

2. On the socio-economic causes of high employee turnover in the Ethiopian textile and garment industry

2.1 Introduction

Labor turnover and absenteeism in the textile and apparel industry have so far been studied mainly in countries where the industry already has a much longer history (i.e., Bangladesh, India, Sri Lanka, Myanmar, Kenya, Pakistan, Indonesia, and Lesotho). (See Fink, Gronemeyer & Rössner, 2021) The results presented in this book aim to contribute to a deeper understanding of the specific situation of the sector in Ethiopia – the country that, despite recent crises, is still considered an important beacon of hope for global textile and garment industry.

Interviews with female operators and human resources managers carried out as part of the JLU-study revealed mostly opposing views when explaining massive rates of turnover and absenteeism: while the majority of the female workers interviewed blamed the mismatch between low pay and high workload, managers often referred to the workers' *mindset*, which they negatively connoted with a "lack of experience with industrial work," "poor work ethic" and as a result low production levels. The interviews revealed a large discrepancy between the views and interests of workers on the one hand and the management personnel on the other. A company manager at the Bole Lemi Industrial Park (BLIP) in Addis Ababa points to the general conflict of differing interests between employers and employees:

"The issue of labor productivity, as well as the measures taken to adress it, is at the heart of the problem of labor turnover in the industrial parks. Employers want their employees to maximise their productivity, and employees want their employers to pay them well. I seems that these two desires are unable to travel in the same direction." (BLIP-CM-2021-informal-conversation)

High availability of labor and low wage levels were main reasons for international textile and garment companies to settle in Ethiopia, however, voluntary work termination of laborers is now one of the major challenges for the companies. Companies generally expect high turnover rates in the first two to three years of

production, but assume that the workforce will stabilize thereafter. But for the international firms in Ethiopia's industrial parks, high turnover rates remain a continuous challenge even after several years. Furthermore, high absence rates of laborers significantly contribute to the instable workforce situation.

High labor turnover becomes even more challenging when drop-outs are not newcomers, but well-established employees. Replacement is a general challenge as there is a lack of experienced workers in Ethiopia's light manufacturing sector.

Ethiopia is still at the beginning of its industrial development – and has still a long way to go, as a thirty-year-old human resources manager explains. The manager, who works for a garment company in the Hawassa Industrial Park (HIP), estimates that it could take 30 to 40 years until Ethiopia has developed an industrial workforce qualified to operate in the textile industries. The manager sees his mission in Ethiopia also as an educational one: his task is to anchor the rules and norms of industrial work system among employees, a large proportion of whom are young women with a rural-agrarian background who are not yet adapted to the industrial environment. The manager admits that he had not expected the situation in Ethiopia to be so different from that in Sri Lanka, where he had previously worked:

“Since I guess Ethiopia is not still industrialized country – because like when I am coming here, I was expecting same environment as Sri Lanka. Because I do not know, nobody told me anything about Ethiopia. They just told me to go and you do your thing. I still feel unknown to this. Because all the girls do not understand how you work, what are the work ethics. All these things you have to teach from the start because most or all the girls are coming from a farming background, also their families are farmers. So my task, my challenge is like to industrialize them, train them, like give them the positive side of this industry and the negative side of industry as well. My challenge is to market and promote this industry for the girls.” (HIP-HRM-2020-2)

In a smaller survey conducted at the beginning of the research project, a HR manager at BLIP explained:

“Since they are coming directly from home, they don't want to be confined in a work place for more than eight hours. This situation doesn't bring the expected compensation so that they get stressed and that eventually leads to absenteeism and turnover.” (BLIP-Survey-2020-3)

In interviews with management personnel a constant complaint concerns the work attitude (‘mindset’) of the employees – e.g. “They can be fruitful in the production system. But they don't have the mindset to understand this.” HIP-HRM-2021-4 In

the view of a representative of the investors' association at BLIP, workers in general lack a sense of purposefulness:

"They [the workers] tell you hundreds of reasons. Today they are sick and tomorrow they come well. [...] People should know the value of living and the value of money [...]." (BLIP-Stakeholder-2021-2).

