

# 1. Introduction

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## 1.1 The emerging textile industry in Ethiopia - dynamics, challenges and prospects

Ethiopia faces a major challenge of having to create alternative employment opportunities outside of traditional agriculture. The reasons for this are primarily the population growth, the impact of climate change on agriculture, urbanization, and the transformation of the agricultural economy, which endanger smallholder livelihoods.

Despite the ongoing urbanization<sup>1</sup>, the majority of Ethiopia's workforce is still predominantly based in rural and agricultural life worlds. A large proportion of the young generation rely on informal employment and small-scale farming. Creating alternative employment opportunities to absorb the entire surplus labor force will be crucial in the coming decades, as Oya states. (Oya, 2019: 672) The development economist considers the industrial manufacturing sector playing a central role in this process, although not an exclusive one as other sub-sectors could also generate high-productivity jobs. (Ibid.) According to Oya, however, the new jobs to be created should actually improve the standard of living. He writes:

“[...] low productivity in ‘subsistence’ agriculture is not enough to push a transfer towards new capitalist sectors. [...] the wage differential between the new industrial (capitalist) sectors and the ‘subsistence’ agriculture should at least offset the higher living costs in an urban or new environment, compensate for the ‘forfeit of non-monetary benefits of rural life’, and possibly compensate for more uncertainty in industrial employment if workers are not given permanent positions and turnover is high.” (Ibid.: 673)

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1 “Ethiopia will remain a predominantly rural country until 2050, i.e. more than 50 % of the population is expected to live in rural areas. However, it is urbanising fast: urban population is expected to double between 2015 and 2030. Although the country is currently characterised by a monocentric urban system, urbanisation is being propelled by intermediary cities.” (OECD/PSI, 2020: 11)

The statement shows that traditional small-holder agriculture is under pressure from various sides: population growth is not the only pressure being exerted on land and agriculture; the traditional agriculture can also hardly generate the monetary income needed to maintain living conditions in contemporary Ethiopia, including rural areas. Aspects to mention here are the costs for schooling, health care, modern consumption goods, housing, and mobility. However, according to the World Bank (2022a), the rural land use fee and agricultural income tax are the major expenditures for rural landholders in Ethiopia. For subsistence farmers, even a small tax payment could increase poverty (*ibid.*: 14).

Other factors threatening traditional agriculture are linked to climate change and the modernization of the agriculture – including land grabbing: ‘development’ as a major goal of consecutive Ethiopian governments “has paved the way for large-scale land grabbing which dispossesses and displaces rural farmers and pastoralists and forces them to seek jobs in agribusiness-enterprises and urban areas.” (Regassa, 2020; see also Wayessa, 2020) A critical analysis paper for the German NGO FEMNET argues that without a faster growth of the industrial sector, Ethiopia will hardly be able to absorb all the surplus labor force that is falling out of the agriculture due to the modernization process that is being pushed forward by the state with full force. (Salingré, 2017/18: 35) Increasing ethnic conflicts are largely conflicts over land and displacement (Weber, 2018: 2).

Overall, Ethiopia has seen considerable economic growth over the past decade and was long regarded as success model of state-led development in Africa. However, due to turmoil's and an uneasy transformation in recent years, this image has suffered serious damage. A 2018 statement underlines Ethiopia's important role in the Horn of Africa – both positively and negatively:

“A stable, prosperous and peaceful Ethiopia, in which people's living conditions improve, would have enormous appeal in the conflict-ridden environment in the Horn of Africa. Conversely, a destabilisation of the country would have a devastating effect on the entire region, including massive refugee movements throughout East Africa and beyond.” (Kaps et al., 2018: 15)<sup>2</sup>

Unfortunately, the latter scenario has materialized. Severe shocks have hit Ethiopia's economy and society in recent times: the COVID-19 pandemic, the conflict in northern Ethiopia that also destabilized other parts of the country, declining Official Development Assistance (ODA) during 2020–22, and climate shocks visible in severe droughts and floods. (UNDP, 2022a; UNDP 2022b: i)

However, leaving aside these recent crises, it is fair to say that Ethiopia's economy has experienced a tremendous boom in the years before. The government has

2 Own translation of the German quote.

drawn up comprehensive reform plans. Ethiopia's Growth and Transformation Plan (GTP) envisions transitioning from a developing country to a middle-income country, focusing on key sectors such as agriculture and light manufacturing industry (USAID, 2016).

The textile sector is one of the sectors subsidised heavily by the GTP I and II<sup>3</sup> The Ethiopian government has set itself the goal of making the country an economic centre for textile exports in Africa and has expanded the sector enormously. The GTP II (2016–2020) focussed on the expansion of the manufacturing industry, export orientation and increasing agricultural yields, among other things. Following the model of China's Special Economic Zones, export-oriented industrial parks were established in which the textile and apparel industry is an important sector. The textile industry is expected to create thousands of jobs, improving people's living conditions and contributing to the country's socio-economic development. (Fink et al., 2021: 58, 59). The government has invested heavily in the industrial parks to pursue the ambitious goal of transforming the agricultural-based economy into an industrialized one. (The Africa Report, 2022) It has succeeded in attracting foreign investors by creating various incentives such as low electricity prices, free water, so-called tax holidays of two to ten years, and low rent or lease. (The Africa Report, 2022; Business Opportunities Report Ethiopia, 2015, 28; EIC, 2017) Ethiopia also "presented a competitive advantage due to lower wages (minimum \$35 to \$40 a month compared to \$68 for Bangladesh and \$500 in China for the industry)." (The Africa Report, 2022) Many enterprises have shifted their focus from Asia to Ethiopia to benefit from the improved work safety in terms of infrastructure and higher working standards in general, other main advantages are the extremely low wages and the lower production costs involved. The various benefits that Ethiopia offers to investors and manufacturers are described in detail in a report commissioned by the Netherlands Embassy in Addis Ababa. (Van der Pols, 2015)

The Industrial Parks Development Corporation (IPDC), the government agency responsible for IPs, gives preference to investors who meet the following priority conditions: 1) bringing knowledge transfer or training for it, 2) bringing expatriate managers to train the Ethiopian staff, 3) bringing specific skills or expertise that can be conveyed, 4) providing large employment possibilities. (Business Opportunities Report Ethiopia, 2015).

The government's declared goal is to create 350,000 jobs in the textile and apparel industry (Rasche, 2018).<sup>4</sup> However, at the time of the study the sector counted just over 100,000 workers: mostly young, low-skilled (female) machine

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3 For a brief overview of the objectives of the two development plans see Kaps (2018: 15).

4 For detailed information on Ethiopia's industrial parks see the website of the government-related Industrial Parks Development Corporation (IPDC), <https://www.ipdc.gov.et>.

operators. The majority of them come from rural areas and has an agrarian family background.

The Hawassa Industrial Park (HIP) that went into operation in 2016 is considered the flagship of the Ethiopian textile industry with around 22 international apparel companies.<sup>5</sup> At full capacity, it is expected to employ 60,000 workers (at the time of the study, around 30,000 workers were employed). The raw textiles are mainly produced in India, China and Vietnam. In 2021, Ethiopia's textile and apparel sector's main export destinations were the United States (\$259.81 million), Germany (\$16.85 million), and Spain (\$12.91 million). (Fibre2Fashion, 2022)

In a letter about the Ethiopian textile and garment sector, the German development agency Gesellschaft für Internationale Zusammenarbeit (GIZ) points out the importance of environmental aspects as well as that of social standards (particularly the payment of living wages, which cover the basic living expenses of workers). The letter does not conceal that the Ethiopian state has not yet introduced a statutory minimum wage. (GIZ, 2022)

The relatively young Ethiopian textile industry is associated with high expectations, as employment opportunities need to be created. However, it is also a major challenge for the country to ensure that the newly created jobs and working conditions – that are embedded in a globalised industry – are humane and fair. It is therefore not surprising that various studies report about poor working and living conditions of laborers in Ethiopian textile and garment factories (Salingré, 2018; WRC, 2018; ABA ROLI, 2017; Barrett/Baumann-Pauly, 2019; Mitta, 2019; Jego, 2019).

