But it also provides observations from factory floors and paired interview data from both employers and employees. This allows us to go deeper in our inductive exploration of the factors behind labor conflicts.

Second, our results contribute to the existing conversation on Chinese exceptionalism. Our data shows that Chinese firms experience higher levels of labor conflict, even when compared to other foreign firms. Like Tang & Eom (2018), however, we do not find that conflict arises because Chinese managers have a culturally dictated management ethos of "collective ascetism" or "eating bitterness" that imposes working conditions that Ethiopian workers have difficulties adapting to (also see Lee, 2017:13). We also do not find that Chinese firms require longer working hours or withhold benefits from employees. Instead, our case studies suggest that the high levels of labor conflict observed in Chinese-owned firms may be related to how managers perceive local labor laws. We build most directly on Driessen's ethnographic observations of labor conflict in Chinese-managed construction projects (2019). Driessen's work, which shows how Chinese managers view Ethiopian labor laws as guidelines that allow them discretion to work out informal arrangements with their employees, is consistent with our claims that divergent perceptions about formal institutions contribute to labor conflict between Chinese managers and local Ethiopian laborers. Our work further establishes the theory underlying Driessen's observations and extends these ideas to firms outside the mining and construction sectors.

SETTING AND BACKGROUND

Ethiopia, the second-most populous country in Sub-Saharan Africa and one of the world's poorest countries, has been experiencing substantial economic growth. Its gross domestic product (GDP) has grown by an average of 10.9 percent in the past decade, compared to 5.4 percent on average in Sub-Saharan Africa as a whole (World Bank, 2021). To sustain this growth, central policymakers have adopted measures to ensure labor is cheap and easily accessible to foreign investors (Hardy & Hauge, 2019, Mains & Mulat, 2021, Admasie, 2018, Abebe & Schafer, 2015). Along with the sale of public assets like railways and manufacturing to private owners, Ethiopian policymakers have established industrial parks to attract foreign direct investments (FDI) and to support a more dynamic private sector (Oya, 2019). This state-led push for industrialization has attracted foreign investors: Ethiopia rose to become Africa's eighth-largest recipient of FDI in 2014, up from 14th position in 2013. Nevertheless, this push has also coincided with a wave of protests, strikes, and other forms of labor conflict (Admasie, 2018). While not captured by official statistics, several cases of labor conflict have been reported by researchers (Hardy & Hauge, 2019, Blattman & Dercon, 2018, Xiaoyang & Eom, 2018).

High rates of labor conflict are significant because they may signal violations of the 'win-win' premise of industrialization and foreign investment. In principle, foreign manufacturing firms win by reducing their labor costs. For instance, Fafchamps and Quinn (2011) document that Ethiopia has lower labor costs when compared to other countries with large manufacturing sectors (such as Vietnam or China). Employees win by receiving new jobs that typically offer job training, benefit packages, and wage earnings on par or better than domestic firms (e.g., Aitken & Harrison, 1999, Brown, Earle, & Telegdy, 2006, Görg, Strobl, & Walsh, 2002, Marin & Bell, 2006). Labor conflict, however, may occur because foreign-owned firms exploit employees, offering less pay, worse benefits, little to no training, and excessive hours (e.g., Mohan & Lampert, 2013).

The presence of labor conflict is especially concerning because Ethiopia also has a relatively fluid labor market: workers move frequently from one job to another, especially in urban areas (e.g., Blattman & Dercon, 2018). The fluidity of the labor market means that worker dissatisfaction cannot solely be due to rent seeking by employers, and that employer dissatisfaction cannot solely be due to the inability to fire unwanted workers. All these features – i.e., the rise of the manufacturing sector, the influx of foreign capital, and the productivity challenges faced by foreign firms despite a fluid labor market – make Ethiopia an ideal context to examine labor relations in foreign and domestic firms.

Researchers have investigated this recent wave of labor conflict and have proposed several explanations. Hardy & Hauge (2019) and Admasie (2018) argue that labor conflict reflects worker resistance to activist state policies aimed at formalizing the economy and driving growth (such as those in Ethiopia's 2015 national development strategy, i.e., the Growth and Transformation Plan II). Using data from firm surveys conducted in five African and Asian economies, Fafchamps & Quinn (2011) have shown that most Ethiopian manufacturing workers have permanent employee status, and more than 70% of manufacturing firms in Ethiopia have a business registration and a formal limited liability status – comparable to those in Vietnam or China. Yet, "this transition to industrial work has not always been embraced by workers," who are accustomed to agricultural or informal labor (Hardy & Hauge, 2019: 713).

Several ethnographic studies suggest that labor conflict may also stem from cultural differences between local workers and foreign managers (especially Chinese managers—Wu, 2020, Driessen, 2019). Wu (2020) observes that Chinese managers find it especially difficult to build harmonious relations with Ethiopian employees because of differences in communicative practices. Wu observes that Chinese managers value affectively rich, caring, and informal interactions, and see these are underlying good management (e.g. "ganqing," "renqing," "jiaoqing"). These tacit communicative practices, however, are not reciprocated by Ethiopian workers. More broadly, research on cultural distance suggests that—all other things being equal—relations between foreign managers and domestic employees may be characterized by more frequent miscommunication and conflict (Hofstede, 1980, Kogut & Singh, 1988, Trompenaars, 1993, Schwartz et al., 2012).

While cultural differences may explain labor conflict, recent studies have challenged overreliance on arguments based on cultural stereotypes—such as those categorizing Chinese as mechanically operating under "Confucian ideals". For instance, Tang and Eom (2018) observe that Chinese workers were once also perceived as lazy or inefficient by foreign managers. These authors argue that labor conflict instead reflects general tensions between "pre-capitalist" versus industrial capitalist time management. Scholars like Oya & Schafer (2021) and Brautigam & Tang (2014) note that Chinese firms often operate in special economic zones or receive policy incentives. These incentives may, in turn, enable managers to impose more stringent working conditions even in the face of worker resistance. More broadly, Ching-Kwan Lee argues that labor conflict in Chinese firms is not a product of cultural differences. Instead, it is because Chinese capital is tied to the state, with attendant policy advantages and vulnerabilities to labor agency (2017).

These explanations imply different patterns of labor conflict. If workers are resisting activist state policies, labor conflict is likely to be observed across all firms, whether they are foreign-owned or not. In contrast, if labor conflict is specific to differences in culture or attachments to state capital, it may be found specifically within certain foreign-owned (and especially Chinese-owned) firms. Of course, labor conflict may also be explained by material differences in wages, benefits, and working conditions. Nevertheless, representative firm data containing detailed measures of labor conflict, as well as wages and benefits, has been rare. Our research contributes to filling this gap.

SURVEY DATA AND RESULTS

Between January and July 2017, the Africa Urbanization and Development Research Initiative (AUDRI) of Stanford University collected detailed information on 1240 firms in the economic heartland of Ethiopia, namely, the region surrounding the capital city Addis Ababa. This sample only includes firms with five permanent employees or more and is divided equally between the Addis Ababa and Oromia regions (see Appendix A for details on sampling). Domestic government-owned firms are excluded from the sample. Trained enumerators met face to face with an appropriate managerial or administrative employee of each firm to complete eleven modules ranging from accounting and finances to firm machinery. We focus on the labor management module in this study.

The survey was repeated with 1320 firms between March and September 2019, 986 of which were also interviewed in the first wave. Firms that exited were replaced by similar firms, making the two samples comparable. Combining observations from the two waves yields 181 observations of foreign-owned private firms (out of 2560, or 7.1%) and 148 joint-ventures (5.8%). The first owners of foreign-owned or joint-venture firms are primarily Ethiopian nationals (47%), suggesting that the Ethiopian diaspora is a major investor in the country. The main owner is from China for 43 observations, from Israel for 19, and from the Netherlands for 18. The others are from wide variety of countries across the rest of the world. In the analysis, we pool both waves to have enough observations on foreign-owned firms, and particularly on Chinese-owned firms.

We are interested in differences between foreign firms and domestic firms, and between Chinese-owned firms and other foreign-owned firms. To this effect, we present all our results using a regression model of the form:

$$Y_{it} = \beta_1 Chinese_i + \beta_2 Foreign_i + \beta_3 Joint_i + \beta_4 wave_t + \beta_5 \log(Age_{it}) + \beta_6 \log(Size_{it}) + \epsilon_{it}$$

where Y_{it} refers to an outcome variable for firm *i* in wave *t*. All outcomes and the wording of questionnaire instruments to collect these outcomes are available in Appendix B. Variable $Foreign_i$ is a dummy variable equal to 1 if firm i is foreign-owned (0 otherwise); and $Joint_i$ is a dummy equal to 1 if the firm is a joint venture. $Chinese_i$ is a dummy equal to 1 if the firm is fully or partially owned by a Chinese national. Our coefficients of interest are β_1, β_2 and β_3. Because all Chinese firms are also foreign firms, the first coefficient measures the difference in the mean of Y_{it} between Chinese-owned firms on the one hand, and foreign firms and joint-ventures with no Chinese ownership on the other. The second reports the same thing for (non-Chinese) foreign firms versus domestic firms. The third reports the difference between non-Chinese joint ventures and domestic firms.

As controls, we include a dummy variable for the survey wave (a wave fixed effect). Moreover, we control for age and size differences between foreign and domestic owned firms with Age_{it} and $Size_{it}$, which stand for the length of time operating in Ethiopia and the number of permanent employees of firm i in wave t, respectively. These two variables are logged. Because state ownership has been theorized to be an independent predictor of labor conflict, we also attempted to include this as a covariate in the model. However, in contrast to the construction sector or mining, which are characterized by a larger proportion of state-owned or parastatal firms, foreign state-owned firms are rare in other manufacturing and services. This explains why only 0.7% of the observations in our sample consist of foreign state-owned firms. For ease of interpretation, we use linear probability models even when outcomes are binary, with robust standard errors clustered at the firm level.