Another HR manager at BLIP complains:

"Mainly, they try to ask for their rights without fulfilling their responsibility. There are also other disciplinary problems including being late to come to the workplace, lack of punctuality, and some lack of commitment. There are also problems related to workplace conflicts, particularly among workers. These are problems that are common everywhere." (BLIP-HRM-2020-2)

An HR manager at HIP mentions the gap between the demands of the industry and the workers who are not yet able to meet them:

"It is a green field country because the industrialization is just starting. So, industrialization, the culture which is associated with it and how people see their career going forward, their ambitions, how they see themselves, is a big challenge for me." (HIP-HRM-2020-3)

Most managers interviewed consider both the lack of experience with formal gainful employment and the agricultural background of the laborers as main causes for the high fluctuation. The firms established trainings to improve the work attitude of the workers and to create awareness about the processes involved in the industrial production. For example, employees are encouraged to notify their employer as early as possible of (foreseeable) absences, holidays or even their withdrawal. At the same time, companies have created incentive systems to achieve greater labor force stabilization. However, according to the managers, these measures have not yet brought the desired success. Companies have run out of ideas for an effective plan to retain their employees, states one company manager (BLIP-CM-2021-informal-conversation). To a certain extent, companies consider staff turnover and absenteeism to be normal sources of friction. However, the often very high turnover rates jeopardize the profitability of companies.

Some of the managers recognize that the low remuneration of employees (the operators) has a significant impact on the high turnover. However, given low productivity performance (and low profit margins), companies argue to have little room for manoeuvre to provide for higher wages. The beforementioned company manager at BLIP (BLIP-CM-2021-informal-conversation) estimated that 80% of

his employees quit due to dissatisfaction with their salary, while the rest would quit due to issues related working environment and working conditions. As a consequence of the high turnover rates, companies tend to keep investment in training new employees low, which in turn can lead to overstretching employees in the workplace and resigning.

The textile workers are expected to join the company for at least five years. However, according to interviewed managers, many withdraw within the first three months of employment. Overall, as the research results indicate, labor turnover ranges from 50 % to as much as 100 % per year, and absenteeism can be as high as 10 % per month. All this reduces the productivity of companies and moves Ethiopia's goal of becoming an industrialized country further away.

The life situation of the (women) workers in the Ethiopian textile industry is characterized by a drastic tension. The majority of workers are unmarried women who migrated from rural areas to the cities. Their knowledge, skills, experience, and work rhythms are shaped by the agricultural way of life, which is more community-oriented than individualistic. In a way, their 'mindset' contradicts the expectations placed on them in the industrial park where punctuality, regularity and adaptation to the clockwork of industrial production are required. The rural-agricultural lifeworld is characterized by intensive work phases and long breaks with time for social interaction and cultural activities, while industrial production demands regular delivery of labor. "They live for the day." This statement by a manager reveals a mutual cultural misunderstanding: the concepts of time in rural subsistence farming and industry clash. (Incidentally, there are extensive scientific studies on this cultural conflict, see, for example, Rifkin, 1989; Thompson, 1967). The unaccustomed uniform industrial work rhythm is at odds with the more eruptive labor demands of rural life. Managers recognize that it is difficult for the women to adapt to the factory work. Quite a few workers quit altogether and often disappear from the company without giving notice.

The women's ties to ceremonial events in their villages are strong. "When somebody dies, it is a serious thing" – this is emphasized time and again. A funeral can last up to more than ten days. Usually, after weeks, another ceremony is taking place that no member of the community should miss. The conflicts between loyalty to the village community and the demands of working in the textile factory are particularly acute when workers have relatives living in remote areas and visits home are very time-consuming.

From the interviews, significant socio-cultural differences between the workforce and the expectations and norms placed on them by the industrialized work environment became clear – also cultural differences between the workforce and international company managers: the latter bring their own cultural values and at the same time represent the norms of a globalized economy. However, socio-cultural differences seem to be not the main cause for high labor turnover and absenteeism,

but rather fundamental conflicts of interest between employers and employees. It is remarkable that expert discussions in research and politics focus primarily on the attitudes and mentality of workers, with little attention paid to those of managers.

In addition to the demands of cultural adaptation in the job, the women workers report about high workloads and tight deadlines. They are expected to work a regular 48 hours a week from Monday to Saturday (six days). On top of that comes overtime that many employees work to supplement their wages. In times with high order volumes, workers also report certain pressure to work overtime. The workers are granted a 30-minute lunch break, sometimes longer.