Despite the manifold obstacles, industrialization is considered as a key element for Ethiopia's transformation into a middle-income country. Since economic catch-up with advanced and developed countries is a challenge, Fukunishi and Yamagata (2014) analyse "the means through which the garment industry contributes to industrialization, globalization, poverty reduction, the empowerment of undereducated workers, in particular female laborers, and shared growth in contemporary low-income countries."

Staritz and Whitfield explain (2019: 705):

"The apparel sector is regarded as a first step for low-income countries embarking an export-oriented industrialization process. Given its low fixed costs, relatively simple technology, and labor-intensive nature, the apparel sector employs large numbers of unskilled workers (mostly women) and provides upgrading opportunities into higher value-added activities within and across sectors."

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5 HIP Investors Association, <https://hipiaet.com>.

Rehlen points out that the Ethiopian government has missed out to bring the entire manufacturing industry into the country. Instead, all required products have to be imported – the textiles, machines, every button or packaging. (Fink/Gronemeyer, 2023: 191) This results in high costs, resources which on the other hand are not available to pay appropriate wages. Despite shortcomings in terms of both its productivity and working conditions, including the aspects of fair pay, the textile sector provides high potential for formal jobs.

According to literature, a decline in formal unemployment and underemployment can be observed in both rural and urban areas since the 1990s. However, this was apparently not directly linked to the country's rapid industrial development, but more to the increase of activities in services (mostly in low-productivity 'informal' jobs). (Oya, 2019: 669) According to Oqubay (2019: 669f., 672), the Ethiopian economy has made only limited progress in providing decent jobs for the growing young population – a situation that is jeopardizing economic and political stability.

In his multi-sectoral study on Ethiopia's development project, Lavers (2023/24) argues that the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF, 1991–2019) sought to maintain political order through economic transformation, aiming to secure mass consent through distribution of land and employment. However, Lavers states, the fast growing population and the limits of industrial policy in the contemporary global economy led to a distributive crisis. In his view, this was a central factor in the regime's collapse – the starting point of the outbreak of the civil war in November 2020.

The civil war has dealt a heavy blow to the country's development and its flourishing textile industry. Some of the major clothing factories in the northern province are no longer working or have even been destroyed. At the time of the study, 13 public and five private industrial parks were in operation nationwide.<sup>6</sup> A report of the World Bank Group (2022b: xii) confirms that in 2022

“[d]ue to the internal conflict, operations at Mekelle Industrial Park (IP) and two private IPs (DBL and Velocity IPs) have been stopped, and one Industrial Parks Development Corporation (IPDC)-owned IP (Kombolcha) has faced disruptions for several months. Whereas most of the publicly owned IPs focus on light manufacturing sectors – predominantly apparel and leather products that target the

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6 “Industrial Parks Development Corporation (IPDC)-owned parks: Adama, Bahir Dar, Bole Lemi I, Bole Lemi II, Debre Berhan, Dire Dawa, Hawassa, Information and Communication Technology (ICT) Park, Jimma, Kilinto, Kombolcha, Mekelle and Semera. Privately owned parks: DBL, Eastern, George Shoes, Huajian, and Velocity.” World Bank Group 2022b: xii (executive summary). In 2024, the Ethiopian Investment Board designated 11 of the 13 industrial parks as “Special Economic Zones (SEZs)”, see <https://www.ipdc.gov.et>.

export market – the private IPs have a mix of sectors from apparel to cement and steel and serve both domestic and export markets.”

As a consequence of the government's controversial role in the conflict, the United States – by far the most important buyer of Ethiopian clothing – suspended its market access benefits for Ethiopia. The African Growth and Opportunity Act (AGOA) is a United States Trade Act that provides duty-free treatment to goods of eligible sub-Saharan African countries. Since Ethiopia was excluded from the AGOA in January 2022, manufacturers are trying to find compromises, such as “offering to bear duty taxes in full or sharing 30 % to 70 % [of tariffs with clients]” (The Africa Report 2022). However, as a CEO of a Garment company states in an interview, with the company's “maximum profit margin being 10 %, it is not sustainable” (ibid.). Companies partly shifted their production from Ethiopia to branches in other countries (such as Kenya) in which the AGOA agreement exists.<sup>7</sup> Even after the conclusion of the peace treaty in November 2022, the US has not yet announced a return to the AGOA scheme. Textile companies still have to deal with the AGOA ban by partially relocating production to other countries, or by negotiating a deal with buyers whereby applicable taxes are shared.<sup>8</sup>

For more than a decade before 2016, Ethiopia's Gross Domestic Product (GDP) grew at a rate between 8 % and 11 % annually. Ethiopia had one of the fastest growing economies among all the 188 International Monetary Fund's (IMF) member countries. This growth has been driven by government investment in infrastructure as well as continued progress in the agricultural and service sectors. Three quarters of Ethiopia's population live from agriculture, but services have overtaken agriculture as the main source of GDP.<sup>9</sup>

However, a dramatic slump came with the coronavirus pandemic. In May 2021, the Ethiopian Investment Commission (EIC) announced a 45 % decline in exports from public and private industrial parks and due to the pandemic and the escalating Tigray conflict. (Sahlu, 2021)

A positive economic outlook by the African Development Group (2024) is associated with the expectation of post-conflict reconstruction. However, current developments also allow for a more sceptical view: the armed conflict between the Amhara regional forces along with the Fano militia and the Ethiopian government could escalate into another civil war (Abebe/Moges, 2024). Moreover, the situation

7 Information provided to the research team by a deputy factory manager at BLIP, Addis Ababa, August 2022. Also see: Ethiopia loses 11,500 jobs, 18 foreign companies following AGOA suspension. In: The Reporter, Feb 15, 2025, [www.thereporterethiopia.com/43838](https://www.thereporterethiopia.com/43838).

8 Conversations with human resource managers at Bole Lemi Industrial Park, Addis Ababa, August 2022.

9 AGOA country info: Ethiopia, <https://agoa.info/profiles/ethiopia.html>.

in the Tigray region has not really calmed down yet. Although active fighting ended in the region, according to Human Rights Watch (2024) serious rights abuses against civilians continued throughout the year 2023. Up to this date, the situation in Tigray is still highly volatile.

Other smouldering conflicts are linked to Ethiopia's controversial geostrategic goals, which are causing further tensions in the Horn of Africa. As modern-day Ethiopia is famously landlocked, an ambitious goal of Prime Minister Abiy Ahmed is to gain access to the Red Sea via the harbor of Somaliland, creating tensions with Somalia as the port lies within Somalia's internationally recognised borders. (Tharoor, 2024) Another conflict concerns the gigantic GERD (Grand Ethiopian Renaissance Dam) project that has led to massive conflicts with neighboring Egypt.<sup>10</sup>

According to the German business agency GTAI (2023), Ethiopia offers "good prospects" for investors, but a "difficult environment". Although Ethiopia with its promising market has become the most important target country for foreign investment in East Africa, investors report difficult framework conditions, according to the GTAI. Following the ceasefire in Tigray, clothing manufacturers in Ethiopia are hoping for more foreign orders, but the upstream textile industry remains weak. Despite all challenges, Ethiopia's potential is considered being great: The GTAI emphasizes good conditions for production since from the fibre to the garment all production steps are covered. It also highlights Ethiopia's cotton production, cheap electricity and the state that would help with concessions and space in large industrial parks, and particular low wages from which the labor intensive clothing industry would benefit. (GTAI, 2023/24) However, the GTAI also addresses the challenges with the workforce:

"Labour productivity in the factories is still low, but staff turnover is even higher. According to Shanghai Textile 2022, half of its 1,500 new employees left after just one month, even if this was in a new factory. But even an established Ethiopian manufacturer currently states that it has to hire 4,000 people per year with 1,300 employees." (GTAI, 19.5.2023)<sup>11</sup>

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10 "Egypt, the country most reliant on the Nile's waters, views the dam's construction with increasing apprehension. Annual precipitation in the land of the Pharaohs scarcely exceeds a few dozen millimeters, making the water flowing from the upper reaches of the Nile virtually the only source of Egypt's water resources, apart from its dwindling groundwater reserves. Nearly the entire population of 98 million resides along the Nile and its delta, which account for less than 3% of Egypt's total land area" (Polewka, 2023); see also Hallermayer (2024: 25).

