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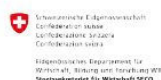
ONE ILO ETHIOPIA

RESULTS FROM WORKER PHONE SURVEYS IN FOREIGN AND ETHIOPIAN APPAREL FIRMS

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Introduction

The Ethiopian apparel sector has grown rapidly over the past decade, driven by the relocation of basic apparel production from Asia. This rapid growth has brought with it a number of challenges, including low wages for workers and frequently inadequate working conditions. Over the last two years these challenges have been exacerbated by political instability, conflict, and the loss of access to the US market. For workers these crises have increased insecurity and damaged livelihood. To help address these challenges the ILO has launched the ONE ILO (Siraye) programme which works with apparel firms, trade unions and the Ethiopian government to improve working conditions in apparel firms. As part of this programme the ILO is monitoring how the crises affecting the sector are impacting apparel workers.

This brief presents the results from eight rounds of a high-frequency phone survey undertaken with Ethiopian apparel workers between 2020 and 2022. The survey covers a period of intense turmoil for both the Ethiopian apparel sector and the country as a whole. The main focus is on socio-economic situation facing apparel workers, in particular with regard to employment, wages, the ability to meet expenses and food needs, working hours, unionisation, and health provision. Due to the stark differences between foreign and Ethiopia firms with regard to firm-level capabilities and access to international markets, much of the analysis contrasts the experiences of Ethiopian workers in foreign and Ethiopian companies.

► Background

Over the last decade the Ethiopian apparel industry has expanded rapidly. Several waves of foreign investors have brought new capital and capabilities into the country. This success was supported by an active industrial policy seeking to attract investment into the country and facilitate the integration of apparel factories in global value chains and production networks. A series of both private and government-owned industrial parks have facilitated the growth of the apparel industry. However, the sector also faces a number of structural challenges and has recently been buffeted by severe shocks.

While the strategy of relying on foreign investment to drive growth has helped facilitate a new export industry in Ethiopia, the result is a bifurcated sector. Apparel exports are dominated almost entirely by foreign firms with previous experience in apparel manufacturing and export, while many Ethiopian firms lack the capabilities necessary to compete in demanding international markets (Whitfield, Staritz, Melese, et al., 2020; Whitfield, Staritz, & Morris, 2020). At the same time, the new industrial parks have become sites of new labour conflicts and foreign-firms face higher levels of labour conflict. Low wages and strict factory discipline have led to high rates of labour turnover in the sector (Chu & Fafchamps, 2022; Oya & Schaefer, 2021). These labour dynamics make high-frequency phone survey data is especially useful in tracking short-term developments.

► Shocks: Covid-19 and conflict

Since 2020 the apparel sector in Ethiopia has faced two severe shocks: the dislocations caused by the Covid-19 pandemic and the ongoing conflict in northern Ethiopia. The first of these shocks, the Covid-19 pandemic, was global in scope. The outbreak of the Covid-19 pandemic in early 2020 precipitated a huge

crisis in the global apparel sector. The asymmetric incidence of the associated costs highlighted the power imbalance between supplier firms and global buyers in the apparel sector. In March 2020 global buyers cancelled billions of dollars' worth of orders citing force majeure clauses in purchasing agreements, in many cases without compensating supplier firms. In Bangladesh, a leading supplier country, the impact on workers was devastating, with supplier firms that had lost order already in process unable to provide severance or furlough pay to their workers (Anner, 2022). Ethiopia was also severely impacted and the damage was not confined to exporters. A survey of firms in Ethiopia's industrial parks across all industries conducted between May and August 2020 found that 68% of export-oriented and 86% of domestic market-oriented firms reported reduced sales, while government assistance had reached only comparatively few firms (Mengistu et al., 2020). Employment fell sharply, with harsh consequences for workers. A survey of women workers in the Hawassa Industrial Park conducted between April and June found that 41% of respondents who had been employed in January were no longer employed. Of these, over half were on paid or unpaid leave, while only a small fraction had been terminated. Most respondents had no savings and basic food and rent expenditures exceeded average monthly salaries (Meyer et al., 2021). While some of the worst effects of the Covid-19 pandemic on employment and production in Ethiopia were relatively short-lived (Abebe et al., 2020), the crisis had not been overcome when the apparel sector was hit by a second shock.