[Table 1 here]

In Table 1, we compare the frequency of labor conflicts between foreign and domestic firms and, within foreign firms, between Chinese-owned firms and the others. The first column reports the likelihood that a worker of the firm has ever filed an official complaint against the firm.[2] Approximately 3.9% of domestic firms reported ever having faced a complaint. By contrast, the frequency of official complaints by workers is approximately 9 times higher among Chinese-owned firms than among domestic firms, with more than one third (34.9%) of Chinese firms reporting having faced such a complaint. When controlling for covariates, the incidence of complaints increases by 14.4 percentage points among foreign owned firms (and 4.9 percentage points for joint-ventures) and is nearly four times higher for foreign owned firms (and twice as high for joint-ventures). Having a Chinese owner increases the likelihood of complaint relative to foreign owned firms by adding an additional 7.9 percentage point likelihood of having faced a complaint, although this difference is not statistically significant.[3]

[2] An affirmative response to this question does not imply that there was a court case. The actions included here mostly cover complaining to local authorities (*woreda*) that often have a representative of the Ministry of Labor. Local authorities can pay a visit to the firm to discuss the matter and refer it to the Ministry for action in case there is a deeper issue.

[3] Appendix Table A.1 summarizes the nature of worker complaints, as reported by firm respondents.

Table 1, Column 2 shows the likelihood that a firm has ever experienced a worker protest or strike. Among domestic firms, the frequency of protests and strikes is relatively low: 5.4% of firms report ever having experienced such an episode. Foreign firms and joint ventures, however, are 14 and 7 percentage points more likely to have experienced them. This confirms our earlier observation of more frequent labor conflict in foreign and joint-venture firms. For Chinese-owned firms, the incidence is even higher, by an additional 15.5 percentage points: approximately 41.9% of these firms report having experienced labor unrest in the firm, a rate of incidence more than 7 times that of domestic firms and double that of foreign firms. In addition, from Table 1, Column 3 we see that, conditional on having faced labor unrest, Chinese-owned firms report more protests and strikes in the last year than foreign and joint-venture firms, which report fewer instances than domestic firms (although this difference is not statistically significant).

Can these results be explained by a higher rate of unionization in Chinese firms? As shown in column 4, this cannot be the case: while foreign and joint-venture firms have, on average, a larger fraction of their workforce (+12.4 to 10.7 percentage points) that is unionized, this is not the case for Chinese firms: their unionization rate is, on average, lower than that of other foreign firms and only marginally higher, controlling for size and age, than that of domestic firms. Additionally, are conflicts between foreign firms and the local population limited to labor relations? In column 5 of Table 1 we consider official complaints that were logged against the firm, not by workers, but by members of the local community for neighborhood nuisances such as noise, traffic, pollution, and the like. We again see that foreign firms are significantly more likely to ever have faced such a complaint. The rate of incidence is even higher for Chinese firms, although the difference is not statistically significant.

From this evidence we conclude that labor relations and, to some extent, relationships with the local community, are more antagonistic for foreign firms, and often more so for Chinese firms. In the following Tables, we look for evidence of other systematic differences between foreign and domestic firms and, among those, of differences between Chinese and non-Chinese foreign firms. We begin in Table 2 with possible differences in labor composition. Labor conflict may be more frequent in firms where workers are less accustomed to the discipline of factory work (e.g. Hardy & Hauge, 2019). If true, we would expect more labor conflicts when the workforce is younger, less experienced, less educated, less job-secure, and coming from the countryside. Hence, the difficult labor relations faced by foreign and Chinese firms could potentially be accounted for if they employ workers with such characteristics.

[Table 2 here]

Table 2 provides mixed evidence. When compared to non-Chinese foreign firms, Chinese-owned firms tend to hire slightly less experienced workers and migrants from rural areas. These differences are statistically significant. On the other hand, their workers have about two more years of education than those in non-Chinese foreign firms. Moreover, when compared to domestic firms, foreign firms tend to employ fewer seasonal (casual) workers. There are no statistically significant effects by age. From this evidence, we cannot conclude that labor conflicts among Chinese and non-Chinese foreign firms are clearly a matter of workforce composition.

[Table 3 here]

We continue in Table 3 by examining whether differences in the incidence of labor conflicts between foreign and domestic firms may be correlated with different working conditions. Again, we do not find clear evidence that this is the case. Relative to other foreign firms, Chinese firms report fewer weekly working hours than other foreign firms, although this difference is not statistically significant. Chinese firms pay less than other foreign firms or joint-ventures, but this difference is not statistically significant when compared with domestic firms. We also note that, after controlling for firm size and age, foreign and domestic firms offer substantively similar benefits. We also do not observe any statistically significant departures from these practices among Chinese-owned firms. The only noticeable exception is the number of days of annual leave, which is lower on average among foreign firms. These results make it difficult to conclude that labor conflict in foreign firms is attributable to less favorable working conditions.

[Table 4 here]

Next, we examine whether foreign firms face more difficulties in finding suitable workers, as this may suggest that workers are better able to protest or strike against their employers. In Table 4, Column 1 we report the number of workers the firm hired in the previous year. If the firm faces worker retention issues, it also needs to hire more new workers conditional on a given size of its workforce. We do not find any evidence that foreign firms hire more workers: if at all, they hired fewer workers in the year preceding the survey, conditional on firm size (the differences are not statistically significant). We also do not find evidence that foreign firms need significantly more time to find suitable unskilled or skilled workers (columns 2 and 3), and we do not observe that foreign firms poach workers from other firms more often than domestic firms, as could arise if they face difficulties finding the right workers. If anything, on this dimension, Chinese-owned firms report less poaching. Foreign firms are also more likely than domestic firms to report that hiring unskilled workers has become easier in the two years preceding the survey – and even more so for Chinese-owned firms (although the difference is not statistically significant). There is no evidence in the survey data, then, that foreign firms in general – or Chinese firms in particular – face more difficulties in filling positions.

[Table 5 here]

Finally, in Table 5 we examine whether foreign firms face more turnover and retention issues relative to domestic firms. In column 1, we compare the average length of tenure of workers and find few differences. In column 2, we compare the number of workers fired in the year preceding the survey. Chinese firms appear to have fired more workers, but the difference is not statistically significant. In terms of the reported number of quits by workers (column 3), no clear pattern emerges. The last three columns of Table 5 report the firms' perceptions about increased retention issues. We see that, if anything, foreign firms are less likely to report an increasing difficulty in retaining either managers or production workers (columns 4 and 5). Finally, in column 6 we examine whether foreign firms report a larger proportion of their workforce leaving to join a competing firm – as could happen if foreign firms are poaching each other's workers. We find no evidence to support this conjecture: on the contrary, foreign firms and joint-ventures report a significantly smaller proportion of workers leaving to work for the competition, and Chinese-owned firms are no different.

When taken together, the results do not show any of the telltale signs we would expect to observe if labor conflicts were primarily driven by different workforce compositions or working conditions. We also found no evidence that the higher incidence of labor conflicts in foreign and Chinese firms is correlated with more difficulties hiring or retaining workers. This suggests that labor conflicts in foreign firms – and especially Chinese firms -- arise for other reasons. For instance, Chinese-owned firms may be more likely to have state ties, and as Lee (2017) suggests, the frequency and severity of labor conflicts may be related to the "stateness" of Chinese capital, rather than the nationality of managers. While there were too few state-owned firms to include this as a variable in our model, Chinese-owned firms are likely to be strongly tied to the Chinese state, whether they are formally state-owned or not. At a certain level of analysis, there is no such thing as a truly private firm from China. Thus, one possibility is that differences in labor conflict outcomes are attributable to "state-ness." Another set of possibilities is that Chinese managers and Ethiopian employees have different expectations about working conditions (beyond those our quantitative measures were able to capture) that lead to increased conflict (Driessen 2019; Wu 2020; Tang and Eom 2018). If so, what were these differences in expectations? Because these are not amenable to quantitative analysis, we now turn to case studies.

CASE STUDIES

We selected a small number of firms among the same firm population targeted by the quantitative survey, namely, formal firms located in and around Addis Ababa. These selected firms were then invited to participate in our study through the Ethiopian Development Research Institute (EDRI), an experienced research institute who also helped to conduct the firm survey. Of the 16 manufacturing firms that were invited to participate, 14 agreed to be part of the study. The fieldwork, led by one of the authors of this paper, was conducted in August 2015 with the assistance of EDRI.

To parallel our quantitative results, we sampled foreign-owned Chinese firms, non-Chinese foreign owned firms, and domestic firms (Yin, 2003).[4] Five of the eight foreign firms sampled are Chinese. The

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[4] To avoid spillovers, we sample from the same firm population but avoid choosing case study firms that are part of the AUDRI survey. Because of an administrative error, one of the domestic case study firms was included. Removing this firm from the quantitative sample has no noticeable effect on the results reported in Tables 1 to 5.

other three firms were Indian, British, and US-owned, respectively. In addition, we sampled six domestically owned firms with Ethiopian human resource (HR) managers and general managers. To facilitate comparison with foreign firms (which are larger on average than domestic firms), the sample of domestic firms is restricted to larger firms established for more than a year. In terms of sectoral composition, the sampled firms include three beverage producers, two textile factories, three leather tanneries, four shoe producers, a plastics manufacturer, and a car manufacturer. This is broadly consistent with the composition of total employment in manufacturing in Ethiopia (Minas & Berhe, 2011). In terms of methodology, this sampling approach emulates the "most different" paired comparison design of Tarrow (2010: 243), whose goal was to document salient patterns despite differences across industry, size, and nationality. As such, we believe variation is a strength of our sampling design, not a shortcoming.

[Table 6 here]

Our case study methodology combines different types of qualitative observational data. Our primary source of data is interviews with managers and workers (see Table 6 for details). Because we did not enter the research field with a priori hypotheses to test, our semi-structured interviews are based on a protocol that touch on a broad range of issues (see Appendix D for our interview protocol). We asked follow-up questions for each of the issues, allowing findings to emerge inductively. In particular, our semi-structured interview includes questions about labor conflict, but our wording is general, e.g., about complaints, unhappy employees, and violations of company policy. We did so to avoid pre-judging what the key forms of labor conflict would be. This approach also served to avoid threatening rapport with our managerial interviewees, who often volunteer examples of lawsuits, worker complaints, and other forms of labor conflict. We also collected data from shop floor observations, as well as archival data from brochures, news articles, collective bargaining agreements, and internal reports. These sources are primarily used to confirm factual statements from interviews with managers and employees. For instance, when a manager at F7 said that they used a different language in their employee brochures than in their company brochures meant for foreign investors, we collected these materials and confirmed that this was the case. Similarly, the employee handbook in E4 corroborated the general manager's claim that the firm had received an appreciation letter from the national labor organization. For more details on how we collected these data, see Appendix C.

