

Ethiopia's Textile and Garment Industry: Excerpts from a Study on Labour Turnover



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Background of this Publication

This photo book provides visual impressions of the textile and garment industry in Ethiopia and offers key findings of a research project, supported by the German Government, to better understand worker absenteeism and labour turnover in the sector.

With the aim to create jobs for its growing population and to become a middle-income country by 2030, the Ethiopian government is in the process of adopting an Industrial Development Policy to transform the currently agricultural-led economy into an industry-based one. Known for its labour-intensive industry and low capital requirements, the light manufacturing sector has been prioritized in Ethiopia's industrialization strategy. The government intends to create 350,000 jobs, especially for young women, in the textile and apparel industry alone. Ethiopia's textile and garment industry is set to gain a steady foothold in the international market. The country has succeeded in attracting foreign investors by creating various incentives such as tax benefits, state-of-the-art infrastructure, all-inclusive services for businesses and low electricity prices. At the same time, the sector is often characterized by precarious working conditions, low wages, and inadequate compliance with social and environmental standards.

Against this backdrop, the German Federal Ministry for Economic Cooperation and Development (BMZ) provides systematic and holistic technical assistance with the objective to promote socially and environmentally sustainable production in Ethiopia's textile and garment sector. It does this – amongst others – by commissioning the *Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH*, which provides advisory services to its Ethiopian political partners and relevant private sector actors. One example is the 'Promoting Sustainable Growth in the Textile and Garment Industry in Ethiopia' project, whereby the textile and garment sector's regulatory bodies were strengthened, and local-based companies were certified after implementing internationally recognised social and environmental standards. The 'Sustainable Industrial Clusters (S.I.C.)' project, commissioned by the German government and co-financed by the United Kingdom Foreign, Commonwealth and Development Office (FCDO) is another example. It promotes decent jobs and sustainable growth of Ethiopia's manufacturing sector by promoting worker welfare, improving investors' satisfaction, improving environmental sustainability, strengthening the regulatory framework, and amplifying linkages between locally based businesses and exporting companies. By 2023, after two years of implementation, the project has created at least 8,743 decent jobs and improved working conditions for 59 per cent of workers in industrial parks. Six measures to improve operations and environmental sustainability of industrial parks have been implemented, two new sustainability standards and guidelines were introduced and 39 new business linkages between locally based companies and industrial parks or exporting companies have been established. These efforts resulted in securing orders from international buyers (especially European buyers) to ensure continuous employment after the suspension of AGOA.

Nevertheless, the relatively young Ethiopian textile industry continues to face challenges – maintaining a stable and skilled workforce is one. Labour turnover and absenteeism are key characteristics of companies operating in Ethiopia’s industrial parks. To gain a better understanding of the underlying causes, BMZ supported a three-year scientific study on the Ethiopian textile and garment industry (2020-2022). The research project, which culminated in this photo book, investigated the root causes of the high turnover and absenteeism rates and developed recommendations for action. The project’s principal investigators were Prof Dr Reimer Gronemeyer and Dr Michaela Fink, Institute for Sociology, Justus Liebig University Giessen. Hanna Rössner supported the project as a research assistant. Research partners in Ethiopia were Prof Dr Tesfaye Semela Kukem, Setisemhal Getashew Teshale (both Institute of Policy and Development Research, Hawassa University), and Markos Gifawosen Mitta (Department of Governance and Development Studies, Wolkite University).

In July/August 2022, Gronemeyer and Fink’s research team travelled to Ethiopia’s capital, Addis Ababa, and Hawassa (about 350 kilometres south of the capital) with the experienced and renowned photographer Pietro Sutura (Frankfurt(Main), Germany). The photographer was allowed to access factories in Bole Lemi Industrial Park (Addis Ababa) and Hawassa Industrial Park, allowing for a unique documentation of working in a textile factory in Ethiopia. Photos show the industrial parks, and factory sheds, and portray workers in their working and living environment. Furthermore, interviews with and pictures of women working in the industrial parks in Addis Ababa and Hawassa allow for a detailed, nuanced, and unique insight into the work and life of the predominantly female Ethiopian textile and garment operators. They also document the evolvement of new forms of working and living in Ethiopia’s urban centres.