This second shock was the start of a vicious military conflict between the Ethiopian federal government and forces from the northern region of Tigray in November 2020. The conflict has resulted in enormous humanitarian and economic damages. The conflict

also had a direct impact on the apparel sector. All apparel factories in Tigray closed and Ethiopia has lost access to the trade privileges granted by the US African Growth and Opportunity Act (AGOA). AGOA is a system of trade preferences that eliminates tariffs for around 6,500 product types and access to AGOA had allowed apparel and footwear companies in Ethiopia duty-free access to US markets. The US government terminated Ethiopia's access to AGOA on 1 January 2022 citing "gross violations of internationally recognized human rights being perpetrated by the Government of Ethiopia and other parties amid the

widening conflict in northern Ethiopia".¹ The impact of the suspension has been severe. Arguing against the suspension, a senior Ethiopian government official explained that around half of the \$300 million Ethiopia exported to the US in 2021 was covered by AGOA and that around 200,000 workers in the leather and apparel industries would be affected.² In July 2022, trade unions in the Hawassa Industrial Park reported that companies exporting to the US had all of their orders cancelled as a result of the suspension, leading to large-scale job losses and contributing to the closure of the park's leading factory.³

► Methodology

The ONE ILO programme conducts regular surveys of Ethiopia apparel workers to better understand their needs and socio-economic situation. A first major survey, the baseline ILO ACASI survey covering 925 workers in 39 firms, was undertaken on behalf of the ILO by EconInsight in 2019. The phone survey data discussed here is based on phone tracking surveys with a sub-sample of the respondents from the 2019 survey. Between June 2020 and March 2022 EconInsight conducted eight waves of phone surveys, generating a total of 1,278 responses, see Table 1. Respondents were randomly selected from both foreign and Ethiopian firms, covering 24 companies inside and outside of industrial parks. Due to the high levels of turnover in the Ethiopian apparel sector, in the first wave at least 70% of respondents had to be active garment workers. Like all high-fre-

quency surveys, the phone surveys were subject to sample attrition. However, a particularly large drop-off occurred between waves four and five due to the outbreak of conflict described above which meant that the part of the sample drawn from the Tigray became unreachable.

The sample was constructed as a panel, meaning that workers were normally traced across all eight survey waves. Where too many workers could not be reached anymore, replacements were randomly drawn to maintain an acceptable sample size. As a result of worker turnover, i.e. workers leaving their original jobs over the course of the survey period, the sample contains both current and former garment workers. This allows us to trace development for workers who remained in their jobs and for those who moved jobs or became unemployed separately.

► TABLE 1. SAMPLE OVERVIEW

WAVE	1	2	3	4	5	6	7	8	TOTAL
Respondents	181	178	165	163	153	147	146	145	1,278

► Findings

This brief focuses on analysing key socio-economic dimensions of the lives of current and former Ethiopian apparel workers, with a particular focus on the differences between workers employed foreign and Ethiopian-owned firms. It examines findings across five core areas:

- ▶ Employment and turnover
- ▶ Wages and workers' ability to meet expenses and food needs
- ▶ Unionisation
- ▶ Health and safety

Before we turn to the findings themselves it is worth briefly reiterating some of the key differences between the foreign and Ethiopian apparel that operate in Ethiopia. As discussed above, foreign firms dominate apparel exports, while Ethiopian firms are much more likely to serve only the domestic market. The country's industrial parks also house almost exclusively foreign firms and companies in these parks are normally required to export 100% of their production. Due to the twin crises that have affected the sector, the export requirement appears to have been temporarily waived in at least some instances. Nonetheless, foreign firms are much more likely to be exporters and they also serve much more demanding end markets, with many firms linked into the global production networks of leading global apparel buyers in the US and EU. While none of the Ethiopian firms in the sample are linked to such network, 65% of foreign firms are. These buyers impose demanding criteria on supplier firms, especially with regard to quality, price and delivery times, though in recent years ecological and social criteria have also become more widespread. In addition, Ethiopian firms tend to be much older. Partly for this reason, the labour forces across both firm types are quite different. While both foreign and domestic firms employ mostly women, especially in production po-

sition considered to be less skilled, workers in foreign firms are on average younger, better educated, and more likely to have migrated from rural areas for their current job (Schaefer & Oya, 2019).