Critically, while our quantitative results pertain to labor conflict, our qualitative case studies seek to also measure antagonism between managers and employees. For this paper, we define antagonism as a state of hostility and distrust between employees and managers. Although labor conflict often emerges from antagonism, they are distinct concepts. The theoretical rationale for broadening our focus to study antagonism in the qualitative case studies is twofold. First, we seek to investigate factors relating to labor conflict more generally. The quantitative data establish remarkable levels of labor conflict among Chinese-owned firms, relative to other foreign-owned as well as domestic-owned manufacturing firms. Our qualitative research is an inductive investigation into potential explanations. Had we focused on visible occurrences of organized disputes (labor conflict), we would have constrained the interviews to factors specific to these events. Besides, open conflicts are relatively rare, often specific, and firm managers are reluctant to discuss them with strangers. Second, some degree of conflict between managers and employees is expected and may even be beneficial for all parties in the longer term. In contrast, antagonism means that labor conflicts are difficult to resolve, forcing a zero-sum distribution of benefits.

Analytic Strategy

Rather than developing a priori theoretical predictions to be tested in our case studies, we prioritize the development of theoretical propositions to explain the patterns of labor conflict observed in the quantitative data (Tavory & Timmermans, 2014; Behfar & Okhuysen, 2018). The advantage of this approach is that it increases the likelihood of identifying new but relevant patterns. Our data analysis proceeded in three steps. As is customary in qualitative data analysis, these steps did not progress linearly, as we iterated between our theoretical claims and data analysis to refine our interpretations of the case (Miles & Huberman, 1994: 55). In step 1, managers and employees in each firm were coded as being in a state of mutual antagonism if (a) managers claimed that employees could not be trusted, sought to take advantage of them, and there was no perceived way to resolve conflict with employees; and (b) all interviewed Ethiopian workers revealed that they mistrusted their managers and similarly did not believe they could resolve conflict with their managers. To produce this categorization, we conducted a first-pass coding of our interview notes and field observations on the evening of the day of the site visit (Auerbach & Silverstein, 2003). All non-English materials were translated to English by the member of our research team who spoke that language. To mitigate issues of researcher interpretation, the research team (including our Ethiopian collaborator who attended the interviews) independently coded our fieldnotes for antagonism. Based on these codes, we independently agreed that four of the five Chinese firms, one of the three non-Chinese foreign firms, and none of the domestic firms showed signs of labor conflict between managers and employees. In step 2, we identified codes that differentiated firms where we observed antagonism from those where we did not. In step 3, we examined the resulting codes and aggregated these codes into higher-order categories to construct our data narrative. Examples of empirical themes and conceptual categories can be found in Table 7. Additional data to support each of the themes can be found in Table 8.

[Tables 7 and 8 here]

RESULTS

Labor Relations in Domestic Firms

In all six domestic firms that we visited, executives and managers highlighted the role of labor laws as a starting point for good relations between managers and employees. The HR manager at E3 described the salaries and benefits of the firm as follows: “We pay a minimum of 1500 birr (55 USD) per month, but the exact amount depends on negotiation with the worker. Of course, whenever we do negotiation, the law helps us, it guides us. The law is what helps us work together.” When asked how management relies on the law to negotiate with workers, the manager explained: “An understanding between owners, managers, and workers is important. If you have a good relationship, you can solve any problem by discussion or negotiation, but you cannot start a relationship from nothing. The law helps us find a starting place.”

Indeed, even when our interview questions were about basic labor management details like working hours, salaries, or employee discipline, this reference to formal legal rules was a repeated theme. When we asked how the HR manager of E5 addressed disciplinary problems with employees, he highlighted the formal rules set out by labor laws:

> “For workers with low yield or productivity, we first switch them to other stations and observe changes. If we do not see any change after a day, they receive an oral warning. If there is still no change, we send a written warning. If there is still no change, we begin to take out their wages. Finally, the employee is fired. So, as you can see, we do everything by the legal rules so that the workers know that we are working together.”

This description from the HR manager of E5 underscores his belief that disciplining employees based on an established legal system would allow workers to feel like they were part of the same common ground (i.e. “know we are working together”). When asked to describe the overtime policies of his firm, the general manager at E6 explained that “only the stations necessary are asked to stay for overtime. We follow the labor law and pay them twice their base salary during the weekends and 1.5 times during the weekdays.” When asked about what he was most proud of in his firm, the general manager at E4 said, “I was proud to receive an appreciation letter from the national labor organization telling us that we were following the best practices. The law helps us all to work together.”

These perceptions about laws as a foundation for working together were part of a broader rhetoric of firms as benefitting employees, rather than for profit. An older man in his 80s, Mr. G was the general manager at E1. As he concluded his introduction of his role at the company, Mr. G said that he was a “steward for the country.” When we asked what this meant, he elaborated that “the goal of our firm is to satisfy the people, not to make a profit. Profit is not the most important for us. This company is here to serve our employee family.” This rhetoric of firms being important for employee welfare was shared broadly among all domestic firms in our sample. The general manager of E4 related the following story:

> “One of our workers was diagnosed with leukemia, and we sent him to Thailand for treatment for 7 million birr [175K USD]. Both the firm and our labor union gathered money for him. It is a win-win relationship with the union because we are part of the same family. We have regular meetings with union leaders, and they offer valuable partnership for operational challenges.”

This rhetoric was also observed at E2, where the newly elected union representative described how the union was formed and its role in the firm:

> “The Ministry of Labor sent a representative to our factory and held a townhall meeting to explain the benefits of a labor union, such as helping other workers if something happens, negotiating for better compensation, and improving day-to-day partnership with the factory managers. To be honest, factory leadership is only okay with us having a formal union. But they know that we are part of the firm, and we can make decisions together.”

The union representative recognized that factory managers were “only okay with us having a formal union,” but he believed that the union and management were both part of the firm and made decisions together. For instance, the union representative recounted how a worker was unhappy and not completing his quota. The supervisor referenced the law when speaking to this worker, noting that he had two options: switching to a different station to see if he would do better, or taking unpaid leave until he sorted out the reason behind his low performance. As the union representative recalled: “When [the manager] showed that he was following the law, this worker improved his attitude.” As another example, a worker union representative in E6 said that management was “a partner with which it [the union] can solve problems.” A worker at E3 noted that: “In Ethiopia, I put in the effort to accommodate my boss’s requests, and he should be respectful and open to my suggestions as well. Our family is strong when we work together.”

An entry-level female worker at E3 reiterated the importance of labor laws, noting that “If there is a disagreement, we begin by seeing what the law says. The law is the law!” A 25-year-old entry-level worker at E2 described wanting to start his own shoe factory in the future: “only God knows when I’ll achieve my dreams!” His primary reason for working at E2 was to learn the business of how to make shoes. When asked what he had learned and how we would run his factory in the future, he said: “the labor law is important. I believe that if we all follow the law, then we have a good position where we all can work together.” In summary, both managers and employees perceived the role of Ethiopian labor laws as a shared point of reference for working together.

Divergent Perceptions of Labor Laws and Labor Conflict in Chinese-Owned Firms

We observed antagonistic labor relations in four of the five Chinese firms. In all four firms, an empirical theme that emerged was divergent perceptions of the role of labor laws. Whereas the Ethiopian managers spontaneously referenced the law when we were only asking about basic details of the firm, managers of these four Chinese firms referenced the law in the context of challenges they were facing. For instance, F3 exports 100% of its tanned hides to China. Among its 450 workers are 40 Chinese managers and technicians. Both the executive and HR manager were Chinese, and they both expressed frustration at

Ethiopian labor laws: "I worked for six years at my [Chinese] company and got one day of annual leave. Here, you start with 14 days of annual leave. We must follow these laws, but even the strongest laws in China are nothing like Ethiopian law."

Critically, these managers perceived employees as attempting to take advantage of them through the law. We asked Mr. W, a Chinese HR manager in his mid-30s who had lived in Ethiopia for four years, to describe the major challenges he faced during his time in Ethiopia. As the HR manager of F2 (150 employees), Mr. W was tasked with hiring and managing the local workforce. The Chinese chief executive of F2 had sited a factory in Dukem (in the outskirts of Addis Ababa) to account for favorable tax laws and warehouse space. When asked about labor management challenges, he immediately described the law:

> "The law says workers have 14 days per year [of leave], with one day extra for every year worked. The law says overtime is 1.5 times for weekday overtime, twice base pay for weekend overtime, 3 times for holiday overtime. In Ethiopia, everyone knows about the law. Even the cleaners know about the labor law. We did not have much trouble with imports or customs when we came here, but let me tell you, we have so much trouble with the labor law because the workers always use it to take advantage of us. And the law is so protective of the workers."

Note that the executive of F2 knows what the law is, but he believed workers were taking advantage of them by forcing rote compliance with the law. This perception was shared in F1 as well. An Ethiopian worker accused managers at F1 of firing workers on the spot without going through legally mandated warnings. The worker filed a grievance and sought to use legal channels to negotiate with his manager. In response, the manager felt that the workers were not attempting to work things out with him but were instead trying to use the law to coerce him:

> "The workers will continually try to take advantage of you. Instead of talking to you about what they want, they just say there is a law for more pay or time off. Then when you are not watching they will go stealing from the factory floor or come to work as late as they can. They do not want to use the law to negotiate, they just want to take advantage of us!"

While these findings suggest that managers thought workers were attempting to take advantage them, from the perspective of workers, it was the managers who were disrespecting and taking advantage of them. At F1, we interviewed a woman in her late 20s who worked on the assembly line doing pack-out and shipping. For her, the law was protecting workers: "I'm a good worker, but if my supervisor asks something beyond what I am supposed to do, I am not ok with that. I will raise my tone with him. I say, 'the law is here. You cannot take advantage of me.'"