Ethiopia's Textile and Garment Industry

Industrialization – especially the textile and garment industry – is a key factor in the Ethiopian government's endeavour for economic growth. It shall create several thousand jobs for 'low-skilled' workers and, as a result thereof, reduce poverty. This has proven somewhat successful in the Ethiopian context. Ethiopia's economy has experienced an annual GDP growth averaging 9.8 per cent between 2008/09 and 2018/19 and poverty rates are decreasing. The government's Growth and Transformation Plan (GTP) II (2016-2020) was the leading strategy in working towards a structural transformation of the economy and a classification as lower-middle-income country by 2025. The plan targeted the creation of two million jobs in medium and large-scale manufacturing businesses.

Considering international buyers wanting to diversify their sourcing markets away from Asia, Africa has gained momentum in attracting new investors for textile and garment manufacturing. Ethiopia as a production destination attracts investors and manufacturers due to several reasons. It offers an abundance of labour with competitive salaries, cheap and clean energy, free water, generous tax holidays between two and ten years, and low rental or lease costs in industrial parks. Besides, the newly designed factory sheds in Ethiopia make it easier to fulfil international occupational health and safety standards and enable environmentally friendly production. With this, they are offering a great chance for increasing compliance with social and environmental standards when compared to Asian production sites. Another advantage in Ethiopia is the future potential for the creation of a vertically integrated value chain from cotton to textile manufacturing to a finished garment product.



The export-oriented textile and garment industry in Ethiopia is mainly based in the relatively new industrial parks of the country. 13 industrial parks contribute to 80 to 90 per cent of the total textile and garment production in the country. The two biggest industrial parks are located in Addis Ababa (Bole Lemi Industrial Park) and Hawassa (Hawassa Industrial Park). While Hawassa Industrial Park exclusively hosts textile and garment factories, other parks such as Bole Lemi Industrial Park host investors from different sectors. The industrial parks are organized in sheds, which are big production halls where the full cycle of garment production is completed. The fabric used for garment production is imported, mainly from Asia. The departments are cutting, sewing (including quality checking), finishing, ironing, and packaging. These so-called 'low-skilled' jobs create employment for several thousand Ethiopians, mainly young women from rural areas, with rather low levels of formal education. A job in the industrial park is often an entry point to industrial work and urban life, aiming to improve their living conditions. Many international brands such as Decathlon, New Balance and Schöffel produce in Ethiopia. Factories can manufacture garments ranging from simple jersey shirts, over dress shirts and blouses, to complex outdoor garments and biker gear.







General Challenges

While the apparel industry in Ethiopia has resulted in economic growth and job creation, curbing the urban unemployment rate of more than 20 per cent prior to the pandemic, major challenges continue to hinder leveraging the country's potential to become the new manufacturing production hub. Alongside the global slow-down of the clothing consumption due to the COVID-19 pandemic and a global recession as well as the internal conflict in Ethiopia, the apparel industry was further negatively affected when Ethiopia lost its beneficial trade access to the US market due to the suspension of the African Growth and Opportunity Act (AGOA) as of 1 January 2022. With previously more than 80 to 90 per cent of Ethiopia's garment products being exported to the US market, the AGOA suspension caused a significant decrease in orders and thus also exports, buyers leaving the country and mass layoffs of industrial park workers. Furthermore, the industry is still dependent on imports of raw materials, such as cotton and fabric since cotton production in Ethiopia has not yet reached the requirements of international buyers in terms of neither quality nor quantity.

With the sector still being relatively young and a country that is highly dependent on the agriculture sector, the manufacturing industry continues to struggle creating and maintaining a stable labour force. High levels of turnover and absenteeism restrict the sector's potential because they cause low levels of productivity and high costs for regularly onboarding new workers. Looking at the monthly turnover rates of operators, one HR manager reported having 6.5 per cent on average (2-10 minimum and maximum turnover) in his company. Other HR managers reported monthly turnover rates between 3 and 9 per cent, meaning that annual turnover rates could be 50 per cent and more in the textile and garment companies. Yet, the situation is heterogeneous: One HR manager reports a 15 per cent annual turnover rate for his company and notes that "this is very nice as others have around and more than 35 per cent." The managers plan their operations accounting for a daily absenteeism rate of 5 per cent. According to the managers, the reasons for workers' absenteeism and turnover are predominantly their 'mindset' and the lack of experience with formal wage labour. Most workers come from rural areas, have an agrarian background, and have never worked in a factory before.



Work Force and Working Conditions

Most employed workers in lower-level positions in the garment factories are young women who migrated from rural areas to urban cities in search of employment or because they have directly been recruited in their kebeles, meaning local municipalities. According to a survey that was carried out in the context of the JLU study on labour turnover and absenteeism, most workers are between 20 and 22 years old, and only very few are above the age of 25 years. Most workers have completed grades 10 to 12 or hold a diploma. The main motivation for workers to engage in formal work in the textile and garment sector is to gain financial independence from their families and even to support them. A common saying of operators is “I want to change myself”. Many of the employees, especially in Hawassa, work in the textile factories to finance their studies.