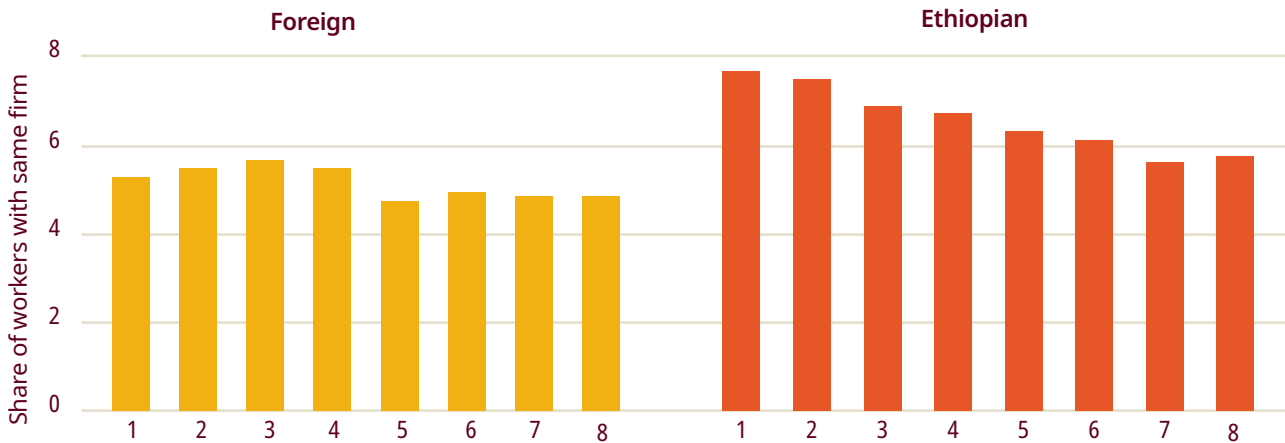
▶ Employment and turnover

Even before the twin crises discussed above, apparel firms frequently identified high levels of turnover as a key challenge. The Covid-19 pandemic and the outbreak of conflict have further increased turnover and job losses as firms have closed or laid off workers. Across all survey waves 29% of workers voluntarily left their jobs, while 15% were laid off due to firm closures.

Turnover varies greatly across firms and there are clear differences in turnover between foreign and Ethiopian firms. Overall turnover is markedly lower in Ethiopian firms than in foreign firms. Averaging across all survey rounds, 34% of workers in Ethiopian firms left their jobs or were laid off, compared to 48% of workers in foreign firms. The same is true when looking at individual survey rounds. Figure 1 shows the share of workers still employed in the same firm as during the baseline ACASI survey in 2019. The figure disaggregates turnover by firm ownership and the eight waves of the phone survey. Ethiopian firms show higher rates of worker retention across all survey waves, though retention falls steeply from around 75% in the first wave to around 55% in the final wave. In foreign firms retention rates remain at around 50% across the eight survey waves.

To understand these differences we need to examine the reasons why workers leave their jobs more closely. Workers in foreign firms are much more likely than their counterparts in Ethiopian firms to leave their jobs voluntarily, indicating dissatisfaction on part of the workers. Part of this movement may be

FIGURE 1. SHARE OF WORKERS WHO REMAINED IN THEIR JOBS ACROSS SURVEY WAVES



driven workers new to both the sector and to industrial employment who are shocked by the demands placed upon them the first factory job. Conversely, factory closures were more common in Ethiopian firms, as firms producing for the domestic market were especially severely affected by the Covid-19 pandemic. In Ethiopian firms 54% of those who left their jobs did so voluntarily while 39% left as a result of factory closures. In foreign firms 81% of workers who left quit their jobs, while only 19% left as a result of the firm shutting its doors. Asking workers who voluntarily departed their jobs why they left shows that the dissatisfaction among workers is driven by low wages. This concern is more widespread among workers that chose to leave foreign firms, where 73% of those who left cite low wages as a reason compared to 52% in Ethiopian companies.

► **Wages and expenses**

The global apparel sector is characterised by low wages for production workers working in supplier firms and clearly Ethiopia is no exception to this pattern. The general expectation is that foreign firms linked into global markets pay higher wages, reflecting their higher productivity. This expectation appears to be shared by workers. As we have seen

workers in foreign firms are more likely to complain about low wages. This is despite wages in foreign firms being higher than in domestic apparel companies. However, in Ethiopia these differences are comparatively small, possibly contributing further to worker dissatisfaction. Figure 2 compares the monthly take-home pay of workers employed in domestic and foreign firms at the time of the survey, averaging across all survey rounds. Take-home pay includes all bonuses and deductions and is therefore the best indicator of workers real purchasing power. Workers employed in foreign firms earn about ETB 150, or 6%, more per month than workers in Ethiopian firms. These differences are not statistically significant.