As a further example, the union representative at F6 displayed frustration at his Chinese counterparts. When asked about the biggest challenges he faced, the representative pointed to the law: "my worry is that the company's law does not match the labor law. I want us to follow the law, and to make sure we do so as smoothly and quickly as possible. Chinese owners and managers keep trying to talk to me, but I say, we cannot negotiate until company law is labor law." When we asked the union representative for an example of what concerned him, he pointed to policies around probation: "According to the law, after 45 days probation, the workers become permanent employees. I see them as permanent, but the management and owners have a different view. The owners don't want to pay, they are stalling […] They say, everything should be discussed. I say, there is no discussion until after the law." When we asked the general manager of F6 the same question about major challenges, he shook his head and sighed, pointing to the law as well: "A ministry of labor representative comes for meetings twice a month. They are always on our case for not making employees permanent. I spend a lot of time in court on this issue. Rather than discussing with us, they [the employees] just point to the law."

Finally, we observed the clearest example of divergent perceptions of labor laws in F3. At this Chinese tannery, an Ethiopian worker accused his Chinese manager of failing to give its workers the status and benefits of permanent workers according to the law. Mr. A, an Ethiopian worker representative in his late 30s, attempted to reason with the Chinese managers. Mr. A, who had been working at F3 for 1.5 years, recounts his interactions with the Chinese HR manager, Ms. J, as follows:

> "When I first came here, I really wanted to build a good relationship. I prepared a manual with all the important labor laws and explained to Ms. J [the Chinese human resources manager] what all the laws were. She even signed the manual. But then they put the manual somewhere else and must have forgot about it, because when I explained that workers needed to be given benefits based on their work hours, they wanted to have a conversation about it. I explained that this was part of the law, but Ms. J yelled at me and said 'why do you keep talking about the law?' It is ok if they cannot get the law right when they come. It is ok if Ms. J needs time to learn how to follow the law, but I tell them, 'you are doing a fault.' And they just yell at us. How can we make progress if they will not respect the law?"

Mr. A believes that a working relationship between managers and employees is to be built based on labor laws. In his experience, the law is the first and most useful tool to ensure cooperation and "progress" -- especially in times of conflict and disagreement. But his experience is that the Chinese managers yell at him and disrespect the law. He was not alone in this perception. An Ethiopian worker at F3 reflected: "How can we work with these foreign managers if they will not share common ground? They should see that our country's labor law is to be respected and the company law is not bigger than our law. They are disrespecting our country!"

When we interviewed Ms. J for her recollection of the incident, she directed the blame at Mr. A:

> "I know we managers do have problems. We Chinese have different attitudes about work and do not always respect the workers, and the workers do not always understand us. Still, we try to build good relations; when we go to China we bring back gifts from our hometown and sometimes the workers bring us gifts as well. When the complaint happened, I even reached out to have a conversation with them to find a plan that would work for all of us. But Mr. A would just keep referring to the law. I was extremely annoyed by this! This is very unfair. Do you know, they use the law to take advantage of us, because they know that the Ethiopian government will always side with the worker. They [the courts] do not send someone to the factory to ask what our side is."

For Ms. J, a good relationship involves giving gifts and having a conversation to find a compromise, and the law is used as a method to unfairly "take advantage" of managers. Her belief in the unfairness of the court is grounded in a prior experience where a worker was caught stealing leather from the firm and charged with theft, but the court released the worker without investigating the crime.

Critically, there was one Chinese firm (F5) in our sample that did not experience antagonistic labor relations. What set this firm apart? Here, a key theme was that the manager recognized the importance of the law for employees. F5 was a Chinese-owned shoe factory. We were met at the front gate by the general manager Mr. R, an Italian man in his mid-forties. Mr. R had six years of experience managing the business, and another six years of prior experience managing a shoe factory in China. When asked about the working hours of employees, he responded:

> "Workers begin at 8am and have an hour-long break at half past noon, then they work again until 5pm. We give them triple their base salary on holidays, twice on weekends, and 1.5 times salary on weekdays for overtime. This is all according to local law. Sometimes we have to ask them to work longer hours because demand is high, but we then we let them go home early when demand is low. One thing I've learned is that workers care about the labor law. You must show them that

> you know their law, and so you say, 'we know the law, and we are returning the hours to you later.' Otherwise, they think you are ignoring the law."

For the manager at F5, it was sometimes important to ask workers to stay for longer hours, and he recognized that he needed to show that he knew the law. Absent from his response was any sense that the workers were taking advantage of the firm. When asked about the primary challenges faced by F5, Mr. R responded: "There are many cultural difficulties managing a factory that is owned by the Chinese. The Chinese operate by their culture, and the Ethiopian workers operate by a different culture. The communication gap is not that big, but the biggest part is that the Chinese must show they respect the law. My Chinese boss asks us to work harder during the holidays, such as Easter. They think the law is flexible. But I must explain to them that this is bad for our relationship with workers. That is my job." For Mr. R, it was important to of signal knowledge of and compliance with formal labor laws to workers, even if his "Chinese boss" believed it was flexible.

Mr. R's claim that Chinese managers viewed the law as flexible was confirmed when we interviewed a Chinese production manager at the firm. The production manager had come to Ethiopia from Guangzhou on a mandatory 9-month rotation. In contrast to Mr. R's response, the Chinese production manager observed that "the average worker here is focused on today. If they can be fed tomorrow, then they don't feel like they need to work tomorrow. They will use the labor law to get out work, so it was challenging to get workers to do the overtime during ramp season."

Mr. R also sought to involve employees in day-to-day decision-making. He reflected on his experiences working in Ethiopia:

> "When I first started, lateness was a big problem. If you were not here, your workers would take advantage of you. If you trained the workers they would just leave after learning what you taught them. It seemed like Chinese were born to work but Ethiopians were born to relax. You had to watch them [the Ethiopian workers] all the time. Today, my workers are better. One big improvement in their attitude was after we asked how they wanted to be compensated for overtime. During the discussion, we told them we could not increase [salary], but we did build 100 hot showers. It is probably the first hot shower many of them will take in their lives!"

In factory floor observations, we confirmed that employees have access to hot showers, and we asked workers at this firm about their perception of labor management at F5. One worker was in his early

20s and trained as a mechanic in the factory. He was quiet and responded to most of our questions with short answers until we asked him about the showers: "They asked the union about what to do and made sure our opinion was heard from the beginning, not just waiting until we disagreed. When people see this, we start thinking, maybe they see us like family."

The case of F5 suggests that foreign managers can improve in their understanding of local perceptions of labor laws as they gain more experience working in Ethiopia. The managers at Chinese-owned firms where we observed antagonistic labor relations (F1, F2, F3, F6) collectively had fewer than three years of experience working in Ethiopia. By contrast, the manager at F5 had six years of experience working in the country. This may have enabled him to successfully adjust management practices to avoid labor conflicts with employees.

Labor Conflict in Other Foreign-Owned Firms

In contrast to the Chinese-owned firms, antagonistic labor relations were observed only in one of the three non-Chinese foreign firms in our sample. In the case where we did observe antagonistic labor relations (F8), it appears to have been linked to the manager's negative stereotypes of Ethiopian workers, as well as a mismatch in perceptions about formal labor policies. F8 is a light manufacturing subsidiary of a larger Indian firm. When we asked the manager if he had ever consulted workers over labor management policies, he responded as follows:

> "Someone must be behind at all time them to push, to teach, to guide, to get the work done, otherwise, they will not put their mind into getting the work done. For example, my Ethiopian servant has this problem. If I say, 'clean this table,' she will only clean this [points to section of table]. I have to say, 'clean this section, this section, the top, and the bottom, and across here.' I must be completely clear to get things done."

The manager's rationale was that the workers were passive: Ethiopian workers had no initiative ("mind") to getting things done and needed someone to guide all their actions. This stereotypical view of the "Ethiopian mentality" led the manager to make unilateral choices about management practices. In his mind, this form of decision-making did not erode relations with his workers because many policies ultimately benefited workers:

> "Last year we gave role model employees a 20% increase in base pay. Yes, profits must come first, but if there are no employees there are no profits. And if there are no profits, nobody benefits. So, when we have good results, everyone gets rewarded."

This approach nevertheless fed resentment among Ethiopian employees. When asked about his perceptions about the managers at F8, an Ethiopian union representative noted that "they do not respect us. They say 'This is an Indian company and you can't tell me what to do.' I tell them no, this is an Ethiopian factory. You must listen to employees first. They do not consult us and only come, only come to ask for the opinion of the union only afterward."

We did not observe high rates of labor conflict at the remaining two foreign firms. Interestingly, in F4, the British HR manager voiced frustration at labor laws but recognized the need to follow them strictly. Under his management were approximately 1,000 permanent employees. The manager of F4 also only brought up the law when we asked him to reflect on the challenges he faced managing the business in Addis Ababa:

> "The law makes no sense. Let me give you an example. The compensation packages of soon-to-retire workers is too generous. Some of them have amassed 2-3 years of vacation days. How do you work with a law like this? There is no way to make a profit under these laws."

When we asked the manager of F4 to describe his relationship with workers, he also discussed the law:

> "It's an expectations game. Workers think we are going to give them everything overnight. It's like the Monty Python sketch – 'what did the Romans ever do for us?' We've done a lot more than they realize, but they're proud, and constantly finding ways that we aren't in line with the law. I get why the law matters to them. This is where civilization started. It's not like other parts of Africa. Everyone is fiercely independent, and they lived through a communist nightmare with government-run businesses. But it's a fascinating thing. They use the law to take advantage of us because it's a left-leaning police state. If you get called to the government you have to go. It's like going to the headmaster's office, and one misstep and you risk ending up in jail."

Critically, the HR manager recognized that act of "constantly finding ways" to point out legal non-compliance was part of a broader historical context. More importantly, he perceived adherence to the law as a strict requirement. Indeed, the manager of F4 continued to recount the incident of Israeli manager Menashe Levy, who was unfairly (at least in his mind) imprisoned for tax evasion. The manager of F4 was worried about this case because he believed Mr. Levy had been falsely accused by workers who disliked his managerial approach.

In F7, the HR manager reframed company policies to accord with employee perceptions. The manager had been working in Addis for one year by the time of the study. When asked to describe the benefits offered to employees, he specifically highlighted the training programs offered by the firm:

> "We tell our workers they are part of our family. I just gave you a company brochure that says that training programs are to 'build a pipeline of talent' or to 'enhance competitiveness.' But on billboards and brochures for workers, we say we are looking out for the family."

