

LABOUR CHALLENGES IN ETHIOPIA'S TEXTILE AND LEATHER INDUSTRIES: NO VOICE, NO LOYALTY, NO EXIT?

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Abstract

A state-led industrialization push inspired by the East Asian 'developmental state' model is at the centre of Ethiopia's recent economic success. This model has historically proved potent for achieving rapid industrialization, but the business-state alliance at the heart of the model generally aimed to curb the power of labour. Focusing on textile and leather manufacturing in Ethiopia, this article addresses two questions: are workers capable of extracting gains from the process of industrialization, and have the actions of workers affected global value chain integration in the two industries? Our data shows that opportunities for collective voice among workers are limited. However, workers have expressed their discontent by leaving employers when working conditions fail to meet their expectations. The resulting turnover has generated significant obstacles for local and foreign firms attempting to participate in global value chains. In response, the Ethiopian state and employers implemented a number of measures, including restrictions on emigration and more generous non-wage benefits. Recent research on global value chains and labour highlights how workers are able to influence work practices through individual action. The present article builds on these ideas, but shows that firms and governments have the ability to respond and limit this power.

THEORISTS OF ECONOMIC GROWTH HAVE LONG been concerned by the contribution of labour to economic development. Authors have argued that labour is a drain on economic surplus and a source of unproductive rents,¹ one element in a broader strategy of accumulation,² or a positive resource for late industrializing nations.³

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¹ David Waldner, *State building and late development* (Cornell University Press, Ithaca, NY, 2009).

² See for instance, Gerry Rogers, 'Labour institutions and economic development: Issues and methods', in Gerry Rogers, Klara Foti and Laurids Lauridsen (eds), *The institutional approach to labour and development* (Frank Cass, London, 1996), pp. 4-25.

³ Kaoru Sugihara, 'Labour-intensive industrialization in global history: An interpretation of East Asian experiences', in Gareth Austin and Kaoru Sugihara (eds), *Labour-intensive industrialization in global history* (Routledge, Abingdon, 2013), pp. 20-64.

Ethiopia's recent economic growth represents an interesting case due to the country's ambitious plan to industrialize through labour-intensive manufacturing. While a number of studies have shed light on the policies implemented by the Ethiopian government to encourage the development of the leather, textiles, cement, and cut-flower industries, the literature generally has considered labour dynamics to be a peripheral issue with little direct bearing on industrialization.⁴

In this article, we focus particularly on textile and leather manufacturing.⁵ The Ethiopian government has identified the two industries as priority industries in its overarching development plans, and it hopes to capitalize on the country's low labour costs in order to attract foreign investment, build up technological capacity, and participate in global value chains (GVCs).⁶ While a number of studies have suggested that formal manufacturing employment offers higher wages than agriculture or the informal sector,⁷ the transition to industrial work has not always been embraced by workers. As E.P. Thompson's classic study of time-discipline in British factories has shown, agricultural workers may not find it easy to adapt to the discipline of factory work.⁸ In turn, the presence of labour conflicts may affect flows of foreign direct investment or lead to lower productivity growth.⁹ Gareth Austin also argues that part of East Asia's successful industrialization in its early stages was attributable to the availability of female labourers who, socialized in the conditions of wet-rice agriculture, were likely to provide disciplined and timely work.¹⁰ Given that nearly 80 percent of the Ethiopian workforce is currently engaged in subsistence agriculture,

⁴ Girum Abebe and Florian Schaefer, 'Review of industrial policies in Ethiopia: A perspective from the leather and cut flower industries', in Akbar Noman and Joseph Stiglitz (eds), *Industrial policy and economic transformation in Africa* (Columbia University Press, New York, NY, 2015); Clara Alderin, 'Made in Ethiopia: Challenges and opportunities in the emerging textile industry in Ethiopia', (Arbetsrapporter no 95, Uppsala, Uppsala Universitet, 2014); Arkebe Oqubay, *Made in Africa: industrial policy in Ethiopia* (Oxford University Press, Oxford, 2015).