A great majority of operators work from Monday to Saturday. Standard working hours are 8 hours per day while overtime work might result in up to 10 hours per working day. The Ethiopian labour law allows a maximum of 12 hours of overtime per week (including Sunday work). The standard weekly working time stands at 48 hours. Companies operate with one or two shifts, the latter being more common in Hawassa Industrial Park. According to the employees, the workload is challenging. Two-thirds find their work stressful or highly stressful, which relates both to the number of working hours and the daily production targets. Many workers complain about the one-sided working position (mostly sitting). A significant number of interviewees complained about kidney problems, which they causally relate to the one-sided sitting position. Yet, other interviewees lamented the one-sided standing position which, according to the workers, can create leg and foot problems. According to the GIZ, to reduce the one-sided stress on workers' bodies, factories have started introducing higher seats so that workers can alternate their working position.

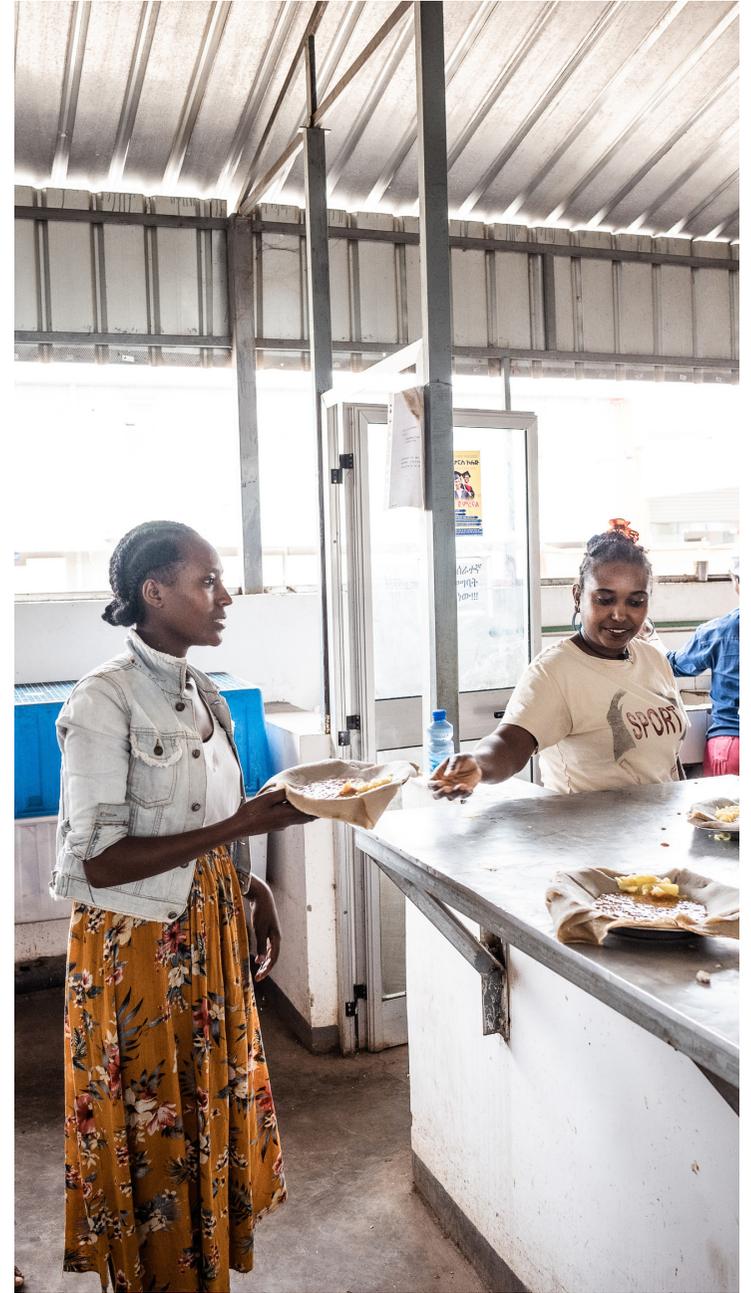
The average monthly basic salary stood at Birr 1,449 (incentives and bonuses excluded and figures are based on when research was conducted 2020-2022) whereas the lowest-earning interviewees received Birr 700 as a basic wage. Entry basic wage levels are lower than advanced levels. Besides the basic salary, factories pay incentives, bonuses, and allowances. These include the attendance bonus (Birr 200-250) and the



productivity bonus (Birr 300-500). Workers, who attend every working day of the month, receive the full attendance bonus. When workers miss working days, there is either a full deduction of the bonus from the first absent day or a graduating deduction. Productivity bonuses are paid whenever a line, or an individual worker manages to meet the daily production target. Finally, factories are also providing food and transport allowance. This is either paid out or the services are provided to the employees free of charge. Many factories have canteens where injera (the local staple food made from teff) is served with varying sauces and vegetables. While this is subjective, more than 70 per cent of respondents rated the quality of food as bad or very bad.