This HR manager uses the same language as the Ethiopian managers mentioned above. What is particularly important is that he recognizes the need to frame the training program differently in the company brochure given to international visitors, as opposed to posters and brochures aimed at workers. The fact that the HR manager recognizes that he should speak to employees and foreign visitors differently, underscores how reframing helped establish amicable relations with employees.

CONCLUSIONS

Drawing on a representative survey of manufacturing firms, our analyses show that foreign firms operating in Ethiopia experience greater levels of labor conflict, with Chinese firms experiencing exceptionally high levels. Additionally, survey results show few differences in workforce compositions, working conditions, or difficulties with hiring or retaining workers – dimensions that might be expected to predict labor conflict. To investigate further possibilities for these differences in labor conflict, we conducted 14 case studies with of six domestic firms and eight foreign-owned firms. From these qualitative data, we find some evidence that foreign managers and Ethiopian employees have divergent work ethos. The manager at F8 (an Indian firm) complained about the passivity of their workers, and the HR Manager at F3 said that "Chinese have different attitudes about work." However, as Tang & Eom (2018) observe, these differences are common across firms, and they do not explain the high rates of labor conflict specific to Chinese firms.

The key explanatory theme that emerged in our data pertains to perceptions about formal labor institutions. In domestic-owned firms, formal labor laws are perceived as an important starting point for harmonious relations between managers and employees, and there is consensus on this between managers and employees. In contrast, in the five firms where antagonistic relations were observed (four of which were Chinese), we discovered that there were contradictory views about the role of formal labor laws. Employees believe that the law is an important starting point for good relations. Their managers, however, believe that employees who demand rote adherence to the law are trying to take advantage of them. We also observe that, in the three firms *without* antagonistic relations, managers adopted practices that signal their understanding of local expectations about labor laws. Taken together, these empirical patterns suggest that antagonistic relations may arise from a mismatch of perceptions about the role of formal labor laws in governing labor relations: managers assume that strict adherence to labor laws only occurs when informal labor relations have broken down, whereas Ethiopian workers assume strict adherence to labor laws is a starting point in good labor relations.

Of course, perceptions about the role of labor laws may be grounded in concerns about pay or benefits. People who are paid less may be more likely to expect strict adherence to labor laws, and managers may seek out more discretion in labor laws to pay less to workers. Our survey results, however, showed that most material indicators (such as pay and benefits) were fairly comparable across foreign and domestic firms. Indeed, the general manager of F2 explicitly notes that he offers better training and benefits for his employees, thinking of these as investments in the workforce. These claims are corroborated in archival data like employee handbooks. From a purely quantitative perspective, the overall package of benefits and pay appears favorable to workers. Hence, it is difficult to conclude that labor conflict is solely driven by material working conditions.

What we observe in this setting may also be part of a broader literature on the decoupling between formal laws and how people work together informally. Perceived flexibility and discretion over laws is not unique to Chinese employers in Africa (for instance, Ellickson, 1994, Moore, 1973). This line of research suggests that few (if any) firms truly comply with every single labor law. But the law matters because it provides individuals, such as union organizers, a fallback option that explains their power (often called "bargaining in the shadow of the law"—see Moore, 1973: 728). The idea of the law being a fallback option encapsulates what many Chinese managers are expecting. To ensure sufficient flexibility, they want good informal relations (“fictive friendships”) to smooth out issues through dyadic negotiation, rather than rote obedience to legal requirements. Just as the Chinese HR manager at F3 “brought back gifts from our hometown” to build good relations with workers, Moore (1973: 727) reports that garment factory managers gave gifts and other informal benefits to their workers. What is distinctive about our case is that Ethiopian employees perceive this discretion as disrespect toward them. Whereas Moore’s union organizer understood that the game was “bargaining in the shadow of the law,” our own observation of Ethiopian employees and managers suggests that they perceive the game to be “bargaining on the shoulders of the law.” Attempts at managerial discretion are therefore perceived as nefarious. This may also explain why Chinese managers perceive employees as using the law to take advantage of them. Our findings, then, lead us to conjecture that bargaining in the shadow of the law is more difficult in Chinese-owned firms where employees and managers have different views about when and how the law is to be applied. In this sense, our findings offer a secondary contribution to the literature by showcasing how perceptions of the law are critical in the extent to which decoupling is possible.

To be sure, we do not claim to have formally identified a *causal* relationship. While we were able to show that foreign firms offer work conditions that are, if anything, better than those offered by domestic firms, and that they face labor market experiences that are similar to domestic firms in terms of hiring and retention, there may be other systematic differences between them other than those we were able to observe and document here. The inductive nature of our case studies also precludes confirmatory tests of causal claims. First, our results are based primarily on recollection or interpretation of events by respondents – both of which may not be accurate. Second, our engagement with each firm was short and we cannot guarantee that managers or employees related their experiences and beliefs truthfully. Unlike extended case studies where researchers follow organizations over years, our data do not allow us to observe antagonism in real time. Most importantly, our interview protocol was not designed a priori to study labor laws and was instead designed to explain variance in levels of labor conflict across Chinese, non-Chinese foreign, and domestic firms. We did not initiate fieldwork assuming that labor laws would be salient. Differences in perceptions about the role of labor laws – as a starting point in governing manager-employee relations or as a fallback option – emerged organically and consistently in our inductive coding of the semi-structured interviews. That said, the absence of specific data collection to probe the role of labor laws limits what we can conclude. For instance, more precise claims about how people practice, improvise, and resist the law will require structured analysis of legal compliance and perceptions of the role of specific laws.

More broadly, one key question raised by our research is *why* Chinese managers and Ethiopian employees have divergent views about the role of labor laws. One conjecture is that Ethiopia was never colonized.[5] Many traditional worker associations, such as funerary insurance associations like the *iddir* or *ekub,* remain intact. According to Pankhurst (2008), this historical backdrop has facilitated the development of labor unions when the country began to industrialize. Moreover, from 1974 to 1991, the country was under communist rule. The regime abolished employers' organizations and encouraged the growth of trade unions, which resulted in the expansion of union membership and union rights. After transitioning to a market economy in 1991, the government of Ethiopia pursued a series of Labor Proclamations, beginning with Proclamation No. 42/1993 and culminating in Labor Proclamation No. 377/2003.[6] These reforms established the modern formal labor institutions in effect during the time of our study. Due to this historical background, it is conceivable that labor laws are valued more by Ethiopian workers than by workers in other developing countries.

The Chinese state also imposes many laws upon private firms operating on its soil (e.g., Adolph, Quince, and Prakash, 2017, Child & David, 2001, Child, Lu, & Tsai, 2007, Fukuyama, 2016). But managers have high levels of discretion over which laws to follow in practice and they often focus on solving problems through personal connections and informal institutions instead of relying on the law (e.g., Ouyang, Liu, Chen, Li, & Qing, 2019). As Bai, Hsieh & Song (2020) have shown, many firms operating in China – including foreign investors – are exempted from certain laws by local councils competing to attract them. In addition, as Lee (2017) notes, many private firms have cross-participations with state firms, giving

[5] Except for a brief occupation by Italy between 1936-1941.
[6] Labour Proclamation 377/2003 has been repealed and replaced by Labour Proclamation 1156/2019. At the time of this study, however, the 2003 law was still in force.

them access to additional privileges (see also Bai, Hsieh, Song & Xin, 2020). According to Adolph, Quince, and Prakash (2017), these attitudes have even begun to diffuse in African countries that export to China – a phenomenon the authors dub the “Shanghai effect.” Given the incentives for African countries to attract rapidly expanding levels of Chinese investment and aid (e.g., Isaksson and Kotsadam 2018; Dreher et al. 2019), it is conceivable that Chinese managers operating in Ethiopia, although aware of local laws and formal institutions, anticipate that their status of foreign investor entitles them to special treatment – including the right not to follow local laws and institutions.

Labor conflicts erode the benefits or foreign investment or, at the very least, force a zero-sum allocation of benefits (e.g. Bräutigam & Tang, 2011, Blattman & Dercon, 2018). Our findings suggest that, even when the content of formal labor institution is explicit, their influence may be mediated by tacit expectations around the role that these institutions should play in practice. This possibility, if supported by additional research, opens some promising avenues by which policymakers and managers in foreign-owned subsidiaries may be able to improve labor relations. For instance, increased managerial training and awareness of the law would likely reduce these differences (e.g. Hampden-Turner & Trompenaars, 2000). Yet, trainings would need to go beyond informing Chinese managers about the law, and instead also emphasize tacit perceptions about laws. For instance, Chinese managers understand and are aware about laws, but they believe they have discretion to work out informal arrangements with their employees. As the general manager of F5 noted: “One thing I’ve learned is that workers care about the labor law. You must show them you know their law.” In other words, people are agentic and adapt to cooperate even in contexts with high cultural distance (Gelfand, Erez, & Aycan, 2007; Essawi & Tilchin, 2013), and managers could reframe their demands in terms consistent with employee expectations about laws. The success of this strategy, however, requires that they not only understood what was written in the law but also how their employees perceive the role of the law. This could be achieved, for instance, through cultural competency training, better education about local labor institutions, or legal intermediaries for firms doing business in the country. More research is needed to identify which of these interventions is best able to address the issue.

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Table 1. Frequency of conflicts

	Workers ever filed a formal complaint against firm	The firm ever experienced protests or strikes	If protests or strikes: how many last year?	Percent of labor force that is unionized	Local community ever filed a formal complaint against firm
Chinese owner dummy	0.079	0.155*	1.029***	-12.600**	0.037
	(0.085)	(0.087)	(0.323)	(5.878)	(0.063)
Foreign firm dummy	0.144***	0.140***	-0.466	12.444***	0.077**
	(0.042)	(0.040)	(0.309)	(3.832)	(0.031)
Joint-venture dummy	0.049	0.070**	-0.218	10.700***	0.020
	(0.032)	(0.031)	(0.292)	(3.088)	(0.021)
Wave 2 dummy	-0.028***	-0.016	0.137	5.506***	-0.023***
	(0.011)	(0.012)	(0.277)	(1.384)	(0.009)
Log(Nber of permanent employees)	0.051***	0.039***	0.174**	6.717***	0.014***
	(0.006)	(0.007)	(0.070)	(0.710)	(0.005)
Log(Age of firm)	0.012*	-0.002	0.094	3.047***	-0.001
	(0.006)	(0.007)	(0.194)	(0.819)	(0.005)
Intercept	-0.095***	-0.029	0.792***	-13.841***	0.012
	(0.017)	(0.020)	(0.302)	(2.053)	(0.013)
Number of observations	2,219	2,224	212	2,141	2,221

Notes: Authors' calculations using the AUDRI firm surveys (waves 1 and 2). The number of observations varies across regressions because of non-response or missing information. Robust standard errors adjusted for clustering at the firm level are reported in parentheses. $^{*}p \leq .05$, $^{**}p \leq .01$, $^{***}p \leq .001$.