11 Own translation of the German quote.

The GTAI cites further reasons that speak in favor of Ethiopia as a location for textile production. It argues that from an economic perspective, geographical proximity would also favor more European investment in the Ethiopian textile industry – including diversification of production to spread risks in the event of problems with one source of supply (like it happened in the case of Rana Plaza garment factory in Bangladesh in 2013). Moreover, according to the GTAI, alternatives would be necessary because of potential problems in the supply chain if a manufacturer or an entire country comes into disrepute because of child labor or poor environmental and social standards. (GTAI, 19.5.2023)

In summary it can be said that Ethiopia's industrial development is accompanied by difficult conditions. Ongoing crises are an obstacle to state-driven development. With regard to the jobs created, the state is faced with the challenge of attracting investors under global competitive conditions and at the same time wanting to create fair and humane jobs for the young population. Investors came from China, India, Bangladesh, Pakistan, the USA and Turkey, mainly because of the temptingly low wages and the almost unlimited availability of young labor. But now it turns out that precisely this advantage of the Ethiopian textile industry is also one of its biggest problems: so far, women have not been the cheap and disciplined labor force they were envisioned to be. In addition to political instability and deficits in logistics and delivery reliability, low productivity and high labor turnover are among the major challenges facing the textile industry.

Anecdotal evidence from conversations with factory managers and human resources managers at Hawassa Industrial Park (HIP) and Bole Lemi Industrial Park (BLIP) indicate that the problem of attrition is less acute than it had been in earlier stages of the industrial development.<sup>12</sup> (This observation was also confirmed by Oya and Schäfer, 2021: 10). However, building a stable labor force remains a key challenge for the garment companies.

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12 The conversations were part of the JLU research project (2020–2022).

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## 1.2 The research project

The aim of the research project was to analyze the causes of high (voluntary) turnover (and turnover intention) and high (unauthorized) absenteeism of employees. The project, which used qualitative and quantitative social research methods, focused mainly on interviews with workers (operators) and management personnel in garment factories, particularly in the industrial parks in Addis Ababa (BLIP) and Hawassa (HIP).

The study was conducted at the Institute of Sociology at Justus Liebig University (JLU), Gießen/Germany. The German Federal Ministry for Economic Cooperation and Development (BMZ) funded the study as part of the ministry's Special Initiative (SI) on "Training and Job Creation", which focused on selected African countries.

The study was supported by the "Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH" and its "Sustainable Textile Project (eTex)" in Ethiopia, which offers Ethiopian apparel companies support and consultancy on social and environmental standards.<sup>13</sup>

The study was carried out as a collaboration between the German research team and colleagues in Ethiopia. On the JLU side, the team consisted of Prof Dr Reimer Gronemeyer (principle investigator), Dr Michaela Fink (research assistant), Prof Dr Ingrid Miethe (associated) and Hanna Rössner (student assistant). The partners on the Ethiopian side were Prof Dr Tesfaye Semela Kukem and Setisemhal Getachew Teshale, Institute of Policy and Development Research, Hawassa University, and Gifawosen Markos Mitta, Department of Governance and Development Studies, University of Wolkite (Ethiopia), who is since 2024 working at the Center for Development Research (ZEF) at Bonn University (Germany).

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13 The BMZ supported the creation of fair and sustainable jobs in Ethiopian industrial parks through the GIZ project "Promoting Sustainable Growth in the Textile and Garment Industry in Ethiopia" (eTex I). The project aimed to achieve job-creating growth and improve the social and environmental sustainability of the textile and garment industry. The project was implemented from 2016 to 2020 by GIZ in close cooperation with its political partners. The BMZ's efforts were continued as part of the GIZ project "Sustainable Industrial Clusters (S.I.C.) (2021–2024)", see [https://www.giz.de/en/downloads\\_els/S.I.C.%20\\_%20Factsheet.pdf](https://www.giz.de/en/downloads_els/S.I.C.%20_%20Factsheet.pdf).

## Research problem

High rates of turnover and absenteeism are key indicators for employee dissatisfaction with their jobs and show a lack of commitment to the employing companies. Few studies have addressed the issue in the Ethiopian textile and apparel industry (see the literature review in this chapter). In the industrial parks, most companies have already implemented various measures to mitigate the problem. Overall, however, there seems to be a widespread frustration among managers because the implemented measures were obviously not as effective as expected. One company manager at Bole Lemi Industrial Park (Addis Ababa) stated in an interview in 2021 that managers have run out of ideas for developing an effective plan to retain their employees.

“A prerequisite for higher incomes is higher labor productivity, which in turn usually requires better training. However, employers (and also employees) are only inclined to invest in training if a medium- to longer-term working relationship can be expected. High turnover in many industrial companies in developing countries ultimately means that training measures are not worthwhile for either side. In addition to the lack of investment in training, high staff turnover also leads directly to lower labor productivity, for example, through long training periods and job dissatisfaction.” (BMZ, ToR, 2019)<sup>14</sup>

These few sentences from the BMZ’s “Terms of Reference” for tendering the study sum up the problem that forms the starting point for the research project. As Halvorsen (2021: 3) rightly notes: “[...] the direction of causation is bidirectional as low salary levels reflect low worker productivity, which in turn is partly due to high turnover rates [...]”

In the context of this research project, turnover is understood as voluntary job termination by employees. It is difficult to say to what extent the high turnover rates in the Ethiopian textile industry are also influenced by the involuntary job termination of employees (termination by the employer). Interviews with workers (and an informal conversation with the manager of a textile company at BLIP) suggest that job termination by the employer (apparently also in violation of the contract) may not play an insignificant role in causing high turnover. In the con-

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14 Federal Ministry for Economic Cooperation and Development (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung), Department 113 - Special Initiative “Training and Job Creation”; departmental research “Labor turnover in developing countries”, research topic and research questions (Terms of Reference, ToR), 2019 (own translation of the German quote).

versation, the manager reports ineffectiveness of workers as a major reason for dismissal.

Staff turnover, i.e. the termination of employment at the employee's own request, can be seen as an important indicator of employee dissatisfaction. In this study, three categories of causes were used as the basis for analyzing turnover and the intention to turnover as well as absenteeism:

1. Workplace factors (such as dissatisfaction with compensation, working conditions, supervisors, or team colleagues; insecurity related to job requirements; lack of development prospects etc.)
2. External factors (such as location and transport accessibility; availability of affordable housing and shopping possibilities; availability of more attractive job alternatives or further education opportunities etc.)
3. Personal factors (such as relocation, social/family obligations, e.g., nursing, childcare; own health problems/illness; marriage/maternity etc.)

The internal (workplace) factors in particular can be influenced by employers.

Even though many workers interviewed in the study state that they like the textile work as such, they express a high level of dissatisfaction with working conditions, especially with what they see as insufficient pay, which is according to them not enough to cover their cost of living. The majority of workers emphasize that the high workload is not commensurate with their pay, which often leads to them quitting.

In contrast, the managers see the low wages as justified by the fact that the textile workers are unskilled and therefore require high investment in training. Employers also point to the employees' work discipline, which they describe as insufficient and which would negatively impact on the company's productivity. Employers also see the employees' lack of discipline as a lack of experience with formal gainful employment. The majority of employees come from an agricultural background and, according to employers, are not yet adapted to the industrial world of work. The employers problematize the 'mindset' of the employees and blame their lack of industrial work ethic for the overdue breakthrough of the Ethiopian textile industry.

## Research approach, methodology, and data collection

The findings presented in this book primarily relate to qualitative interviews conducted as part of the research project. Reference is also made to the results of a quantitative survey, which was also part of the project (see Semela et al., 2023).

The study was using a multi-perspective approach, analyzing socio-economic, organizational-psychological, structural-organizational and socio-cultural (and

gender-specific) factors that influence labor turnover (and absenteeism). The focus was mainly on the perspectives, experiences, motivations and interests of the (mostly female) textile operators. However, in order to generate a comprehensive understanding of the problem of turnover and absenteeism, interviews were also conducted with other groups (see list below).