⁵ Throughout this article, the textile industry refers to both the process of transforming cotton and synthetic fibres into fabric and the process of transforming fabric into, most importantly, clothes/apparel, but also some other textile-based products, like towels and bed sheets. The process of transforming fabric into clothes is often known as the apparel or garment industry. Similarly, the leather industry refers to both the leather products industry (most importantly footwear production, but also the production of other leather products, like belts, bags and wallets) and the leather tanning industry (i.e. the process of transforming raw hides and skins to finished leather).

⁶ Oqubay, *Made in Africa*.

⁷ Andrew Foster and Mark Rosenzweig, 'Economic development and the decline of agricultural employment', in T. Paul Schultz and John A. Strauss (eds), *Handbook of development economics Volume 4* (North-Holland, Amsterdam, 2007), pp. 3052-3082; Eliane El Badaoui, Eric Strobl and Frank Walsh, 'Is there an informal employment wage penalty? Evidence from South Africa', *Economic Development and Cultural Change* 56, 3 (2008), pp. 683-710.

⁸ E.P. Thompson, 'Time, work-discipline, and industrial capitalism', *Past and Present* 38, (1967), pp. 56-97.

⁹ Nhidiya Menon and Paroma Sanyal, 'Labor conflict and foreign investments: An analysis of FDI in India', *Review of Development Economics* 11, 4 (2007), pp. 629-644; Alice C. Lam, J.R. Newsworthy and Craig A. Zabala, 'Labor disputes and productivity in Japan and the United States', in Charles R. Hulten (ed.), *Productivity growth in Japan and the United States* (Chicago University Press, Chicago, IL, 1991), pp.411-435.

¹⁰ Gareth Austin, 'Labour-intensive industrialization and global economic development: Reflections', in Gareth Austin and Kaoru Sugihara (eds), *Labour-intensive industrialization in global history* (Routledge, Abingdon, 2015), pp. 280-302.

questions remain regarding its capacity to be productive in an industrial environment.¹¹

In this article, we explore the strategies adopted by workers to improve working conditions and wages in leather and textile manufacturing. Moreover, we assess how the actions of workers have affected the ability of firms to participate in GVCs in the two industries. We contribute to the literature on labour and development by showing that work practices and the distribution of gains between labour and capital is the outcome of the inter-dependent actions of workers, investors and the state. The article begins with a general overview of the Ethiopian industrialization model and of the policies enacted by the government to incentivize participation in textile and leather GVCs. We then review the literature on labour and development in the context of a country increasingly integrated in the global economy through GVCs. A short section on the methodology underpinning our study follows. Next, drawing on interviews and factory visits conducted within the textile and leather industries, we explain how, even in an environment where the trade union movement is weak, workers have exerted pressure on firms through high labour turnover. We go on to show that the government and employers have responded by pursuing a mix of strategies that aim to circumvent or undermine both collective and individual forms of labour agency. We conclude with some thoughts on the implications of ‘developmental’ policies for employment relations in the textile and leather industries.

Ethiopia’s industrialization push: industrial policy and GVC participation in the textile and leather industries

In the mid-1980s, Ethiopia pierced the conscience of the world when a devastating famine took the lives of hundreds of thousands of its citizens. The image of Ethiopia as a drought and famine-stricken country in need of salvation, as portrayed in a 1984 BBC television report, still sticks for many. But in recent years the narrative has started to change. The vision of Meles Zenawi – Ethiopia’s strongman from 1991 until his death in 2012 – of an Ethiopia pursuing the fast-paced growth and industrialization strategy of Japan, the Asian ‘tigers’,¹² and China, is slowly emerging.

Since 2004 – when policies from the first national development plan, the Sustainable Development and Poverty Reduction Programme (SDPRP), started to materialize – Ethiopia’s economy has boomed. Real GDP per capita skyrocketed from US\$214 in 2004 to \$511 in 2016.¹³ While economic growth started from a low base, an annual real GDP per capita growth rate of 7.5 percent over a 12-year time span compares favourably with other sub-Saharan economies. State-funded infrastructure projects

¹¹ Central Statistical Agency (CSA), ‘Statistical report on the 2013 national labour force survey’ (CSA, Government of Ethiopia, Addis Ababa, 2014).