However, these figures do not take into account how many hours worker spend at work and there is some indication that workers in foreign firms work more hours per month than their counterparts in Ethiopian firms. Workers in both firms report working an average of eight hours per day across a working week of six days. These averages mask important differences and in some Ethiopian and foreign firms workers report longer working days, of up to 12 hours. While 18.75% of workers in foreign firms report working more than 8 hours per day, just 6% of workers in Ethiopian firms do.

FIGURE 2. MONTHLY TAKE-HOME PAY OF APPAREL WORKERS, ALL WAVES COMBINED

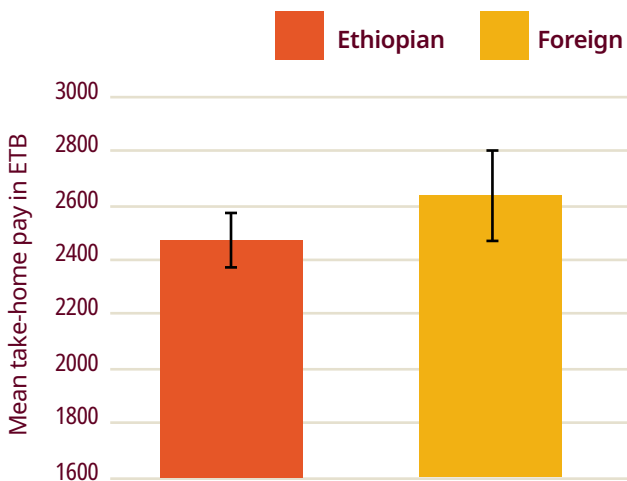


Figure 3, which shows the monthly take-home pay of current apparel workers in foreign and Ethiopian firms by survey round, confirms that these differences are consistent across most survey waves. Across the waves there is a notable increase in wage levels in both foreign and Ethiopian firms. Wages in Foreign firms rose from about ETB 2,400 in wave one to over ETB 2,800 in wave eight, an increase of 16%. By comparison, according to the Ethiopian Statistics Service year-on-year food price inflation stood at around 25% in 2021 and had risen to over 40% by March 2022, the time of the last survey wave.⁴

Despite the recent growth in wages rates of pay are not sufficient to ensure that all workers can enjoy a decent livelihood or even to reliably cover food expenditure. Among employed apparel workers 44% state that their combined household income is not sufficient to cover to cover food expenditure, with almost 18% reporting that at least one household member has had to skip meals for a full day during the last month. Similarly, 61% of workers said their household income were insufficient to cover rent and 92% said their households could not meet health expenditures. These deprivations were suffered in equal measure by workers in foreign and Ethiopian firms. That said, wages in Ethiopian firms were somewhat more reliable than in foreign firms. Asked whether they would still receive pay when unable to work 60% of workers in Ethiopian firms reported receiving no pay at all, compared to 80% in foreign firms.

Another interesting result emerges if we compare the returns to workers who remained in their jobs with those who chose to leave their positions and seek alternative employment. As shown in Figure 4, 'leavers' who found alternative employment received higher pay than 'movers' across all survey rounds. Especially, in the last four survey waves these differences were substantial: pay for 'leavers' was around ETB 1000 or over one-third higher.