Existing scientific findings on labor turnover and absenteeism in the textile industry were expanded and deepened through research into the still relatively young textile parks in Ethiopia. Based on the research findings, actor-specific recommendations for labor force stabilization were developed.

During the three-year research (2020–2022), the following interviews were conducted:

- 80 interviews with textile workers at Hawassa Industrial Park (Hawassa), Bole Lemi Industrial Park (Addis Ababa), Adama Industrial Park (Adama) and at several garment companies outside the IPs (incl. Desta Garment and Arba Minch Textile Company);
- 22 interviews with management personnel (human resources managers/ company managers, mostly at the IP's in Hawassa and Addis Ababa);
- 31 Interviews with relatives of textile workers, former textile workers, IP management personnel, with representatives of stakeholder associations (e.g. Investors Association at BLP, Ethiopian Investment Commission, Industrial Parks Development Corporation, Friedrich Ebert Foundation, Industrial Federation of Textile, Leather and Garment Workers' Trade Unions), with representatives of the German development agency GIZ, as well as with other experts and with one recruiter;
- 1 workshop with 9 textile workers at HIP, conducted at Hawassa University;
- 2 focus group interviews in communities where textile workers or former textile workers live (one near Hawassa and one in the outskirts of Addis Ababa);
- 3 interviews with workers in the informal sector in Addis Ababa (comparative perspective);
- 6 Interviews with farmers in villages near Wolkite.

The interviews with managers were conducted on the premises of the factories, while the interviews with textile workers were conducted either in the factories (or on the factory premises) or in the workers' accommodation. For the field access, different brokers were involved.

The English-language guiding questionnaires for the qualitative interviews and the standardized questionnaire for the survey were translated into Amharic by the Ethiopian project staff. The interviews with workers were conducted in Amharic language. Where necessary, translators for other local languages were involved. The translation of the Amharic interviews into English was done during

the transcription process. Interviews with managers were conducted partly in Amharic and partly in English, depending on the nationality and language skills of the interview partner. The design of the interviews was continuously refined over the course of the project on the basis of the insights gained.

In 2021, a quantitative survey was carried out with 456 textile workers from the HIP (396) and BLIP (60) in order to verify and substantiate the results of the qualitative interviews. This method triangulation was applied to obtain the best possible results.

While the workers interviewed in the qualitative and quantitative surveys were almost exclusively young women, the group of managers interviewed consisted mainly of men – at the human resources management level the staff consisted of expats and Ethiopians. A large proportion of the women workers interviewed during the qualitative data collection stated that they were unmarried and did not yet have children. While many of the women workers migrated to the city, others were already city residents who sometimes live with their parents. The fact that many women workers in the industrial parks are still unmarried and childless was also confirmed by the quantitative survey (cf. Semela et al., 2023).

All interviewees were informed that the evaluation of the research data would be anonymized and that the data would be used exclusively for the purpose of the research. The interviewees were also informed about the content and objectives of the research project. The interviews were transcribed and evaluated using Maxqda (a program for analyzing qualitative research data). A content analysis of the data was carried out based on Mayring (2010). An inductive-deductive code system was developed to evaluate the interview transcriptions. The team of Hawassa University evaluated the survey data using SPSS (a program for the analysis of statistical data). Furthermore, the evaluation with SPSS and the interpretation of the results was supported by an external statistical consultant.<sup>15</sup>

Challenges and limitations with regard to the implementation of the (field) research work related primarily to the coronavirus pandemic (2020/21) and the civil war in Ethiopia (2022/23). Due to the prolonged travel restrictions, most of the interviews and the survey were carried out by members of the research team in Ethiopia, while the JLU team in Germany concentrated to a great extent on coordinating and supervising the field research and on evaluating the data.<sup>16</sup>

In July/August 2022, the team of JLU could travel to Ethiopia to revisit the industrial parks in Hawassa and in Addis Ababa and to conduct additional group

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15 Johannes Herrmann, Statistical Consulting, Gießen (Germany), <https://www.statistikberatung-giessen.de>.

16 The majority of the field research was carried out by the project staff in Ethiopia (S.G. Teshale and G.M. Mitta). Prof Dr Reimer Gronemeyer (principle investigator of the project) and Dr Michaela Fink conducted several trips to Ethiopia (2018, 2019, 2020, 2022).

interviews with textile operators. During the research trip, interviews were also carried out with management personnel in factories. The research trip was accompanied by the German photographer Pietro Sutura (Frankfurt am Main) who created a professional photo documentation that provides impressive shots of the workers and their living environment as well as of the work in the factories. Excerpts from this photo documentation form the last chapter of this book.

*Tab. 1: Data collection during the final research trip of the JLU team in July/August 2022. The interviewed workers represented 7 different companies in the industrial parks in Hawassa (HIP) and Addis Ababa (BLIP):*

<b>date</b>	<b>Hawassa</b>	<b>interviews</b>
28.7.2022	Dafo (location)	focus group interviews with 7 textile workers
29.7.2022	HIP	arrangements with the (interim) general manager of the IP and conversations with management personnel in factories (mainly human resource managers)
29.7.2022	Jaffe (location)	focus group interviews with 7 textile workers
30.7.2022	Zero One (location)	focus group interviews with 4 textile workers
<b>date</b>	<b>Addis Ababa</b>	<b>interviews</b>
31.7.2022	Goro (location)	focus group interviews with 2 textile workers
31.7.2022	Goro (location)	focus group interviews with 3 textile workers
1.8.2022	BLIP	conversations with the general manager of the IP and with management personnel in factories (mainly human resource managers)

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intentions. In: *Industrialization in Ethiopia: awakening – crisis – outlooks. The example of the textile industry*. Ed. by R. Gronemeyer and M. Fink, Wiesbaden: Springer, 69–119.

### 1.3 Review of literature on the Ethiopian textile industry

Research on the causes of high labor turnover (and absenteeism) in the Ethiopian textile industry is still limited. However, the problem is addressed by several studies that describe the experiences of textile workers and managers based on qualitative data (Barret/Baumann-Pauly, 2019; Hardy/Hauge, 2019; Yost/Shields, 2017; Fink/Gronemeyer/Rössner, 2021) or on qualitative and quantitative data (Blattman/Dercon, 2018; Hailu et al., 2018). The studies argue that textile companies need to give their workers a voice and opportunities to exercise influence more significantly, so that the industry can continue to develop positively in economic, but also in social terms. The studies also argue for the implementation of personal and professional development opportunities for textile workers and the introduction of minimum wages. Several studies address the precarious working conditions in the Ethiopian textile industry (Salingré, 2018; Francis, 2017; WRC, 2018; ABA ROLI, 2017; Barret/Baumann-Pauly, 2019; Mitta, 2019; Jego, 2019).

With regard to labor turnover, Barrett and Baumann-Pauly (2019) found a turnover rate of 60 to 120 % within one year in the Hawassa Industrial Park (HIP). Another study, which refers to the company Shints ETP Garment PLC in BLIP in Addis Ababa, indicates an average annual turnover rate of almost 90 %. The figure refers to female employees at Shints and to a period between 2014 and 2016. (Hailu 2016: 4)

Problematic working conditions and insufficient remuneration are cited in the studies as the main reasons for the high turnover rates. Research indicates that managers are usually well aware of the fact that low remuneration is a central reason for high labor turnover. Nevertheless, a willingness to raise basic wages does not seem to be evident so far. Instead, companies are trying to get a grip on turnover through non-salary incentives. (Feldt/Klein 2016: 73) According to research, further factors causing high turnover and absenteeism rates are a lack of promotion and training opportunities, job insecurity, lack of affordable housing and transport, a negative relationship with superiors, low recognition by superiors and ignorance of contractual conditions (duties and rights) on the part of workers. Workers complain about 'unfair treatment' (even 'mistreatment') by supervisors, about low-quality (also spoiled or unbalanced) canteen food, which causes health problems. Beside these job-related factors, workers also see external influences playing a role. For example, the lack of safety on the way home (from the bus stop

to the accommodation) is mentioned as a crucial aspect affecting job satisfaction. (Cf. e.g. Mitta, 2019)