¹² The ‘Asian Tigers’ are four countries which achieved rapid economic growth between the 1960s and 1990s: Singapore, South Korea, Hong Kong and Taiwan.

¹³ World Bank, ‘World development indicators online database’, 2018, <<http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>> (11 March 2018).

have been driving the economic boom. In recent years, more than 50 percent of the federal budget has been spent on infrastructure projects, primarily transport and power generation.¹⁴ For many though, it is the anticipation of rapid industrialization that creates the Ethiopia ‘buzz’. While manufacturing value added (MVA) as a share of the economy remains at a modest 4.8 percent,¹⁵ well below the African average of 10 percent,¹⁶ manufactured goods exports have grown from \$21 million to \$389 million between 2004 and 2016.¹⁷ This represents more than a doubling of manufactured goods’ share of total merchandise exports, which itself has grown from \$678m to \$2919m over this time period.¹⁸ Unsurprisingly, scholars have started to devote attention to the industrialization push. Some authors focus on industrial policy and economic performance more widely,¹⁹ some on the politics of industrialization and the ‘developmental state’,²⁰ and others on partly successful sectors like floriculture,²¹ leather products,²² and textiles.²³

The Growth and Transformation Plan II, Ethiopia’s 2015 national development strategy, singles out the textile and leather industries as priority manufacturing industries.²⁴ The government believes that these industries can help ease foreign exchange scarcity (i.e. export promotion), absorb labour, and promote economic links with the agricultural sector, especially cotton and livestock. Because a large share of

¹⁴ African Business Magazine, ‘Arkebe Oqubay: “Manufacturing must lead the economy”’, 29 July 2015, <<http://africanbusinessmagazine.com/region/east-africa/arkebe-oqubay-we-have-to-make-sure-that-manufacturing-leads-the-economy/>> (30 March 2018).

¹⁵ Ministry of Industry (MoI) (collated in collaboration with Jostein Hauge), ‘Time series dataset on economic sectors’ contribution to Ethiopia’s GDP’ (MoI, Addis Ababa, 2016).

¹⁶ Ha-Joon Chang, Jostein Hauge and Mohammed Irfan, *Transformative industrial policy for Africa* (UNECA, Addis Ababa, 2016).

¹⁷ World Trade Organization (WTO), ‘WTO trade statistics online database’, 2018, <<http://stat.wto.org/StatisticalProgram/WSDBStatProgramHome.aspx?Language=E>> (15 March 2018).

¹⁸ Ibid.

¹⁹ See for instance Tilman Altenburg ‘Industrial policy in Ethiopia’ (Discussion Paper 2 /2010, German Development Institute, Bonn, 2010); Mulu Gebreeyesus, ‘Industrial policy and development in Ethiopia: Evolution and present experimentation’ (United Nations University WIDER Working Paper No. 2013/125, Helsinki, 2013); Chris Cramer and Ha-Joon Chang, ‘Tigers or tiger prawns? The African growth “tragedy” and “renaissance” in perspective’, in Celestin Monga and Justin Yifu Lin (eds), *The Oxford handbook of Africa and economics: Volume 1: context and concepts* (Oxford University Press, Oxford, 2015).

²⁰ Christopher Clapham, ‘The Ethiopian developmental state’, *Third World Quarterly* 39, 6 (2018), pp. 1151-1165; Toni Weis, Vanguard capitalism: Party, state and market in the EPRDF’s Ethiopia (University of Oxford, unpublished PhD dissertation, 2016).

²¹ Abebe and Schaefer, ‘Review of industrial policies in Ethiopia’; Oqubay, *Made in Africa*.

²² Abebe and Schaefer, ‘Review of industrial policies in Ethiopia’; Girum Abebe and Florian Schaefer, ‘Hopes and limited successes: Experimenting with industrial policies in the leather industry in Ethiopia’ (Ethiopian Development Research Institute Working Paper 011, Addis Ababa, 2013); Deborah Brautigam, Toni Weis and Xiaoyang Tang, ‘Latent advantage, complex challenges: industrial policy and Chinese linkages in Ethiopia’s leather sector’, *China Economic Review* 48 (2018), pp. 158-169.