According to a company manager, an account is set up for the women workers into which their wages are transferred. They then have to learn how to use an ATM, an automated teller machine, and enter their PIN. In trainings, they are encouraged to manage their money wisely, save, and focus on their individual needs and interests.

The entry level wage is increased if a worker produces more than 52 T-shirts per hour, says a HR manager. Performance-related payments are calculated according to performance per line and per individual worker. Most companies pay more or less the same basic wage, which is very low given the low level of training. The average basic monthly wage is ETB 1,449. Low wages and increasing inflation are making it difficult for workers to afford food, housing and other basics. In comparison, working as a housemaid, which many already consider as the last choice, can be even more attractive as it is rewarded with a salary of around ETB 1,000 plus free board and lodging.

Recruitment of labor is followed by a training program on the sewing machine. The training lasts 10 days, in some companies even 40 days or longer. Employees are expected to have completed eighth grade and be at least 18 years old. After the training, the women are contracted. The majority of the workers live outside the industrial parks. So far, only one company (in the BLIP, Addis Ababa) offers accommodation for their operators on park grounds. Accommodation on the periphery of the city is mostly cheaper and therefore favored by the workers. However, this means to travel longer distances to get to work. In order to reduce monthly costs, employees often share an apartment with colleagues, usually with one to three colleagues from the industrial park. However, they consider their rent (which averaged ETB 479 per person at the time of the survey) to be too high in relation to their income. The accommodation is usually one room with very basic furnishings and running water in the courtyard – living conditions that are not unique to the apparel sector, but correspond to the average living conditions in Ethiopia. (Fink, Gronemeyer & Rössner, 2023: 12) The hygienic conditions in these shelters are poor and on their way home from work the women are at great risk of harassment, rape and robbery. These are everyday conditions that raise the question for the women: “what is the value of being here?”

A scientist at Hawassa University comments on the women workers: "They don't have a life anymore. They leave because they are exhausted."¹ The women walk to their workplace if their accommodation is close to the industrial park. Those who live at the periphery or even outside the city are picked up by the company bus that also brings them home after work. From the bus stop, they still have a walk home. Because of the unsafe routes, some companies have abolished shift work. However, on the other hand, many women workers at Hawassa Industrial Park (HIP) prefer shift work as this gives them the opportunity to attend college courses in the evenings and on Saturday after their work. The employees often see their factory as a temporary solution to gain a foothold in the city and further their education. Once this goal has been achieved, they would like to find a job that matches their qualifications.

Most of the workers in the Hawassa Industrial Park are Sidama, with the Woleita being the second largest group. The women speak different languages. Not all of them speak the official language, Amharic. Work in the textile factory is also taken up because it gives the women financial independence (for example from parents or a husband). In many cases, the women also want to escape the village life. For the families in the villages, on the other hand, it is important that one person in the family earns money in the city to be able to support the family. However, the results of the JLU study show that many workers can barely make ends meet on their wages. A significant proportion of workers even receive financial support from their families, who mostly live in rural areas. This support is provided in the hope that the work will pay off over time and that the flow of money will eventually reverse, moving from the city to the countryside. However, it is a relief for families if at least one family member can keep their head above water with their wages.

Information on the current scale of labour turnover and absenteeism varies to some extent in the research literature. For instance, recent studies on the expanding manufacturing industry in Ethiopia report employee turnover rates of around 80 to 100% annually (Blattman/Dercon, 2018; Yost/Shields 2017). In her study, Halvorsen (2021: 3) documents a slightly lower rate compared to previous reports from the manufacturing industry.

Statistical information on labor turnover and absenteeism is available only sporadically. In general, such statistics are difficult to access for research purposes. Authorities and companies are reluctant to share those sensitive data with third parties. At the same time, the transmission of statistical reports by companies to the Industrial Parks Development Corporation (IPDC) is not systematic and reliable as representatives of the IPDC stated in a conversation with the JLU

1 Conversation with a Professor at Hawassa University (he works in the field of University-Industry-Linkage) during the planning phase of the research project in 2019.

research team. Human resources managers and company managers surveyed in the JLU study (2020–2022) confirmed that turnover and absenteeism of operators were still major problems in their company. It should be noted that rates in 2020 were significantly above average due to the COVID-19 pandemic.