Hardy and Hauge (2019) conducted interviews with firm owners and managers in the textile and leather industry near Addis Ababa in their study. The results of the study show that high turnover rates are the most common problem and the most expensive factor in human resources, as well as the main cause for poor performance of firms. Company measures to counteract turnover in the firms were mainly related to non-salary incentives, such as subsidized lunches, health care and annual leave. Overall, however, the measures did not deliver the desired results. Hardy and Hauge describe turnover as an individual exit strategy of the workers, as they have not yet developed collective strategies to influence working conditions in the textile industry. The authors criticize the paternalistic tactics of many local and foreign companies, and the accompanying government restrictions on union activities and labor mobility. Such measures lead to a limitation of the individual and collective power of the workers, the authors write. The study concludes:

“The lack of collective, union voice mechanisms, low pay for industrial labour, and easy access to alternative employment in the informal sector and abroad mean that workers tend not to hold jobs in the leather or textile industry for very long, which in turn limits the ability of some companies to compete successfully in the global market.” (21)

Meyer (2018) notes in his study that nearly all workers interviewed in the Ethiopian textile and garment industry started their work with the expectation of 1) being able to put money aside or 2) having a temporary job until a better-paid job would be found. For the majority of workers, employment in the textile and garment industry was therefore only associated with a temporary perspective. However, according to Meyer, it is not uncommon for workers to stay longer in the textile industry than originally planned, despite the existing dissatisfaction. The reason may lie in the lack of alternatives, which would contradict the thesis of “easy access to alternative employment opportunities” (Hardy/Hauge, 2019). Especially for women with low formal education it might be difficult to find better alternative work.

Halvorsen (2021) also explicitly addresses the issue of labor turnover in the Ethiopian textile industry. Her study, which is based on qualitative and quantitative research data, refers exclusively to married female workers (and former workers) in various textile parks (mainly Mekelle, Hawassa and Dire Nawa). Overall, Halvorsen’s study finds lower turnover rates compared to other studies. About one third of the textile workers sampled in the study left their job within the first six months of employment and half left within the first year of their employment.

Halvorsen identifies three main causes of labor turnover: 1) unrealistic expectations about pay and workload on the side of the workers, 2) poor working conditions, and 3) difficulty balancing family responsibilities with factory work. To reduce turnover, Halvorsen recommends, among other things, that applicants should be given a more realistic picture of the factory work during the recruitment process. In addition, working conditions should be improved and childcare options should be made available. With a view to future research, Halvorsen recommends that the effectiveness of possible measures to reduce turnover needs to be investigated in greater detail.

Abebe, Buehren and Goldstein (2020) emphasize Ethiopia's ambitious efforts to embark on industrial development, particularly by establishing export-oriented industrial parks, and to create jobs for the steadily growing young population. However, according to the authors, the experience with IPs has been complex: high turnover rates, low wages and health hazards have posed major challenges to the industry. In their experimental study, the authors agreed to cooperate with three garment manufacturers in the Bole Lemi Industrial Park (BLIP). Their intervention shows that simple job placement interventions can support female job seekers to overcome barriers to enter formal employment often faced by youth, women and migrants in the so-called developing countries. At the same time, however, Abebe and colleagues find that applicants have little knowledge of the nature of factory work at the beginning and that they adjust their expectations downwards after they are hired. Furthermore, after eight months, the employees (resp. the intervention participants) showed health impairments. They stated that they saw their factory work as inferior, dangerous to their health and temporary. Generally, the authors see a better earning potential for Ethiopian workers in the IPs compared to factory jobs outside the IPs due to the establishment of export-oriented and foreign-owned companies. On the other hand, the study underlines that the industry is still far from providing 'good jobs'.

In his master's thesis, Belayneh (2020: 46, 28f.) advocates the introduction of minimum wages based on the International Labor Organization (ILO) minimum wage conventions. According to Belayneh, minimum wages should be country-specific and adapted to the region. At the same time, instruments should be developed that allow high inflation rates to be taken into account when setting minimum wages. Belayneh refers to the recognized Anker method for calculating minimum wages. The Anker method determines the level of a living wage based on real costs in three areas: 1) nutritious food, 2) adequate housing and 3) other costs (e.g., for health care, education, clothing, transport, and contingency reserves). Based on his own interviews with representatives of the Ethiopian Investment Commission (EIC), Belayneh obtained information on monthly basic salaries in the textile factories. According to this, in the Bole Lemi Industrial Park (BLIP) and Eastern Industrial Park (EIP), basic salaries are between ETB 900 and

ETB 1,400; in the Hawassa Industrial Park (HIP) between ETB 850 and ETB 1,400. However, interviews with company managers in the HIP revealed that the basic salary for new entrants is ETB 750. Furthermore, according to the EIC the average turnover rate in the factories was over 80% at the time of the interviews. Park-internal migration plays a significant role in the high turnover: workers move from one textile company to another within the parks for as little as ETB 50 or ETB 100 difference in salary. Belayneh concludes that multinational companies (MNCs) in Ethiopian IPs, regardless of their human rights obligations, pay wages that are below a minimum living wage. (45–47) He states, the living wage should be three times higher than the basic salaries paid in IPs. Belayneh justifies this with the real cost of living and also addresses the problem of the high inflation in Ethiopia. (30f.) The absence of a minimum wage negatively affects the fairness of wages in the IPs. Belayneh adds:

“To this effect the research concludes minimum wages should be regulated to enforce the right to fair wage and protect from violation by MNC or any actor. MNC’s obligation to respect human rights will not materialize unless the rights are protected by the state. For MNC’s, minimum wage regulation will not create a new obligation rather it’s enforcing what they have already pledged obligation on human rights instruments, soft laws and different voluntary initiatives.” (46)

Belayneh’s paper continues to recommend that the government should also legislate for the additional benefit packages. He notes that additional benefits, allowances, and overtime payments should not be seen as components of a fair wage. Moreover, the Ethiopian government should provide various incentives for companies to pay their workers fairly.

Overall, a World Bank study comes to a more positive assessment of the labor wages in the industrial parks. This could be related to the fact that the average salaries for operators collected for the study refer to the totality of Ethiopian industrial parks, including those representing sectors other than textiles and apparel. The authors of the paper (Meyer et al., 2021) distinguish three compensation categories for workers employed in production in IPs: base pay, variable pay, and non-monetary in-kind benefits such as free meals and free transportation. Meyer et al. report an average base salary for workers of ETB 1,800 per month, plus ETB 1,175 average variable compensation. The study, however, identified significant differences in the compensation of employees within and across industrial parks. According to the paper, the average base salary is lowest at Hawassa Industrial Park (HIP) and highest in Eastern Industrial Park (EIP). According to the authors, there are also significant differences in variable compensation within and between industrial parks (sums range from ETB 700 to ETB 2,100 per month). Variable compensation is comprised of performance bonuses, overtime pay, and other bonuses. (6)

The authors state that the average total compensation (base salary and variable additional payments) in industrial parks is just under ETB 3,000. However, compensation in industrial parks that are publicly owned is reported to be lower compared to private parks. For example, the average remuneration at Hawassa Industrial Park (HIP) is slightly above ETB 2,100, while at Bole Lemi Industrial Park (BLIP) and Kombolcha Industrial Park (KIP) the average remuneration is ETB 2,700. Companies located in privately owned industrial parks pay their workers more: here, the average base salary is 33 % higher than in publicly owned parks, with EIP even paying more than ETB 3,400. (Ibid.)

According to the authors, the differences in compensation are related to the fact that most of the companies in the public industrial parks are focused on clothing and textiles, while the companies in the private industrial parks are involved in various sectors: for example, in the production of chemicals and metal products – i.e., areas that tend to require a higher level of qualification of the workers, which is associated with higher wage costs than in the apparel sector. Another reason given by the authors is that the largest private industrial park, the Eastern Industrial Park (EIP), has been in operation much longer than other industrial parks, so the EIP may have been able to build and maintain a comparatively efficient and skilled workforce for this reason as well. (Ibid.)