²³ Cornelia Staritz, Leonhard Plank and Mike Morris, ‘Global value chains, industrial policy and sustainable development – Ethiopia’s apparel export sector’ (International Centre for Trade and Sustainable Development, Country Case Study, Geneva, 2016); Cornelia Staritz and Lindsay Whitfield, ‘Made in Ethiopia: The emergence and evolution of the Ethiopian apparel sector (CAE Working Paper 3, Center for African Economies, Roskilde University, Roskilde, 2017).

²⁴ National Planning Commission, ‘Growth and Transformation Plan II 2015/16 – 2019/20’ (National Planning Commission, Addis Ababa, 2016).

Ethiopia's population depends on agriculture for its livelihood, industrial policy in Ethiopia emphasizes the need to develop manufacturing industries that provide linkages to the agricultural sector (inspired especially by Albert Hirschman's notion of backward linkages).²⁵ Additionally, the government's commitment to the growth of these industries is based on historical observations of industrialization amongst its 'developmental' forerunners – starting out with labour-intensive industries with relatively low technological entry barriers, before moving on to more sophisticated industrial activities.²⁶

The government has formulated a number of industrial policies to support growth in the textile and leather industries. These are summarized in Table 1. While such policies target a wider range of industries, textiles and leather manufacturing bear significant importance because of their designation as priority industries.

Table 1: Taxonomy of Ethiopia's industrial policy instruments in the textile and leather industries²⁷

<i>Expansion of 'industrial bureaucracy'</i>	Several new government agencies have been set up to provide state support to prioritized industries more effectively. Examples of such institutions include the Ethiopian Investment Commission (established in 1992, revitalized in 2014), the Industrial Parks Development Corporation, and the Ethiopian Industrial Inputs Supply Enterprise. The Ethiopian Textile Industry Development Institute (ETIDI), and the Ethiopian Leather Industry Development Institute (LIDI) were set up specifically to support growth in the textile and leather industries.
<i>Credit allocation: Development Bank of Ethiopia (DBE) and Commercial Bank of Ethiopia (CBE)</i>	These are state owned banks that provide subsidized credit to prioritised industries. The DBE provides investment capital, whereas the CBE provides working capital.

²⁵ Albert O. Hirschman, *The strategy of economic development* (Yale University Press, New Haven, CT, 1958).

²⁶ Staritz and Whitfield, 'Made in Ethiopia: The emergence and evolution of the Ethiopian apparel sector', p. 8.

²⁷ Jostein Hauge, *Industrial policy in an era of expanding global value chains: The case of Ethiopia's textile and leather industries* (University of Cambridge, unpublished PhD dissertation, 2018).

<i>Export promotion</i>	Several incentives are in place to encourage exports in prioritized industries. These incentives target export-oriented firms, and include: reduced interest rates on loans from the DBE and the CBE, subsidized leasing of land, subsidized salaries for foreign ‘experts’, and tax exemptions. Currency depreciation can also be understood as an export promotion instrument.
<i>FDI attraction</i>	Several measures have been put in place to attract foreign direct investment (FDI) in prioritized industries in order to create employment, generate export earnings, and transfer technology. Such measures include favourable access to infrastructure (e.g. industrial parks and rail transport), tax exemptions, and subsidized land leases (in some cases, free land).
<i>Infrastructure investments</i>	Infrastructure investments, especially power generation and transport, geared towards industrial development.

Foreign direct investments have become particularly important for the textile and leather industries, as most Ethiopian companies lack the technology, capital, and knowhow to be internationally competitive. There have been signs that the government’s commitment to attract FDI is working: manufacturing FDI in Ethiopia increased from \$570m in 2007/08 to \$3,712m in 2016/17.²⁸ Export revenues in the textile and leather industries also increased: textile exports rose from \$17m in 2007/08 to \$79m in 2015/16,²⁹ and leather exports increased from \$75m to \$118m over the same time period.³⁰ Textile exports will most likely continue to rise into the future, as the massive export-oriented industrial park projects, such as Hawassa Industrial Park, begin their operations.