FIGURE 3. MONTHLY TAKE-HOME PAY OF APPAREL WORKERS, BY SURVEY WAVE

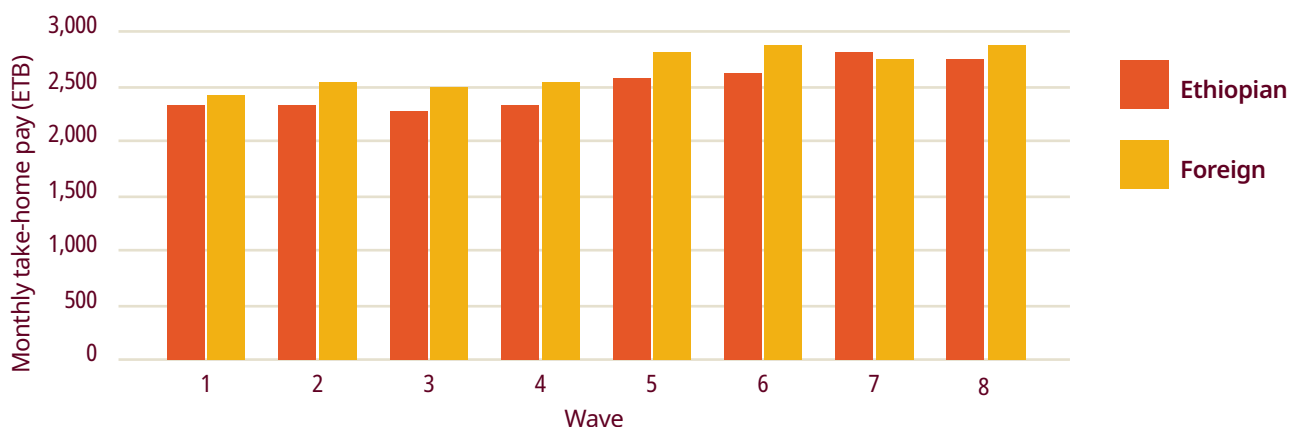
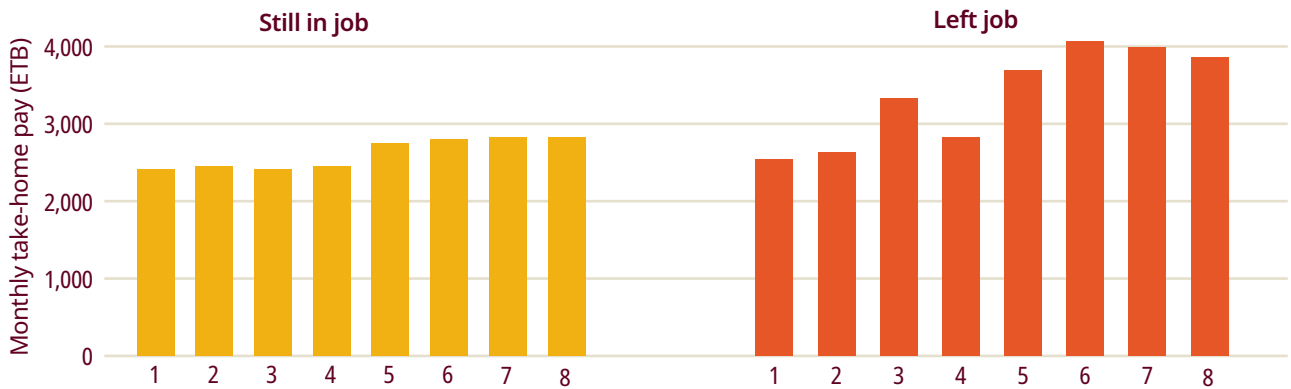


FIGURE 4. MONTHLY TAKE-HOME OF JOB MOVERS AND NON-MOVERS, BY WAVE



This indicates that turnover is a viable and often valuable strategy for apparel workers seeking higher pay. Moreover, as many of the ‘leavers’ left the apparel sector and found employment elsewhere these results demonstrate the comparatively poor pay on offer in apparel firms.

► Unionisation

Unions are a vital mechanism for workers to achieve higher wages and better working conditions. Despite the well-documented advantages of union membership to workers, in Ethiopia both the presence of trade unions and unionisation rates among workers remain highly uneven. Overall, foreign firms are much more unionised than Ethiopian firms. While trade unions initially struggled to

organise workers in the emerging apparel export sector, unions appear have become more common in foreign apparel firms in recent years. Earlier research found that just 13% of foreign manufacturing firms in Ethiopian industrial parks had trade unions (Schaefer & Oya 2019), but respondents of the phone survey reported that unions exist in close to 60% of foreign apparel firms, see Figure 6. This still leaves over 40% of foreign apparel factories without organised means of worker representation. Reported union presence in domestic firms are also markedly lower, with only 15% of workplaces featuring trade union representation. Compared the relatively young apparel firms sampled here, trade unions are much more widespread in older Ethiopian manufacturing firms, such as those in the leather products industry.