Meyer et al. conclude that most industrial park firms pay their workers more than the local cost of living to meet basic needs (measured against the local poverty line). The average industrial park company pays a basic salary of ETB 1,800 per month, which is according to the authors well above the national poverty line of ETB 987 (per adult per month) on average (regional differences in the cost of living should be taken into account here). However, the authors note that various companies pay their production workers basic salaries that are not above the national poverty line. In terms of total benefits (basic salary, variable compensation and benefits in kind) all the companies surveyed pay their production employees above the level of the national poverty line. (12)

Job opportunities outside of industrial parks are considered an important benchmark for assessing salaries in IPs: what opportunities do workers in industrial parks have in the local labor market? Three sectors are highlighted: industrial jobs, service jobs, and agricultural work. While the first two sectors are important job alternatives in urban areas near industrial parks, subsistence farming comes up as an alternative livelihood activity in rural areas – but one that many workers have left behind. (12f.)

The data collected as part of this study were based on a telephone survey conducted by a survey firm. The survey reached 70 % of industrial park firms in 11 of 14 parks. Most firms were operational at the time of the survey (May 2020). In HIP and BLIP, both cornerstones of the government's industrialization agenda, 91 % and 90 % of firms were surveyed, respectively. Most of the respondents were hu-

man resources managers or company managers. The total number of industrial park companies at the time of the study was 153, spread across a total of 14 IPs nationwide. These included industrial parks under the Ethiopian government's Industrial Parks Development Corporation (IPDC) on the one hand, and parks owned by private investors on the other. The three largest parks had a total of 129 registered firms at the time of the study: 97 in the Eastern Industrial Zone (EIZ), 22 in the HIP and 10 in the BLIP. (3) With regard to the study it should be noted that the managers and human resources managers surveyed were highly likely to have indicated gross wages from which pension and tax contributions are withheld and paid.

Compared to turnover, absenteeism is less in the focus of research, although high absenteeism rates in textile companies is a very costly factor. Feldt and Klein (2016: 74–77) explain the high absenteeism rates in the Ethiopian textile industry, among other things, by the fact that workers are not yet familiar with contract work and often do not understand their rights and obligations as employees. Workers are sometimes absent after their salaries have been paid out and only return to work when the money has been exhausted, so the authors. It is also common that workers do not return to work for days after holidays or family celebrations and many do not inform or request permission from their employer in advance. One manager quoted in the article explained that he had introduced an attendance bonus in his company. According to this, workers receive an additional ETB 150 per month for 100% attendance. Even though only 50% of workers qualified for the attendance bonus, absenteeism rates were reduced by the incentive. Feldt and Klein recommend, amongst other things, the establishment of childcare facilities in the parks to reduce absenteeism.

An evaluation report by the Deutsche Investitions- und Entwicklungsgesellschaft (DEG 2015: 5–7) evaluates the transformation of the DBL Group (a garment manufacturer in Bangladesh) into a worker-friendly company. According to the report, the measures introduced reduced turnover and absenteeism rates and significantly increased productivity. The company invested in occupational safety, which was an issue for many textile companies after the Rana Plaza catastrophe. The measures introduced by DBL Group followed a holistic approach. Social leaders were hired to ensure that supervisors kept their promises to workers. A feedback system was also introduced to allow workers to voice criticism. DBL Group set up a 'fair price shop' on the factory premises, where workers can buy food and hygiene products at the purchase price. In this way, the workers' real wages could be increased. As absenteeism is also related to (female) workers' menstruation, DBL Group introduced the regular provision of subsidized sanitary pads. Other measures included the provision of free health services (health clinic), the establishment of a day care center, a cultural club, the provision of accommodation, improved training for new entrants and training for managers.

In a recent study, Hailesillassie and Salenko (2022) examined stress among textile workers in in HIP. The study found a high prevalence of work-related stress among workers. Temporary employment, poor working conditions, lack of work experience and learning opportunities, and lack of organisational support were significantly correlated with work-related stress in the study. The study also draws attention to widespread khat (a local drug) and alcohol use among employees and a possible link to work-related stress.

In a paper, Oya and Schäfer (2021) analyse the causes of massive labor conflicts in Ethiopian industrial parks. To provide a theoretical framework, the authors develop 'labor regimes' shaped by global, national, and local forces. They discuss the background necessary to understand the interdependence of capital, the state, and labor in Ethiopia's emerging textile and clothing industry. Their own empirical study of the dynamics of labor conflicts and forms of resistance by workers from 2017/18 shows that many conflicts between workers and employers in factories result from a collision of productivity constraints on the part of manufacturing firms involved in sophisticated segments of low value-added global production networks with the expectations of workers with limited experience in industrial gainful employment. The authors note that existing labor conflicts are exacerbated by contradictory actions of various government agencies, a lack of formal unionization of workers, and the contingent interactions between factory-based grievances and local political conflicts. Following the authors' assessment, industrial parks as a whole "emerge as spaces of particular contestation." (1) The paper highlights the need to develop an understanding of labor regimes based on local political realities. The "findings have implications for the design of industrial policies and labour market institutions aiming to support firms and workers in emerging manufacturing clusters." (Ibid.)

Oya and Schäfer also see turnover ('exit') as the most common form of informal resistance on the part of employees. The authors agree with other studies when they state that high absenteeism and turnover is concentrated particularly in the first three months of employment when the workers receive low entry-level wages and no incentives. In their paper, they indicate that some senior managers view low entry-level wages as justified by low productivity. The authors note that at the management level of the Ethiopian industrial parks the initial expectation was that productivity would rapidly increase from 10% to 15% to more than 60% within three to five years, leading to higher wages (via performance-based pay). However, this assumption has proven to be unrealistic, the authors say. (6) They highlight that, according to union representatives and workers, high absenteeism and turnover rates are a direct response to low wages. According to their paper, average net wages for textile workers in 2018 were ETB 1,675 in the Bole Lemi Industrial Park (BLIP), ETB 1,241 in the Hawassa Industrial Park (HIP), and ETB 1,685 in the Eastern Industrial Zone (EIZ). The authors note that – although managers

and government officials agree that high turnover rates are a significant impediment to industrial development in Ethiopia – available data are inconsistent and it is difficult to obtain consistent estimates of turnover rates. (7) Even though a comprehensive database is lacking, based on their own research the authors note that all industrial parks show similar turnover rates, while significant differences existed at the company level, suggesting that turnover was significantly related to internal company factors. According to the authors, who refer to statements made by several managers, persistently high turnover rates are primarily attributable to failures on the part of companies that should thoroughly investigate the causes and take effective corrective measures. (10) The authors' own long-term study suggests that the main reason for textile workers changing jobs was the search for higher wages. The interviews with workers and union representatives revealed that another cause of frustration was a lack of understanding of wage-setting systems on the part of workers, which led to a perception that the systems were unfair. This perception was particularly evident in relatively new industrial parks, such as HIP, and among workers who were newly working in a factory. (Ibid.) The complexity of bonus systems, deductions and other fluctuations in net pay angered many workers because their expectations of a stable wage were not met. Not only were wages low and fluctuating, but they were not enough to cover the workers' living expenses, let alone put money aside to support family members. Oya and Schäfer quote the testimony of a senior manager at HIP who reported workers' "expectations were unrealistic partly because of a lack of previous experience, and partly because of misleading word of mouth suggesting salaries would be higher." (Ibid.)

Finally, the authors point out that high turnover rates in the initial phase of industrialization processes are not uncommon in other countries either. Some of the managers interviewed confirmed this against the background of their experience in manufacturing companies in Southeast Asia. The phenomenon of high turnover rates and absenteeism highlights the frictions associated with processes of transition to industrial work, so Oya and Schäfer. However, management always assumed that the problem would settle within one to two years and that companies would be able to retain the best workers. The authors point out that companies tolerate a high turnover rate to a certain extent if this means that the most productive employees remain with the company. This is evident from the literature on traditional low-wage systems. In this respect, turnover may even be a deliberate corporate strategy. The authors suggest, this could explain why many textile companies in Ethiopian industrial parks do not make significant concessions to their employees despite the high turnover rates. (Ibid.)