According to HR managers at BLIP and HIP, companies mostly calculate their operation with a daily absenteeism rate between 2% and 10%. One HR manager indicated that 5% absenteeism per day could be tolerated, but anything above that would be difficult. (HRM-HIP-2021-2) Another HR manager explained:

“For example, today my absenteeism is 2.3%. Normally we have our own company target, so we have to maintain under 3.5% absenteeism. So today, it is 2.3%. Monthly I will say it is 5%.” (HRM-HIP-2020-2)

Most answers from HR managers ranged from 2–4, 3–5, 4–5, 5–7, 5–8, 6–7, 8, or 5–10% minimum and maximum daily absenteeism rates. Absenteeism affects the productivity significantly as one or two workers missing in a line can lead to a situation where the whole line has to be closed down for that specific day, especially if no ‘stand by worker’/ ‘jumper’ is available to replace the absent ones. In times of high order volumes, absenteeism can considerably reduce the productivity. Sometimes shipping deadlines cannot be met due to absenteeism, thus the goods may have to be shipped by air freight, which is far more expensive for the companies. However, companies are forced to look for alternatives to retain their buyers.

Looking at the monthly turnover rates of operators, one HR manager reported to have 6.5% in average (2–10 minimum and maximum) turnover in his company. Other HR managers reported monthly turnover rates between 3–8, 3–4, 3–8, 4–5, 4–6, 5–7, 6–7, or 9%, meaning that annual turnover rates could be 50% and more in the textile and garment companies. The statistics vary: one HR manager reports 15% annual turnover rate for his company and notes that this “is very nice since others have around and more than 35%.” (HRM-HIP-2021-1) According to the general manager of BLIP, Addis Ababa, Mr Tinsae Yimam, labor turnover tends to be higher in bigger companies.² This may indicate that it is easier for companies with a smaller workforce to implement an effective system of human resources practices, which is an important factor for retaining employees. Another factor contributing to the variability is most likely the varying length of time that companies have been in business since their establishment. Companies that have been producing in the IPs for many years are very likely to have lower fluctuation rates than younger companies.

The problem of labor turnover is particularly illustrated by the following statement made by a HR manager at BLIP: “In six years we have employed more than

2 Conversation with the general manager at BLIP, Addis Ababa, 01.08.2022.

20,000 workers. If we say the current number of workers is close to 7,000, more than 13,000 workers have left their jobs.” (BLIP-HRM-2020-1) “Staff is the biggest issue,” that is the statement of another HR manager (at HIP). (HIP-HRM-2020-1)

The permanent recruitment and training of new workers is time-consuming and cost intensive (Moon et al., 2019). In their study on the Ethiopian textile and leather industries, Hardy and Hauge (2019: 16, 17, 18) describe turnover “as the most common and costly labour issue for firms.” They emphasize that production has fallen short of expectations, with high staff turnover seen as the main cause of the poor performance. In their work, the authors interpret high turnover as a form of protest by employees, which incurs high costs for companies and ultimately forces them to create better working conditions.

Gelashe (2018: 6) explains: “excessive turnover creates an unstable workforce and increase personnel costs and organizational ineffectiveness.” He describes the direct and indirect costs of turnover as follows:

“Direct personnel costs associated to employee turnover include recruitment, selection, replacement and training of new people. The indirect personnel costs include an increased workload, reduced productivity associated with low employee morale, time consume till the new employee acquainted with the new organization culture, system and his new job responsibility [...]. Another huge cost that might be associated with the employee turnover is the organizational loss of its intellectual capital which will affect heavily ist competitor [...]” (Ibid.)

2.2 Employee turnover and absenteeism: major causes at a glance

The following table provides an overview of the main reasons for employee turnover (and turnover intention) and absenteeism, based on interviews with workers (mainly from HIP and BLIP) (table a) and human resources managers from HIP and BLIP (table b).

**Causes for turnover (and turnover intention) and absenteeism:
What do operators say?**

Tab. 2: internal causes (T/A = turnover and absenteeism)

on-the-job factors	T/A
number one: basic wage is disproportionate to high workload, long working hours and the cost of living (also considering high inflation)	T/A