Table 2. Workforce Composition

	Average age of workers	Average education of workers	Average years of experience of workers	Nber of seasonal workers	% of rural migrants in the workforce
Chinese owner dummy	-0.975	2.141**	-0.844**	-1.809	16.333***
	(0.790)	(0.880)	(0.407)	(2.519)	(5.193)
Foreign firm dummy	-0.532	-1.423**	-0.028	-4.816**	1.320
	(0.454)	(0.555)	(0.353)	(2.227)	(3.591)
Joint-venture dummy	0.859*	0.235	0.215	-1.401	-3.620
	(0.476)	(0.406)	(0.254)	(2.008)	(3.327)
Wave 2 dummy	-0.482**	-1.020***	0.207	-4.190***	-2.702*
	(0.206)	(0.183)	(0.129)	(0.753)	(1.581)
Log(Nber of permanent employees)	0.452***	0.948***	0.304***	2.786***	1.826**
	(0.107)	(0.102)	(0.064)	(0.524)	(0.718)
Log(Age of firm)	0.999***	-0.079	0.846***	0.484	-0.807
	(0.156)	(0.128)	(0.089)	(0.479)	(1.030)
Intercept	24.894***	5.736***	0.927***	-1.743	38.678***
	(0.362)	(0.320)	(0.211)	(1.585)	(2.636)
Number of observations	2,221	2,163	2,141	2,214	2,077

Notes: Authors' calculations using the AUDRI firm surveys (waves 1 and 2). The number of observations varies across regressions because of non-response or missing information. Robust standard errors adjusted for clustering at the firm level are reported in parentheses. *p ≤ .05, **p ≤ .01, ***p ≤ .001.

Table 3. Working hours, salaries, and worker benefits

	Expected working hours for full-time employee (weekly)	Monthly salary for production worker (in 1000s EB)	Days of annual leave	Days of paid sick days	Other excused absence other than sickness?	Maternity leave offered?
Chinese owner dummy	-1.714	-2.281*	-0.441	-6.982	-0.002	0.011
	(1.327)	(1.225)	(0.687)	(4.318)	(0.061)	(0.039)
Foreign firm dummy	0.364	0.601	-0.883*	-0.830	0.009	-0.001
	(0.912)	(1.901)	(0.517)	(2.763)	(0.036)	(0.025)
Joint-venture dummy	-2.781***	0.400	0.026	-1.413	0.071**	0.031
	(0.769)	(1.143)	(0.569)	(2.164)	(0.031)	(0.028)
Wave 2 dummy	2.855***	-0.597	-2.019***	-5.306***	-0.095***	-0.118***
	(0.550)	(0.497)	(0.423)	(1.036)	(0.019)	(0.016)
Log(Nber of permanent employees)	-2.671***	0.815**	2.192***	5.622***	0.040***	0.153***
	(0.232)	(0.390)	(0.163)	(0.502)	(0.008)	(0.007)
Log(Age of firm)	-0.547	-0.117	0.401	0.418	0.007	0.003
	(0.405)	(0.238)	(0.287)	(0.605)	(0.012)	(0.012)
Intercept	62.548***	0.769	8.274***	2.674*	0.635***	0.275***
	(0.951)	(0.795)	(0.801)	(1.509)	(0.030)	(0.028)
Number of observations	2,212	1,967	2,078	1,811	2,224	2,224

Notes: Authors' calculations using the AUDRI firm surveys (waves 1 and 2). The number of observations varies across regressions because of non-response or missing information. Robust standard errors adjusted for clustering at the firm level are reported in parentheses. $^{*}p \leq .05$, $^{**}p \leq .01$, $^{***}p \leq .001$.

Table 4. Hiring and training of workers

	Nber of workers hired in previous year	Time needed to hire an unskilled worker	Time needed to hire a skilled worker	Does the firm poach workers from other firms?	Perceived difficulty in the hiring of workers?	Does the firm provide training to its workers?
Chinese owner dummy	-0.808	0.118	-0.034	-0.113**	0.072	-0.122
	(17.459)	(0.156)	(0.148)	(0.045)	(0.154)	(0.079)
Foreign firm dummy	13.867	-0.140	-0.241	0.023	-0.089	-0.004
	(13.529)	(0.106)	(0.148)	(0.039)	(0.091)	(0.046)
Joint-venture dummy	-9.918*	-0.088	0.036	-0.015	-0.111	0.034
	(5.406)	(0.071)	(0.185)	(0.030)	(0.082)	(0.039)
Wave 2 dummy	-1.323	-0.136***	-0.284***	0.014	-0.282***	-0.154***
	(1.807)	(0.042)	(0.089)	(0.015)	(0.045)	(0.018)
Log(Nber of permanent employees)	18.010***	0.023	0.113***	0.021***	-0.045**	0.116***
	(2.446)	(0.041)	(0.040)	(0.007)	(0.019)	(0.008)
Log(Age of firm)	-1.934*	0.025*	0.034	0.007	0.019	0.016
	(1.002)	(0.014)	(0.057)	(0.008)	(0.027)	(0.011)
Intercept	-34.652***	0.141	0.485***	0.055**	2.558***	0.002
	(6.922)	(0.137)	(0.132)	(0.023)	(0.069)	(0.029)
Number of observations	2,082	2,171	2,152	2,157	2,224	2,224

Notes: Authors' calculations using the AUDRI firm surveys (waves 1 and 2). The number of observations varies across regressions because of non-response or missing information. Robust standard errors adjusted for clustering at the firm level are reported in parentheses. *p ≤ .05, **p ≤ .01, ***p ≤ .001.

Table 5. Retention and turnover

	Average length of tenure in the firm	Nber of workers fired last year	Nber of worker quits last year	Increasing difficulty in retaining unskilled workers	Increasing difficulty in retaining skilled workers	% of workers who left to join competing firms
Chinese owner dummy	-0.216	6.617	3.328	0.070	0.269	-1.377
	(0.402)	(6.338)	(15.037)	(0.195)	(0.232)	(6.510)
Foreign firm dummy	-0.057	-0.936	8.254	-0.137	-0.169	-7.922*
	(0.289)	(1.878)	(6.669)	(0.110)	(0.109)	(4.375)
Joint-venture dummy	0.553**	-0.709	-9.273***	-0.047	-0.077	-12.251***
	(0.276)	(1.286)	(3.131)	(0.085)	(0.089)	(3.878)
Wave 2 dummy	-0.280**	-0.102	-0.778	-0.196***	0.026	4.271**
	(0.113)	(0.576)	(1.358)	(0.048)	(0.049)	(1.952)
Log(Nber of permanent employees)	0.429***	1.413**	10.834***	-0.057***	-0.062***	-1.349
	(0.060)	(0.553)	(1.445)	(0.021)	(0.021)	(0.887)
Log(Age of firm)	1.058***	0.012	0.730	0.020	0.002	2.521**
	(0.089)	(0.176)	(0.681)	(0.029)	(0.029)	(1.261)
Intercept	-0.497***	-2.543*	-23.457***	3.120***	3.245***	38.821***
	(0.191)	(1.318)	(3.510)	(0.073)	(0.075)	(3.235)
Number of observations	2,163	2,157	2,073	2,224	2,224	1,674

Notes: Authors' calculations using the AUDRI firm surveys (waves 1 and 2). The number of observations varies across regressions because of non-response or missing information. Robust standard errors adjusted for clustering at the firm level are reported in parentheses. *p ≤ .05, **p ≤ .01, ***p ≤ .001.

Table 6. Composition of the Case Study sample

Firm Code	Industry	Firm Size	Firm ownership	Interviewees (Managerial)	Nationality (Language)	Interviewees (Employee)	Approx. Observation Time	Archival Data
E1	Textile	70	Ethiopian	CEO	Ethiopian (English)	Union representative	2h	court filings, news articles
E2	Shoe	120	Ethiopian	Production Manager	Ethiopian (English)	Union representative, 2 line workers	2h	
E3	Leather	250	Ethiopian	Commercial Manager, Production Manager	Ethiopian (English)	Union representative	2h	news articles, company brochure
E4	Beverage	830	Ethiopian	General Manager	Ethiopian (English)		1h 30m	employee handbook
E5	Shoe	1000	Ethiopian	Production Lead	Ethiopian (English)	1 line worker	2h	
E6	Shoe	1110	Ethiopian	HR Manager	Ethiopian (English)	Union representative, 2 line workers	3h	
F1	Textile	100	Chinese	General Manager	Chinese (English)	Union representative	2h	
F2	Car Manufacturing	150	Chinese	General Manager	Chinese (Mandarin)	Union representative	0h	news articles
F3	Leather	450	Chinese	General Manager	Chinese (Mandarin)	Union representative, 3 line workers	3h	news articles
F4	Beverage	1000	British	General Manager	British (English)	Union representative, 4 line workers	2h 30m	term paper on history of firm
F5	Shoe	1000	Chinese	General Manager, Production Manager	Italian (English), Chinese (Mandarin)	Union representative, line manager, 2 line workers	3h 30m	news articles
F6	Leather	1170	Chinese	General Manager	Chinese (Mandarin)	Union representative	1h	company brochure, news articles
F7	Beverage	1300	US	Country HR Manager	Ethiopian (English)	Union representative	2h 30m	employee brochure, collective bargaining agreement
F8	Plastics	3400	Indian	General Manager	Indian (English)	Union representative	4h	news articles

Notes: Interviews with union representatives were conducted in English and interviews with line workers were conducted in Amharic.