A closer look at the available research results gives an impression of the complexity of the problem. Based on the current state of research, the following main causes for the problem of fluctuation can be identified:

### **Operational factors:**

- inadequate remuneration of workers in relation to the workload and in relation to the local living costs;
- workers migrate between textile companies within the industrial parks if this offers them slightly better earning opportunities or more attractive working conditions;
- inadequate and non-culturally sensitive personnel practices;
- conflicts with executives, or treatment perceived as unfair by workers;
- health problems of workers caused by the factory work;
- lack of career opportunities for workers.

### **External factors:**

- the Ethiopian industrial parks are a relatively recent development and the (predominantly female) workers are not yet adapted to the industrial work culture;
- lack of affordable housing in the vicinity of industrial parks;
- workers find alternative/better work and income opportunities in other sectors, including the informal sector, or start their own business.

### **Personal/social factors:**

- personal reasons, such as relocation, maternity, family problems/commitments, further education/studies.

In general, the family support network appears to remain very stable for many Ethiopians. Social structures therefore allow a certain degree of independence from paid work. (Feldt & Klein 2016: 76) A manager with an Asian background, quoted by Feldt and Klein, summarizes his perception as follows: “they [the workers] are not worried. They think: ‘I’ll go back to work, they’ll take me back. If not, it’s okay, my family will take care of me.’” (Ibid.) This, he said, is not comparable to the Asian work culture:

“We Asians, we depend on earning money. We need to have a job. People are scared, they really want to earn money. But here [in Ethiopia] people don’t care. Either you increase their salary or they say, ‘I’m going home, I don’t want to work.’” (Ibid.)

A 2017 report prepared by a research team from the School of International Relations and Public Affairs (SIRPA), Fudan University, reflects experience of Chinese textile companies in Ethiopia. The report summarizes the situation as follows:

“[...] labor productivity in Ethiopia was lower than in other low-cost manufacturing destinations [...], reflecting the fact that most factory have very limited experience of modern industrial employment. Absenteeism, ability to ‘concentrate’ on the job, unresponsiveness to financial incentives to work overtime, and high turnover were identified as problems. Moreover, cultural differences between management (typically foreign) and Ethiopian workers leads to misunderstandings. As a result of low productivity, the majority of the manufacturing businesses we interviewed are not operating at full capacity [...], impacting profitability and over the long term sustainability.” (SIRPA, 17f.)

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## 1.4 From development to transformation: metamorphoses of a concept, a theory, and a practice

“We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. The old imperialism – exploitation for foreign profit – has no place in our plans. What we envisage is program of development based on the concepts of democratic fair dealing.” (Esteva, 2010: 1)

On January 20, 1949, the day President Truman took office, the American president used these words to set in motion a process that ended the age of colonialism and initiated the era of development policy (ibid.). Although there were still many colonies at the time, Truman’s words marked the turning point that heralded the process of inevitable decolonisation. At the same time, Truman’s speech formulates the headline of the new era: two billion people were defined as ‘underdeveloped’ overnight. As a result of the transition from the age of colonialism to the age of development policy, two-thirds of the world’s population were called upon to recognize themselves as underdeveloped. (Ibid.: 2)

Today we are beginning to see that this concept has been used to destroy the culture, the economy, and the sociality of indigenous societies. Now that the fatal consequences of this project are becoming apparent, we can finally talk again about the forward-looking significance of indigeneity.<sup>17</sup>

Critical voices that were initially raised against the concept of ‘underdevelopment’ met with little resonance. Julius Nyerere (Tanzania’s first Prime Minister from

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17 E.g. Mattioli, A. (2023) quotes in his book “Times of Revolt. A history of indigenous resistance in the USA 1911–1992” the Indian Manifesto of 1969, which states that the First People, “America’s captive peoples” need nothing so much as a “cultural leave-us-alone agreement” (preface of the German edition, p. 11); see also Graber, D./Wengrow, D. (2021): *The Dawn of Everything. A new History of Humanity* (London/ New York: Allen Lane/Penguin Random House).

1961, later President) defined 'development' as the political awakening of a people to their own goals. However, development policy as it emerged in Truman's speech was not interested in finding its own way. Instead, the word 'underdevelopment' became a threat: the "life experience of subordination and of being led astray, of discrimination and subjugation" (Estevea, 2010: 3), which, according to Gustavo Estevea, characterized the concept of 'development', did not allow for anything like 'own objectives'. Rather, confidence in themselves and their own goals was systematically undermined (*ibid.*).

In retrospect, according to Ivan Illich, the era of development policy can be understood

"as the epoch during which, at immense cost, a worldwide ceremony has been celebrated to ritualize the end of necessity. Schools, hospitals, airports, correctional and mental institutions, and the media can be understood as networks of temples built to hallow the deconstruction of necessities and the reconstruction of desires into needs." (Illich, 2010: 97f.)

Wolfgang Sachs sums up as early as 1992: "The last forty years can be called the age of development. This epoch is coming to an end. The time is ripe to write its obituary" (Sachs, 2010: xv). However, it is only in the 21st century, with the discussion about post-colonialism, that traditional development policy has come under pressure so that the term 'development cooperation' is now used and the countries addressed are perceived as 'partners.'<sup>18</sup>

In the era of development policy, the rift between North and South de facto widened and the number of hungry, homeless, and sick people increased. The number of development ruins also increased – and development policy, which had claimed to be development aid, became recognizable as a project designed to open up markets, get a grip on raw material deposits and establish political dependencies. (Cf. e.g. Dirmoser et al., 1991)

At present, nobody really takes the development policy promise of salvation seriously: "Make an effort and you will achieve the kind of prosperity we have." Climate change, the foreseeable shortage of water, limited resources and population growth suggest that the living conditions of many people are more likely to deteriorate rather than match the prosperity of industrialized nations (WEF, 2024).

It should be remembered that development policy has gone through various phases. The first phase of development policy was theoretically underpinned by modernization theories, which claimed that strong investments and moderniza-

18 At the same time, African intellectuals are at least being more clearly recognised and discussed. Cf. e.g. Mbembe, A. (2014).

tion processes would only have to be set in motion to provide a boost until the development process could then run independently – the theory of the most important representative of modernisation theory, Walt W. Rostow, was as follows: it's like an aeroplane that needs a strong push to take off, then it flies on its own (Rostow, 1990).

An early contradiction to the promise of development policy came from Latin America. André Gunder Frank and several other scholars discovered – especially with a view to Latin America – that development policy actually increased structural dependencies ('dependencia'), which in principle prevented the promised development. Latin American countries were fundamentally dependent on the export of individual products (coffee, bananas, sugar, etc.), which made them puppets of the world market and its price fluctuations. This then also made them dependent on the buyer countries (especially the USA) and ensured that only raw (unprocessed) products could be exported.

The dependency theory countered the promises of modernization with the fact that the existing structures systematically prevented 'development'. The Norwegian researcher Johan Galtung supported the dependency theory with his reference to the 'structural violence' in the relationships between the rich north and the poor South (Galtung, 1982 & 1975).

Following the theses of the dependency theory and supported by the criticism of the modernization theory, Dieter Senghaas proposed an "autocentric development," the possibility of which he illustrated using the example of Japan (Senghaas, 1979).<sup>19</sup>

The examples of the actual failure of development policy are legion, but the 'development industry' is still a powerful instrument in the regions that were once called the *Third World*. The activities of development agencies, which continue to the present, and their ambiguous role are particularly visible in Africa. "The development industry is peculiarly susceptible to the idea that African Societies can be shaped and reshaped as though they were made of wet clay," summarizes Africa researcher Stephen Ellis (2011).

The literature that is now available on the disastrous consequences of traditional development policy is extensive (cf. e.g. Patel, 2007; Mills, 2011; Gill, 2010). The fatal consequences of the 'green revolution' are repeatedly recalled, particularly in Asia (Shiva, 2017; Collins, 1985). The pressure of modernization on Indian smallholders led to them going into debt in order to buy industrial seeds, artificial fertilizers and pesticides. This started the debt spiral. Between 2006 and 2016, more than 140,000 farmers in India committed suicide. Forced modernization

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19 Another important critical voice against the modernization paradigm is the American anthropologist James Ferguson (cf. Ferguson, 1999).

has made India's small farms dependent on the large seed, pesticide, and fertilizer companies (cf. e.g. Gronemeyer et al., 2015).

