

2.5 Fair and sustainable jobs? Suggestions for the way ahead

Compensation plays a central role in employee retention, albeit not the sole one. So far, this aspect has not yet been seriously addressed by companies. To improve the unstable labor situation, “social sustainability/ social compliance” should be considered in greater depth. The Ethiopian Investment Commission (EIC et al., 2020: 37) identifies the following key problems and challenges of Ethiopia's Textile and Apparel Sector:

- Investors often underestimate the importance and impact of labor and social issues. Only when they have reached full operational strength they try to manage the symptoms of dysfunction, such as absenteeism, turnover and strikes.
- Employers rarely conduct a thorough causal analysis to determine the true causes of conflict and, as a result, operate with low efficiency and profitability.
- Government agencies often fail to provide the necessary social infrastructure for the production site. The initiative to develop investment zones usually comes from the Ministry of Trade or the Ministry of Finance, without sufficient consultation with the ministries responsible for the labor market, housing, transportation and social services.
- Workers have difficulty adjusting to the rhythm and discipline of factory work.

The report concludes that “[e]ven countries that have a statistical oversupply of labour and attractive nominal wage rates may not be able to ensure a competitive supply of labour to zone factories because of dysfunctional labour, housing, transport and other markets” (ibid.).

The following table outlines actor-specific recommendations, which were developed from the research findings. The recommendations are largely in line with those formulated by stakeholders in the Ethiopian textile industry (cf. Mitta, 2023).

Companies

- Increase basic wages to at least living wage level (also against the background of high inflation and presumed increase of productivity in companies); employees should be able to cover their living expenses from their basic salary; employers should not view wage incentives and overtime payments as a fixed component of monthly remuneration; according to interviews with operators, the basic wage is far too low to cover basic living costs in the city; even when incentives and non-wage benefits are included, the vast majority of workers perceive their remuneration as inadequate; companies should also address the

challenge of new recruits who only receive the basic entry level wage and are not entitled to performance-related bonuses.

- Create commitment: Include conditions for incentives, wage increases and loyalty bonuses in writing as standard in contracts for all employees.
- Reduce compulsory working hours (consider implementation of 45 hours instead of 48 hours per week; extra work will be paid on overtime basis).
- Install preventive measures against possible abuse of bonus payments.
- Since the payment of incentives and bonuses by supervisors can be handled subjectively and abused, a control system should be introduced to ensure a neutral assessment of operators' qualifications for incentives and bonuses; bonus payments should be transparent and objective.
- Improve quality and diversity of canteen food (also in order to keep employees healthy and to maintain their efficiency); when planning meal times, take into account that some employees may have long journeys to work and should therefore not fall into the second shift for breakfast, for example; canteen meals should be offered in all companies.
- Take more account of workers' needs in terms of holidays/off-days and sick leave.
- All companies should provide leave entitlements also in the first year of employment according to the legal requirements (allow for leave days in relation to the time of employment); implement more employee-friendly regulations on sick leave.
- Optimize HR practices: respect and cultural sensitivity in dealing with employees (no shouting or insults by managers); complaints management should be improved (including evaluations).
- Give workers a voice (to retain them): "voice" instead of "exit"; do not prevent formation of trade unions; promote effective implementation of "workers' representatives" in the mutual interest of employees and employers; a good, long-term working relationship can only develop if both parties cooperate at eye level.
- Health promotion for employees: allow some movement (prevention of kidney, vein and back problems, and stress), as well as sufficient hydration with clean water; avoid overly restrictive toilet policy; provide sufficient fresh air; check the quality/suitability of seating (sometimes workers in factories and canteens sit on cold, uncomfortable concrete benches).
- Optimize recruitment processes: ensure realistic and comprehensive information is provided to applicants by government representatives or private recruitment agencies (provide information in writing to applicants; ensure that remuneration system, tax and pension deductions are well understood by the applicants).

- Invest in accommodation for employees on the industrial park premise (example of Shints).
- Provide free hygiene materials (especially sanitary pads).
- Optimize the bus transport system: Evaluate employee satisfaction with the bus transport system and make improvements where necessary; employees who do not want to or cannot work overtime should not have to wait for the bus service until overtime workers leave the factory; find a solution for those who want to leave on time.
- Recognize employees' previous experience/tenure in the textile sector when making the salary classification (salary classification should not only be implemented on the basis of existing skills, but also on recognized times of employment in the sector); provide certificates when worker's want to quit the job (respect the workers' right to receive an experience certificate; consider to provide certificates while workers are still employed).

Industrial Park Management / Industrial Parks Development Corporation (IPDC)

- Implement regulations and control measures for the companies regarding the following issues:
- Control of companies so that the formation of workers' associations/unions is not suppressed, or workers who engage in this are not discriminated against or even dismissed.
- Control of unethical practices of companies (termination practices, change-name practices).
- Expand *workplace child daycare facilities*.
- Implement control system to ensure that workers' leave entitlements are applied by companies in accordance with national and international standards (e.g. leave entitlements in relation to time of employment, also within the first year of employment).
- Introduce an IP representative for absenteeism in order to harmonize operational requirements of companies and needs of employees to a greater extent; request more transparency from companies in dealing with absenteeism and sick leave of employees; initiate regular meetings between HR management and workers' representatives.
- Follow the example of BLIP and initiate cooperatives that sell food and hygiene products at purchase price on the grounds of the industrial parks (income generating measure for members of the cooperative; increase of the real wages of the workers who use the service).