Table 7. Empirical Themes, Conceptual Categories, and Overall Pattern

<table>
<tr><th></th><th>Empirical Themes</th><th>Conceptual Categories</th><th>Overall Pattern</th></tr>
<tr><td rowspan="2">Domestic Firms (6)</td><td>Managers perceive adherence to labor law as starting point for good relations with employees</td><td rowspan="2">employee and managers have consonant view about role of labor laws</td><td rowspan="6">Contradictory views about role of formal labor institutions contributes to antagonism</td></tr>
<tr><td>Employee perceive managers are interested in developing good relations with them</td></tr>
<tr><td rowspan="2">Antagonistic Foreign Firms (5)</td><td>Managers perceive employees as using formal legal procedures to take advantage of them, and avoid rote compliance with the law</td><td rowspan="2">managers contradict views of employees about role of labor laws</td></tr>
<tr><td>Employee perceives manager is disrespectful and trying to take advantage of employees</td></tr>
<tr><td rowspan="2">Non-Antagonistic Foreign Firms (3)</td><td>Manager reframes demands as consistent with law</td><td rowspan="2">managers do not contradict views of employees about labor law</td></tr>
<tr><td>Employee perceives manager as attempting to be respectful</td></tr>
</table>

Note: Themes are based on inductive coding of qualitative data (interviews, archival information, and observations) from managers and employees in 14 domestic and foreign-owned firms. Additional examples to support these themes can be found in Table 8. Conceptual categories are generalizations of the empirical themes, and the overall pattern is our attempt to summarize the conceptual categories.

Table 8. Supporting Evidence for Empirical Themes

Empirical Theme	Additional Quotes
Domestic Firms (6)	
Managers perceive adherence to labor law as starting point for good relations with employees	We Ethiopians value social life, education, family, religion, and especially law. Ethiopians like working for Ethiopian companies because they see we understand and respect the law. (E6) Working in HR there is always one problem or another, always a demon. Our objective, both for the union and the company, is to provide support to the workers so that they can concentrate fully on their work. We have close cooperation. (E4)
Employee perceive managers are interested in developing good relations with them	I used to work at a supermarket but had a bad boss, and bad hours, with a two-hour bus ride. I came here because the boss here respects the law. (E2) I don't want to work for the foreign firms, even if they pay more. All they want is bigger profits, more money. My boss wants satisfied workers. He wants to work with our union. (E3)
Antagonistic Foreign Firms (5)	
Managers perceive employees as using formal legal procedures to take advantage of them, and avoid rote compliance with the law	We have a 45-day probation period to figure out your [the employee's] attitude, but this is of course difficult because people hide who they really are. Are they going to point to the law and try to take advantage of us? (F2) The union wants to take our packaging for free, but to us it is company property. They want more compensation without more productivity. […] They think a company should provide the transportation rather than just give money. They want better medical insurance--even though the payouts are higher than those Chinese workers get, and the premiums are higher. We are not their family! (F2)
Employee perceives manager is disrespectful and trying to take advantage of employees	We have tensions and frustrations because they disrespect our law! The working habit of the Chinese, I appreciate. But they don't allow independence. They expect too much of our working hours and take advantage of us. (F6) I see them [temporary workers who had been at the firm for longer than 45 days] as permanent, but the management and owners have a different view. The owners don't want to pay, they are stalling. They should be discussing this together with me [the union representative], not only negotiating afterward. (F6)
Non-Antagonistic Foreign Firms (3)	
Manager reframes demands as consistent with law	I bring the best [workers] from the China factory to teach the locals. […] It was very hard for the first batch of Chinese experts, but now things go well. The Chinese workers oversee the production and correct things if anything is not being done

Empirical Theme	Additional Quotes
	in the correct way. But the Chinese workers should not directly manage workers. The Ethiopian workers care about the law, but the Chinese experts don't see that. They only think about production. This makes the workers feel insulted. (F5)
Employee perceives manager as attempting to be respectful	There are definitely disagreements. But we tell them that they must respect the country, culture, law. And for the most part, our manager understands. The Chinese may ask us to work harder during New Year or Easter, but our manager respects us and keeps the law. (F5)

Note: Themes are based on an inductive coding of qualitative data from managers and employees in 14 domestic and foreign-owned firms. Quotes are based on interviews with employees (or employee representatives) and managers. Firm codes are listed in parentheses after each quote to indicate where we recorded these data.

Appendix Table A.1 Content of worker complaint to local authorities

	Wages & salaries	Delayed payment	Layoffs and firing	Discipline and punishments	Low quality of supervisors	Working conditions and safety	Working hours	Lack of benefits
Chinese owner dummy	0.120***	0.005	0.007	0.039*	0.019	0.048**	-0.013**	-0.001
	(0.034)	(0.013)	(0.014)	(0.021)	(0.014)	(0.021)	(0.005)	(0.017)
Foreign firm dummy	0.062**	0.013	-0.005	0.009	-0.005	-0.008	-0.004	0.001
	(0.027)	(0.012)	(0.006)	(0.014)	(0.007)	(0.010)	(0.006)	(0.013)
Joint-venture dummy	0.067	0.045	-0.017*	-0.038	0.021	0.107*	-0.002	0.105**
	(0.078)	(0.039)	(0.009)	(0.027)	(0.043)	(0.062)	(0.002)	(0.051)
Wave 2 dummy	-0.017**	-0.003	-0.003	0.000	0.001	-0.012**	-0.003	0.008
	(0.008)	(0.004)	(0.003)	(0.005)	(0.003)	(0.005)	(0.003)	(0.005)
Log(Nber of permanent employees)	0.020***	0.006**	0.004**	0.010***	0.005**	0.010***	0.004**	0.012***
	(0.005)	(0.002)	(0.002)	(0.003)	(0.002)	(0.003)	(0.002)	(0.003)
Log(Age of firm)	0.006	-0.001	0.004**	-0.006**	-0.001	-0.000	0.002	0.003
	(0.005)	(0.002)	(0.002)	(0.003)	(0.002)	(0.002)	(0.002)	(0.003)
Intercept	-0.035***	-0.006	-0.012**	-0.008	-0.011*	-0.016**	-0.010**	-0.031***
	(0.012)	(0.005)	(0.006)	(0.007)	(0.006)	(0.007)	(0.005)	(0.010)
Number of observations	2,224	2,224	2,224	2,224	2,224	2,224	2,224	2,224

Notes: Authors' calculations using the AUDRI firm surveys (waves 1 and 2). The number of observations varies across regressions because of non-response or missing information. Robust standard errors adjusted for clustering at the firm level are reported in parentheses. *p ≤ .05, **p ≤ .01, ***p ≤ .001.

Appendix A. Sampling frame for the quantitative survey

To construct a representative sample of firms, the AUDRI team[7] first constructed a sampling frame from a variety of sources, including woreda (district) investment, trade, industry, and revenue bureaus. There was no standard data format and not all bureaus in each woreda were willing or able to share data, so data from the Oromia Regional Investment Bureau was added for the relatively large towns of Adama, Burayu, Holeta, Sululta, and Sendafa.

The AUDRI team constructed a sampling frame separately for the largest city and capital, Addis Ababa. This sampling frame relied primarily on a partial census of firms interviewed by the Addis Ababa Labor and Social Affairs Bureau. This list under-represented manufacturing firms so lists from the Addis Ababa Industry Office, Addis Ababa Investment Office, Ethiopian Development Research Institute, and Federal Micro and Small Enterprise Development Agency were added to build a more representative frame.

After all firms lists in a woreda were collected and appended, the AUDRI team systematically attempted to remove firms that appeared multiple times in a given list based on name and phone number matching. The team then attempted to remove firms from ineligible sectors – schools (public and private), health centers/clinics, public administrative offices, NGOs/non-profits, and bank branches. Finally, they removed, to the extent allowed by the data, firms with fewer with five employees. Basic checks were completed to ensure that the largest and most well-known firms were always included on the lists.

Once a final list of firms was established, firms were sampled directly from the lists, where the number sampled was a function of the total number included in the woreda's list. The rules for sampling were as follows:

1) Sample all firms in woredas with <20 listed firms

2) Sample 50% of firms in woredas with >=20 and <50 listed firms (floor of 20)

3) Sample 25% of firms in woredas with >=50 and <200 listed firms (floor of 20)

4) Sample 15% of firms in woredas with >=200 and <400 listed firms

[7] The Africa Urbanization and Development Research Initiative, Stanford University.

5) Sample 10% of firms in woredas with >=400 listed firms

Within a woreda, all firms that were included on the original list were included in the initial sample with an equal probability. Any firm that wasn't included in the sample was considered a replacement and randomly ranked for subsequent reference. When the AUDRI team was unable to reach a target number of firms in a given woreda due to firms not being found, being ineligible, or refusing to be surveyed, they moved to the replacements in the order of their ranking—i.e., the first ranked replacement would always be visited and interviewed, conditional on being eligible, prior to an enumerator moving on to the second ranked replacement.

There are six reasons why a sampled firm may not have been interviewed:

1) The firm refused to be surveyed
2) The firm was found to be from an ineligible sector
3) The sampled firm appeared multiple times on the sample
4) The firm was found to have fewer than five employees
5) The firm was not located
6) The firm had not yet begun operation or had permanently closed

There are a few cases when firm lists for a particular location were appended, edited, or completely re-built during sampling. This was done in response to the discovery of additional or supplementary firms lists that were either superior to the previous list or included firms that had not been included originally. These were dealt with case-by-case. If possible, the AUDRI team added the new firms to the replacements and only interviewed them if they needed to go that far down the replacement list. However, if the new list in a particular location was much better than the original list, the team discarded the original list and resampled using the new list -- in which case the target number of firms in a location was amended to reflect the substantially larger sampling frame built using the newly acquired data.

The research team sampled firms at the woreda level, proportional to the number of firms located in that woreda in the sampling frame. The targeted number of firms in a given woreda varied from 10- 40. Each firm in a given woreda had an equal probability of selection. The research team then tried to find each firm that was selected in the sample. Each of them was then either: (1) surveyed; (2) refused to be surveyed; (3) not found; or (4) ruled ineligible.

Appendix B. Precise wording of the quantitative measures reported in Tables 1 to 5

Table 1

Have workers (including former workers) ever gone and complained to local authorities about this establishment, as far as you know?