The talk of development is now only cautious. While actors still speak of development aid, the donor countries' own economic and political interests take centre stage. The illusions of modernization theory have evaporated: the world will not look like the USA or Europe. This is the moment when an ambivalent impression arises: on the one hand, there is the increasing weight of the BRICS countries in the global context, which suggests a future significance of former *Third World* countries. The term 'development' fits this process less and less, while the term 'transformation' fits it more and more clearly. On the other hand, unstable regions appear to be on the rise in Africa. West Africa is increasingly dominated by military dictatorships. In East Africa, the existence of Sudan is in question, and this threatens to destabilize the entire region. Seven million people there are internally displaced persons or have left the country. There is reason to fear a transformation towards catastrophe. Prunier strikingly illustrates that

“[i]n the event that the Sudanese state finally collapses, the prospects are extremely poor. The entire Horn of Africa is now in a state of advanced disintegration. It is indicative of the tragic situation that Ethiopia still appears to be the most stable country in the region. This is despite the fact that it is torn apart by internal conflicts and is also at loggerheads with its neighbours Egypt and Somalia over certain dam and port projects.” (Prunier, 2024)<sup>20</sup>

The story of 'development' fails. At the same time, the 'Western' gaze, freed from the arrogance of colonial and industrialized societies, falls on an Africa that is possibly more sustainable than the old, industrialized societies. Their involvement in destructive predatory colonialism is now beginning to show its destructive consequences in climate change: the people and regions in Africa are already visibly suffering from this.

But perhaps the continent harbors more prospects for alternatives than traditional development aid could ever see? More than fifty years ago, in 1971, the philosopher and theologian Ivan Illich gave a speech in Lima in which these alternatives are identified and summarized. According to Ivan Illich, the world is increasingly committed to widening the gap between rich and poor:

“In the liberation of the world from idols of progress, development, efficiency, Gross National Product and Gross National Education, the *Third World* has a crucial responsibility. Its masses are not yet totally addicted and dependent on consumption, especially the consumption of services. Most people still heal, house, and

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20 Own translation of the German quote; see also Clapham (2017).

teach one another, and could do it better if they had slightly better tools. The *Third World* could lead the rest in the search for an environment which would be both modern and humane." (Illich, 2018: 134)

Illich's thinking has lost none of its relevance to this day. However, his development-critical writings in the 1970s were based on the conviction that the so-called developing countries still had the choice to take another path than the industrialized countries as the "*homo economicus* who is dependent on standardized 'needs'" (Illich, 1979) was not yet fully globalized.

Few decades years later, in his foreword to the new edition of the Development Dictionary (2009/2010), Sachs finds it striking that they (post-development critics) "had not really appreciated the extent to which the development idea has been charged with hopes for redress and self-affirmation." He argues that although the development project was an intervention of the West, it was "not just an imposition on the rest." On the contrary, the countries of the Global South today are mostly great advocates of the idea of development:

"[...] as the desire for recognition and equity is framed in terms of the civilizational model of the powerful nations, the South has emerged as the staunchest defender of development. Countries in general do not aspire to become more 'Indian', more 'Brazilian' or for that matter more 'Islamic'; instead, assertions to the contrary notwithstanding, they long to achieve industrial modernity." (Sachs, 2010: ixf)

However, Sachs counters, "the shiny side of development is often accompanied by a dark side of displacement and dispossession" (ibid.: xi). This is why, according to him, economic growth goes hand in hand with growing inequality. Sachs states that the globally orientated middle class, which is pushing for development in the name of greater equality, largely ignores the plight of the poor. In his understanding, this explains why social polarization has increased with growth rates in just about all newly industrializing countries in recent decades. (Ibid.) Sachs puts it even more strongly:

"To invoke the right to development for the sake of greater equity is therefore an untrustworthy undertaking. This is particularly the case when governmental and non-governmental representatives call for accelerated growth in the name of helping the poor." (Ibid.)

He emphasizes another important point – namely that development thinking is orientated towards nation-states' transition from agrarian to industrial societies. Conventionally, the state was seen as the main actor, and national society as the main target of development planning. For this reason, development thinking

became increasingly unhinged, as both the actor and the target of development eroded under the influence of transnationalization. (Ibid.: viii) Therefore, the gradual replacement of the development paradigm by the transformation paradigm can also be interpreted in the context of the dissolution of the categories of state and society.

At the same time, the paradigm shift points to a deeper level. Following Sheldon S. Wolin, 'development' suggests a progressive change in which a previous 'deeper' identity is retained, while transformation implies the displacement or disappearance of an old identity and the acquisition of a new one (Wolin, 2008). Furthermore, the concept of transformation marks the end of linear thinking, which is linked to the idea of a progressive development.

According to Hölscher et al. (2018: 1), the term 'transition' refers more to changes in societal subsystems, 'transformation' refers to a fundamental and all-encompassing change. In transitions research, transformation is often seen as "as more radical, large-scale and long-term changes" and differentiated from "politically top-down and technocratic transitions." In a sense, however, both terms point to the need for fundamental change in order to achieve what is considered sustainable societies.

Transformation is a scientific buzzword, which is used in mathematics, biology and electrical engineering, economics, sociology, cultural studies, linguistics a.s.o.<sup>21</sup> In social science, the term 'social transformation' has increasingly replaced the term 'social change'. The word or idea of 'transformation' was strongly influenced by Karl Polanyi through his book titled "The Great Transformation" (1944), which "provides conceptual tools to explain the non-linear, non-teleological and inherently dialectic nature of social change" (De Haas et al., 2020). An important aspect of this conceptualisation of transformation is the conviction that economies are intrinsically embedded in societies and markets and can therefore not be separated from societies. Polanyi argues that "(Western) society has been subordinated to market laws so that society functions to fulfil economic purposes rather than the economy fitting the needs of society" (ibid.: 12–13). Counter-movements to this situation are inevitable; they can emerge in the form of social-democratic reform or totalitarian fascism or Stalinism. Polanyi's conceptualization also stands in stark contrast to a Rostowian understanding of development as a linear process. It allows to see that modernization "has been anything but the smooth ride towards increased prosperity for all but has involved significant political, technological and cultural transformations that have been part and parcel of 'modernization'" (De Haas et al., 2020). According to the authors,

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21 For the history of the term and theories of transformation, see for example the "Handbuch Transformationsforschung" by Kollmorgen et al. (2015).

“[m]ost importantly, perhaps, Polanyi’s view is not determinist and teleological, as it allows for a range of outcomes and does not see history as an inevitable succession of ‘stages’, as in Hegelian or Marxist views. The strength of Polanyi’s social transformation approach is evident in its non-deterministic ability to understand the mechanisms underlying political change and conflict in modernising capitalist societies – not only in the 1930s but also in the more-recent context of ‘neoliberal globalisation’ (Stiglitz 2001) which has sparked powerful ‘counter-movements’.” (Ibid.)

Both terms – development and transformation – imply certain contents but at the same time ideological neutrality. Regarding the concept of development, Sachs argues it “is a concept of monumental emptiness, carrying a vaguely positive connotation” (Sachs, 2009/2010: xi). It can be filled with any content and even include radically conflicting perspectives – from drilling for oil to drilling to setting up tree nurseries. Overall, however, the term emphasizes, according to Sachs, the predominance of the economic world view. (Ibid.)

The gradual transition from ‘development’ (as a predominantly linear, teleological concept of change) to ‘transformation’ (as a non-linear, fundamental break with the status quo) outlined above can be found in both political and scientific discourses. At the same time, both approaches continue to coexist. Looking at the example of Ethiopia, political discourse emphasizes “structural transformation” (cf. e.g. Oqubay 2017: 3), while the Ethiopian small farmer or textile worker would rather talk about ‘development’ and associate it foremost with access to electricity, clean water supply, or tar roads.

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