Ethiopian Government

- Introduce a minimum wage for workers in the textile sector on the basis of a living wage;
- consider measures to protect workers' basic salaries against sharp declines in value (inflation adjustment); introduce regulation for the additional benefit packages.
- Introduce sector-specific, tariff-regulated standards for salary increases based on the length of employment in the sector.
- Control quality of canteen food and water offered to workers by companies.
- Reduce taxation of low wages of textile workers in industrial parks/special economic zones
- Consider to increase annual leave days for industrial workers.
- Build accommodation on the site of the industrial parks and rent it out to workers at a subsidized price.
- Implement measures/subsidies to increase the real wages of workers (e.g. in the area of transport/public transport, "job ticket").
- Pension levy system: investigate the effectiveness of the transfer of deposits in the event of a change of employer in the private sector; in general pension levies only make sense if workers can live on their salary in the present.

German Development Cooperation / German Corporation for International Cooperation (GIZ)

- Measures to improve the social sustainability of the textile industry:
- Support and coordination of measures to increase the real wage of textile workers (actors: companies, government, stakeholders/NGOs).
- Improve safety of employees on their way to work (from the bus stop to the accommodation) (e.g. lighting, security measures).
- Support expansion of employee health care services in the industrial parks (evaluate the effectiveness of existing services).
- Support creation of family-friendly workplaces (childcare centres within the industrial park; improving transportation options for workers to visit their families during holidays).
- Offer training to promote mutual understanding between employer and employee (sensitization/harmonization); continuation of existing training programs for managers (soft skills, cultural sensitivity, leadership skills, complaint management, employee retention).
- Support the IPs in fighting unethical practices (e.g. prevent advantage-taking through practices such as name-changing in order to ensure fair treatment of employees, among other things).

- Campaign against sexual harassment and abuse of workers by superiors (bonus payment system is open to abuse).

Non-Governmental Organizations (NGOs)

- Further strengthen workers' rights/ support formation of trade unions.
- Promote self-help cooperatives for workers in the industrial parks.
- Implement needs-based social projects for textile workers.
- Campaign to promote transparent global supply chains and fair and sustainable jobs.
- Networking of stakeholder groups on the ground to develop joint strategies to improve working conditions in the textile sector.

The above-listed recommendations focus very strongly on the improvement of workers' remuneration. The gap with wages of textile workers in other countries¹⁶ indicate that there is room for manoeuvre in Ethiopia's textile industry. Given that company productivity has apparently increased in recent years, better pay should be appropriate.

The Ethiopian government offers various incentives to investors. It can therefore be assumed that Ethiopia will remain an attractive location for the global textile industry even with rising labor costs. Interestingly, the Ethiopia FDI Policy Report (2022: 11) points out that high labor productivity in other countries like Vietnam or Bangladesh make up for higher wages paid in the sector:

“Labor quality and productivity is not a major problem in Vietnam or Bangladesh. Monthly wages are \$344 in Vietnam and \$154 in Bangladesh compared to less than \$100 in Ethiopia (2020 data including bonuses, overtime and social security) but high labor productivity in the former two more than compensates this wage gap.”

Conversely, this means that better wages could reduce turnover and increase productivity, ultimately benefiting both employees and employers. If Ethiopia's state-owned industrial parks will be privatized in the future (as reported in a newspaper article¹⁷), the role of the state would certainly change. However, this would not invalidate the results of this (and other) research.

A final statement made by a female employee may summarize the views of many of her colleagues in the form of clear recommendations to the management:

¹⁶ Cf. footnote 3 in the preface of this book.

¹⁷ Ethiopia ready to privatize industrial parks. By S. Mengesha, in: The Reporter, October 15 2022, <https://www.thereporterethiopia.com/27160/>.

“The first thing is improving the wage structure. [...] Moreover, the company should be able to include newly recruited workers within the framework of incentive packages. Otherwise, it will be difficult for them to make a living. Most of the newly joining workers leave the job due to such reasons. [...] I would like to add that the bosses must try to care for the workers. In many companies within the industrial park, most of the top-management are expats. Although our company has mainly local bosses, they do not care about the workers. They should also attempt to improve the salary. They must also try to revise the annual leave permission systems. They should try to make the workers as comfortable as possible. If employees are pleased, they are less likely to leave the firm and, as a result, will improve production to the level required by the organization.” (BLIP-Worker-2021-9)

Companies have already taken steps to retain workers. However, measures taken to date, which have mainly been based on incentives, have not yet brought the desired success, particularly as they have not addressed the core problem of low basic wages. Perhaps it can be said that effective measures should start at the grassroots level: by understanding and acknowledging each other’s perspectives. Both employers and employees could contribute to a visible solution. More dialogue would be an important prerequisite for this. However, the question of remuneration remains the a key issue.

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