FIGURE 5. WORKERS REPORTING A UNION IN THEIR WORKPLACE, ALL WAVES

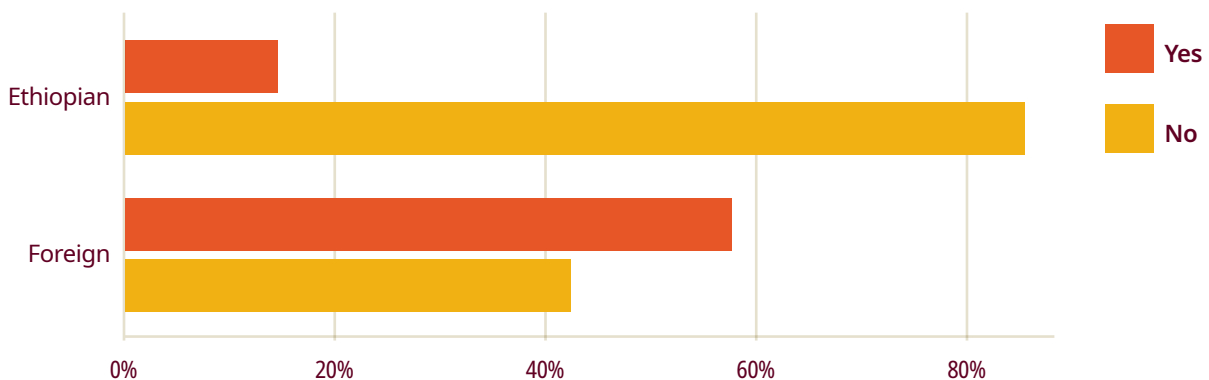
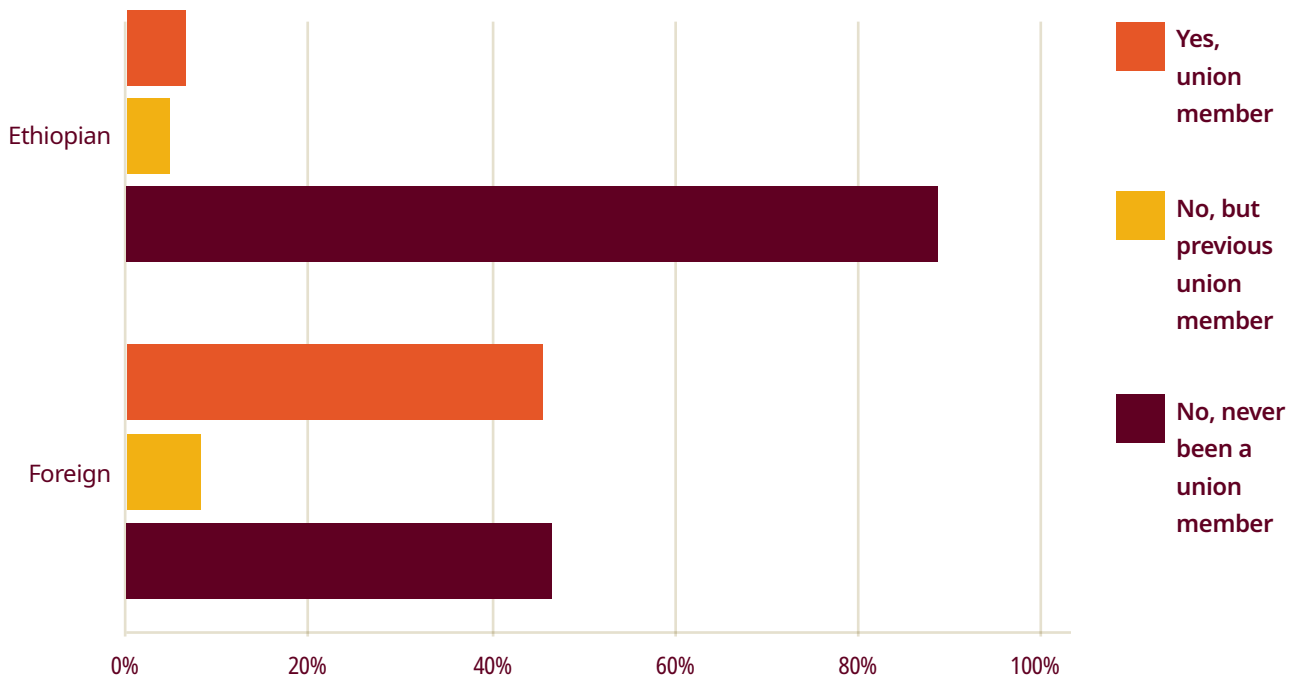