Many of the study participants reported that their salary level does not allow them to support their families financially. Instead, their families support them to sustain a life in the city and complete their education. A great majority of respondents could not sustain their lives with the salaries (including incentives as variable pay). Most workers believe that there is a mismatch between the workload and their salary, which is further exacerbated by high inflation. Many interviewees expressed that they would be satisfied and see their future in the factory if the pay was adequate and the quality of the food improved. For all other challenges, solutions could be found easily, according to the workers.







A Glimpse of the Operators' Life

The majority of workers migrated to the urban cities from rural parts of the country and are unmarried. To reduce monthly expenses, they share flats with co-workers, mostly with one to three colleagues from the industrial park. Still, they explain that the amount they pay for accommodation, which is an average of Birr 479 per person (time of research), is too high considering their salary. The accommodation is usually one room with very basic furnishing and running water in the yard. 40.8 per cent of respondents consider their living situation acceptable, while 19.7 per cent assess it as bad and 24.8 per cent as very bad. It should be noted that such a living condition is not unique to the apparel sector but reflects the average living situation of many people in Ethiopia. The great majority of respondents would like to stay in dormitories in the industrial park if it was offered. So far, only one company in Bole Lemi Industrial Park offers accommodation for their operators on park grounds. Against this background, BMZ supports a dormitory housing project in Hawassa Industrial Park through financial cooperation via the *Kreditanstalt für Wiederaufbau (KfW)*.

















The Industry's Potentials and Outlook

Given Ethiopia's large young population of more than 30 million citizens between the age of 15 and 29, coupled with an urban unemployment rate of more than 20 per cent prior to the COVID-19 pandemic, the development of the country's private sector is pivotal for job creation, foreign exchange earnings and export generation. While the manufacturing sector attracted 50 per cent of Ethiopia's total FDI in 2019, investment alone does not guarantee the sustainability of job creation and economic growth. Aside from the challenging political context in the country, key factors such as lack of financing, sector-specific technical skills and strategic coordination among actors, and inadequate compliance standards and industrial work culture have hindered Ethiopia's sustainable industrial growth. Nevertheless, the light manufacturing sector remains important for and resilient in the path of economic growth. The textile and garment sector accounted for more than 36 per cent of manufacturing exports (US\$181m) in 2021/22 and continues to be labour-intensive, employing up to six times as many people (out of them, the vast majority women) when compared to other manufacturing sectors.

The Ethiopian textile and garment industry and its state-of-the-art industrial parks are unique to the Sub-Saharan African continent. A central factor in the success of the light-manufacturing sector was a committed government, systematic financial and technical assistance from development partners, and – above all – the high availability of a 'low-skilled' labour force. Nevertheless, given the infancy stage of the sector, levels of absenteeism and turnover are high especially within the first three months of the operators' employment. Research has shown that higher wages can particularly reduce worker turnover and could further enhance productivity.

The Ethiopian experiment "textile industry" is at a critical moment: the time to strengthen the sector and create a conducive environment to attract more investments and ultimately create decent jobs is now. This is a challenge for the government, for the investors, for the management of the industrial parks, for international development cooperation and, ultimately, for the mainly female workforce, on whose cooperation and resilience the prospects for the future of the textile industry as a labour-intensive sector also depend.

The S.I.C. project will have a follow-on phase starting as of October 2024 with the objective to better prepare the Ethiopian textile and garment sector for the demands of international markets in an increasingly competitive market environment. The focus continues to be strengthening the economic, social, and environmental sustainability of the industry with activities to promote worker welfare, improve the sustainability of production processes and to strengthen the regulatory framework for a just transition of the sector. It will also support private sector and government partners to ensure their readiness for new international due diligence regulations, such as the German Supply Chain Due Diligence Law and forthcoming European legislation.

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For details about the research project and information on past and forthcoming publications see the JLU homepage under this [link](#).