Have workers ever protested / refused to work as a group?

How many times did this occur in FY 2008 EC (wave 1)/2010 EC (wave 2)?

What percentage of the firm's workforce is currently unionized?

Has this establishment ever received complaints from community members or local authorities?

Table A1

Has this establishment ever received complaints from community members or local authorities? -> About what?

Table 2

What is the average age of a permanent full-time non-manager in this establishment?

What is the average level of completed education of a permanent fulltime non-manager in this establishment?

What is the average length of experience in this sector for all of the fulltime non-manager employees at this establishment?

In a typical week, how many casual workers (daily laborers) does this establishment employ?

What percent of this establishment's employees are migrants from rural areas?

Table 3

How many hours does the average full-time employee work in a week?

During FY 2008 EC (wave 1)/2010 EC (wave 2), what were the average monthly salaries and payment arrangements for each of the following categories? In ETB -> Production workers (machine operators, builders, factory floor workers, cooks)

For an employee with 5 years of experience, how many days paid of annual leave does the establishment offer per year?

In addition to annual leave, how many paid sick days are allowed per year at the establishment?

Are there any other reasons to justify an absence besides health?

Are women granted maternity leave after having a child?

Table 4

During FY 2008 EC (wave 1)/2010 EC (wave 2), how many non-managers were hired?

How long does it usually take to fill a job for an unskilled worker position?

How long does it usually take to fill a job for a skilled production/operations worker position?

Does this establishment ever recruit employees from competing firms?

Please indicate how strongly you agree or disagree with the following statement: In the past 2 years, it has become easier to fill vacancies for unskilled positions at this establishment [Likert scale from 1. Strongly agree to 5. Strongly disagree]

Has the establishment ever organized or participated in any formal training for its employees? Please exclude on-job training

Table 5

In FY 2008 EC (wave 1)/2010 EC (wave 2), what was the average length of employment at this establishment of all full-time non-manager employees?

During FY 2008 EC (wave 1)/2010 EC (wave 2), how many non-managers were laid off/fired?

During FY 2008 EC (wave 1)/2010 EC (wave 2), how many non-managers quit out of their own will?

Please indicate how strongly you agree or disagree with the following statement: In the past 2 years, it has become easier to retain unskilled workers at this establishment [Likert scale from 1. Strongly agree to 5. Strongly disagree]

Please indicate how strongly you agree or disagree with the following statement: In the past 2 years, it has become easier retain skilled workers at this establishment [Likert scale from 1. Strongly agree to 5. Strongly disagree]

What percentage of non-managers leave this establishment to work for other firms in the same sector?

Appendix C. Additional Details on Qualitative Data Collection

Interviews

Interviews are the primary source of data in our qualitative analysis: they capture the perceptions of employees and managers. A detailed interview protocol is attached in Appendix D. It can be summarized as follows. After obtaining permission to visit the firm over the phone in advance, our three-person team arrived to re-introduce our research aims. We first conducted a semi-structured interview with the chief executive and HR manager. Our three-person research team was able to communicate in Chinese, English, French, and Amharic, and we conducted interviews in whatever language was most comfortable for our interviewee. To build rapport, we began with basic questions about the production and history of the firm before asking about the challenges faced by the firm. We asked specific questions about labor management practices, wages, benefits, unions, and perceptions of labor relations in the firm. Given the sensitivity of labor relation issues, we kept those questions for the end of the interview, when good rapport was already established with the respondent. The total time of these interviews was approximately 90 minutes.

We then asked to interview at least two factory workers and the union representative at each firm. Interviews with workers mirrored those with the managers in terms of content and focus. One limitation is that we were not always permitted to interview factory workers, and we list whom we were able to speak to in Table 6. A second limitation in our study is that employees with whom we were able to speak were all chosen by management. We requested that workers be randomly selected from the factory floor, but this request could not be independently verified. Hence, management may have selected workers who would portray the firm in a positive light. If this were the case, we would expect our data to underestimate antagonism.

Because of the sensitivity of the context, none of the firms permitted us to record these conversations. To reduce the likelihood of missing important facts or misrepresenting the interview, each member of our three-person team independently took notes during interviews conducted in English. This was not possible, however, when the interview was conducted in a language different from English. We register the inability to record and transcribe our interviews as a limitation in our data analysis, but the alternative was to have no access to the context, and even if permission to tape-record would be granted, the honesty and scope of the interview would have been limited by the presence of a tape-recorder (Nordstrom, 2015; Rutakumwa et al. 2020).

Observations

After the interviews, we observed the factory floor. We negotiated to have at least one hour to freely observe production, during which time we observed interactions between employees and front-line managers. Direct observations provide a complementary source of evidence to interview data (Yin 2003: 113). Observations of working environments and how managers and employees interacted revealed aspects of the relationship that were not raised in interviews.

As a function of data collection about a sensitive topic in a difficult-to-reach population, we were unable to arrange to observe production at a select number of firms. For instance, the factory of F2 was located offsite in a rural part of Ethiopia, and we were unable to visit the jobsite and interview front-line workers. The full set of data we collect is shown in Table 6, and for transparency, we show all firms that were in our sample despite gaps in our data collection. Practical considerations also limited our sample size. Brokering unrestricted access to individual firms was costly and time-consuming, especially for foreign firms. On the upside, no other study has, to our knowledge, been able to gain the same degree of access to domestic and foreign firms in a country such as Ethiopia.

Archival Data

Archival data can triangulate data collected through field observation and interviews (Yin 2003: 107). Wherever possible, we collected news articles, PowerPoint presentations, company brochures, and even a term paper written about the firms we visited. Company brochures, for instance, allowed us to see how the firm was attempting to recruit workers or attract investors. We document the archival data collected from each firm in Table 6.

Appendix D. Interview protocol for the case studies

1. Reference Script to Begin Interview

Thank you for your time today. Let us first introduce ourselves. This is a joint project between (anonymized for review). Here is an information sheet that describes this research. (Give information sheet).

If you'd like, we can conduct this interview in Amharic, Chinese, or French. Would you like to use a different language than English?

Our goal is to learn from many different firms here in Ethiopia - both domestic and foreign - and the way they do their labor management. The long run objective is to have lessons which we hope will inform and help firms like yours improve labor management. The benefit to participating in this research is that your voice will be heard, and it may possibly improve the conditions and business climate for companies such as yours. We do not anticipate any risks to participating in this project.

We are interested in four things:

1. An informal interview with you for about one hour, or more, if you have the time. We would also like to interview your HR manager.
2. An opportunity to tour your facilities and observe workers interact with their managers for at least an hour.
3. We would like to interview your union representative for about 90 minutes.
4. If possible, we would like to interview at least two front-line employees, selected at random.

I also want to highlight two important things from our information sheet:

1. We are very grateful for getting this opportunity to speak to you, we know you are busy so we really appreciate it.
2. This is an academic project, and we are operating in this study with a strict condition of firm anonymity and confidentiality. Everything you tell us here today, stays between us. Your name or that of your company will never be mentioned in any report.

Do you have any questions for us?

2. Interview Protocol

Note: the protocol is meant to begin a conversation about labor management. Remember to **ask for examples and follow-up questions.**

I. **Basics (only asked to managers, primarily to begin the interview and build rapport)**

"Thank you for the opportunity to visit and learn more about your firm!"

a. Manager questions
   i. First impressions of Ethiopia?
   ii. When did you first work as a manager?
   iii. What kind of preparation or training (educational background, work history)?

b. *"We would like to begin with some simple questions about your firm. If this information is available in written documents, we would appreciate having a copy of that as well."*
   i. History of firm
   ii. Ownership
   iii. Organizational chart
   iv. Number of international staff / managers at this site?
   v. Production over past 3 years
   vi. Sales/revenue over past 3 years

c. *"Now we'd like to ask you some basic questions about your employees."*
   i. Number of front-line, clerical, management, contract workers.
   ii. Where do front-line workers live?
   iii. Martial status, gender, education of front-line workers?
   iv. How does your firm generally recruit front-line workers? What are the requirements before they are hired?
   v. How are front-line workers trained before they start the job?
   vi. What is the turnover rate of front-line workers at the firm?

II. **Labor Management (asked to both managers and union representatives)**

a. Working Hours

    i. How many shifts do you have in your factory? When do front-line workers show up each day, and when do they go home?
    ii. How many breaks do employees have? What is firm policy for when they can take breaks?
    iii. What are overtime policies and overtime pay at the firm?
    iv. What do you think about the current arrangement of working hours?
    v. How did the company decide on these policies?

b. Salaries and benefits

    i. What is the monthly pay for an entry-level front-line worker?
    ii. Payment frequency (biweekly, monthly, etc.)
    iii. What kind of deductions? Taxes or social security contributions taken off wages?
    iv. Policies for leave? Sick leave, vacation, holidays?
    v. What bonuses does your firm give (e.g. referral bonuses, extraordinary performance?).
    vi. Have there been examples of promotions from entry-level front-line worker get promoted? What are the policies around promotions?
    vii. Social insurance (retirement, unemployment, widow pensions)?
    viii. What kind of amenities or other benefits are offered?
    ix. What do you think about the current arrangement of salaries and benefits?
    x. How did the company decide on these benefits and policies?

c. Hiring

    i. Difficulties for certain positions?
    ii. Seasonal difficulties?
    iii. Policies for training, onboarding, rehiring?
    iv. Recruitment from abroad to fill needed positions?

v. How many workers leave each month?

vi. Why do you think the workers leave?

vii. How often do they return?

viii. Do you do exit interviews with those who leave, and what is their impression of the firm?

d. Conflict

i. Tell us about the last time someone had a complaint, can you run us through how that went? How was the situation resolved, if at all?

ii. If an employee were unhappy about something, what should they do to bring up their concern?

iii. What was the last time a front-line employee violated company policy? How were they disciplined?

III. Opinions (employees asked to talk about manager)

a. What do you think the biggest challenge facing the company right now?

b. How easy or hard is it to work with your manager / employees?

c. What do you think about [Manager Name] / [Union Representative]?

d. What are some of the biggest differences that you see between yourself and [Union Representative / Manager Name]?

e. What do you think would be most important thing that would improve conditions at this firm?