FIGURE 6. WORKERS REPORTING TO BE UNION MEMBERS, ALL WAVES



The presence of a trade union of course does guarantee that workers are actually union members. As shown in Figure 6, unionisation rates are lower than reported rates of union presence in both foreign and Ethiopian firms. Over 45% of workers in foreign firms report being members of trade union, while unionisation rates in Ethiopian firms are extremely low at around 7%. It is important to note that self-reported survey data on union membership may be affected by confusion among workers of distinction between union membership and the presence of workers' councils. Low rates of unionisation are driven in part by management attitudes to trade unions. While 28% of workers in foreign firms feel that the company management is broadly in favour of trade unions in the workplace, only 9% of workers in Ethiopian apparel firms do. These results show that there is substantial scope for unions to both increase presence across currently non-unionised firms and to convince workers to join the unions that already exist in their workplaces.

► Health and safety

All works have the right to a safe working environment and adequate protection against health risks. In addition, due to the low levels of health provision in Ethiopia as a whole, many workers rely on access to health services provided by their employer. Foreign firms provide greater access to health services than Ethiopian firms do, possibly reflecting minimum standards set by global buyers. While 33% of workers in Ethiopian firms report no access to employer-provided health services only 2% of workers in foreign firms do. Similarly, foreign firms are also more likely to provide access to treatment for injuries and treatments of headaches or fatigue. Few firms, whether Ethiopian or foreign, provide their workers with more general health support. Given the predominantly female labour force in the sector it is concerning how few firms offer check-ups for pregnant women.

► **TABLE 2. SHARE OF WORKERS REPORTING ACCESS TO HEALTH SERVICES, ALL WAVES**

SERVICE	FOREIGN FIRM WORKERS (%)	DOMESTIC FIRM WORKERS (%)
Treatment for injuries	97	67
Treatment for headaches & fatigue	87	50
Treatment for general illness	9	5
General health check	2	3
Check-up for pregnant women	5	2
No health service available	2	33

Despite the differences in access to health services between foreign and Ethiopian firms, workers in foreign firms do not generally have higher rates of self-reported subjective health. As shown in Figure 7, when compared to foreign companies Ethiopian firms have a slightly higher proportion of workers reporting their health to be very good, while foreign firms have a higher share of workers who describe their health as good. Both firm types have similar shares of workers staying their health

is only average or fair.

There are also few differences between Ethiopian and foreign firms with regard to the most serious dangers in the workplace. Figure 8 shows the share of workers reporting exposure to harmful chemicals across the eight survey waves. Rates of exposure are comparable across foreign and Ethiopian companies. While rates fell across the survey period there were still 5% of workers reporting exposure in the final survey round.

FIGURE 7. SELF-REPORTED HEALTH RATING, ALL WAVES

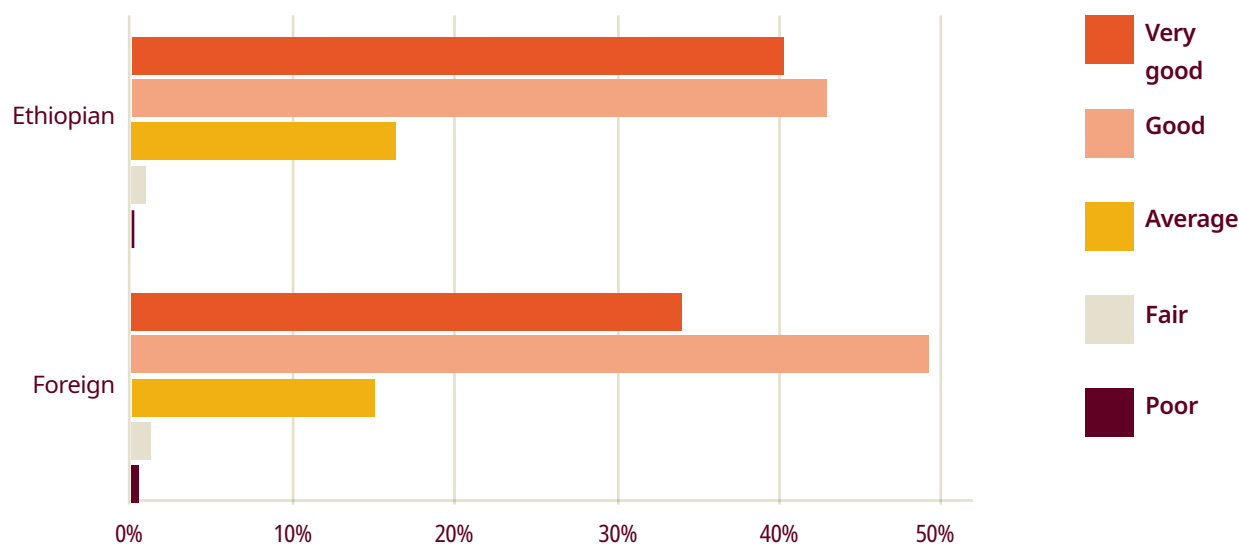
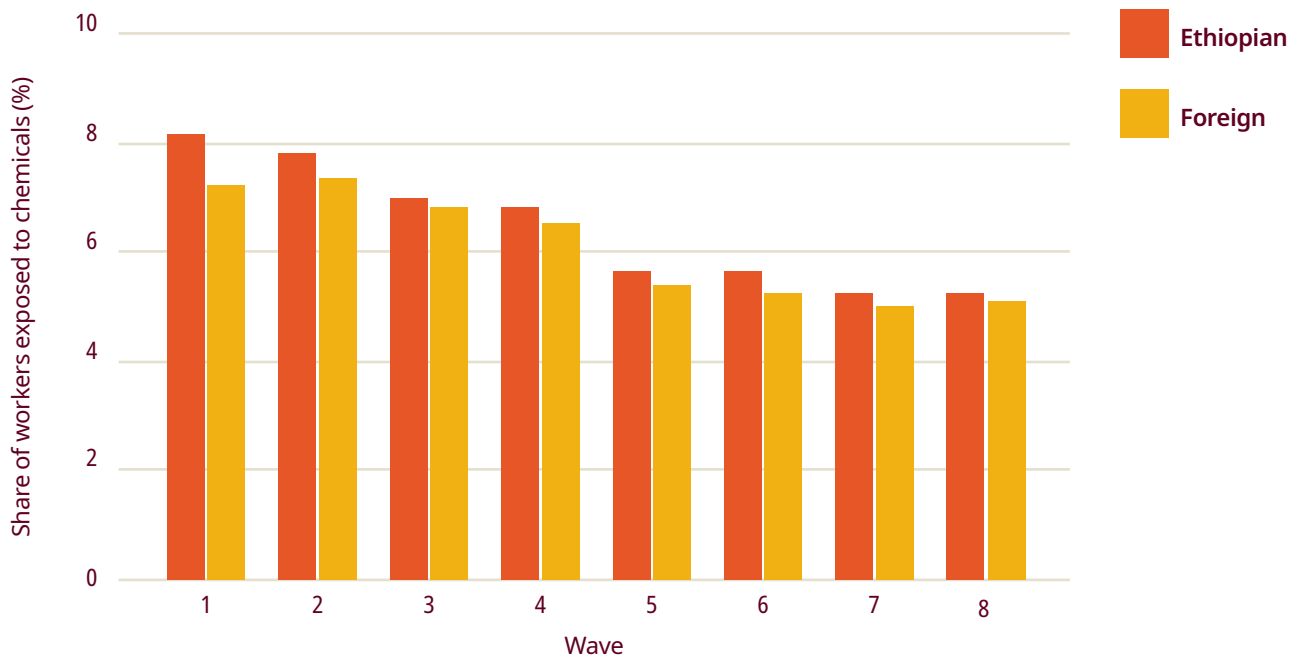


FIGURE 8. SELF-REPORTED EXPOSURE TO HARMFUL CHEMICALS, BY SURVEY WAVE



▶ Next steps

This brief shows some of the most relevant findings from the phone tracking surveys undertaken by the ILO. The data illustrate the challenges faced by workers in the sector, especially around wages and livelihoods. The data from these surveys will also be used as part of the monitoring and evaluation of the ONE ILO (Siraye) programme. The surveys will be followed up in 2023 by a large-scale worker survey aiming to capture developments over the first three years of the programme.

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► END NOTES

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