However, it is still too early to say whether Ethiopia’s export push and foreign direct investment attraction strategy is contributing to sustained growth in the textile and leather industries. Most inputs needed for the production of goods destined for the international market are imported, signalling a worrying trend of import dependence. For example, Cornelia Staritz and colleagues point out that imports of fabric, yarn and raw fibres increased from \$70m in 2004 to \$370m in 2014.³¹ In fact, Ethiopia’s trade deficit stood at \$13.1bn in 2017, a steep increase from \$2bn in 2004.³² Furthermore, successful industrialization means more than an increase in GVC participation through FDI attraction and exports. Ultimately, domestic firms need to develop

²⁸ Ethiopian Investment Commission, ‘Data on investment: 2000-2017’ (unpublished, Ethiopian Investment Commission, Addis Ababa, 2017).

²⁹ Ministry of Industry (collated in collaboration with Jostein Hauge), ‘Time series dataset on the export value of various textile and apparel products in Ethiopia’ (Ministry of Industry, Addis Ababa, 2016).

³⁰ Ministry of Industry (collated in collaboration with Jostein Hauge), ‘Time series dataset on the export value of various leather and leather products in Ethiopia’ (Ministry of Industry, Addis Ababa, 2016).

³¹ Staritz, Plank and Morris, ‘Global value chains, industrial policy and sustainable development – Ethiopia’s apparel export sector’.

³² WTO, ‘WTO trade statistics online database’.

productive capabilities and contribute to the domestic economy's international competitiveness. For this to happen, linkages must be created between foreign and domestic firms and technology needs to be transferred from foreign to domestic firms.³³

Labour and global value chains: a review

As Andy Cumbers and colleagues argue, investors and firms operating within GVCs are not immune to one of the key challenges faced by any capitalist enterprise: managing its workforce.³⁴ Firms must 'successfully incorporate labour into the production process; [...] exercise control over labour time in the production process and [...] exploit labour as part of the process of commodification to realize surplus value'.³⁵

However, authors studying GVCs have paid relatively little attention to employment relations. According to Neil Coe and David Jordhus-Lier, in most of the GVC literature '[l]abour is [...] simply assumed to be an intrinsic part of the production process and workers are typically presented as passive victims of capital's inexorable global search for cheaper wages'.³⁶ In response, Coe and Jordhus-Lier have called for a greater sensitivity to the *agency* of labour within research on GVCs. Echoing this argument, Christina Niforou contends that 'private governance', particularly the actions of lead firms, have received too much attention to the detriment of community and worker-led initiatives.³⁷

For Al Rainnie and colleagues, the global production network (GPN) approach offers a more complete framework for grasping the role played by labour in the contemporary global economy.³⁸ This is because the GPN literature is more sensitive to power dynamics and to the multiplicity of social actors involved in value chains. Neil Coe, Peter Dicken and Martin Hess argue that the GVC literature has a more limited focus on the 'governance of inter-firm transactions', while the GPN approach 'attempts to encompass all relevant sets of actors and relationships', including the state, trade unions and firms'.³⁹ Yet, the literature on GPNs does not yet offer very

³³ See for example Chang, Hauge and Irfan, 'Transformative industrial policy for Africa'; Kevin P. Gallagher and Lyuba Zarsky, *The enclave economy: Foreign investment and sustainable development in Mexico's Silicon Valley* (MIT Press, Cambridge, MA, 2007); Sanjaya Lall, 'Selective industrial and trade policies in developing countries: Theoretical and empirical issues' (QEH Working Paper Series 48, University of Oxford, Oxford, 2000).

³⁴ Andy Cumbers, Corinne Nativel and Paul Routledge, 'Labour agency and union positionalities in global production networks', *Journal of Economic Geography* 8, 3 (2008), pp. 369-387.

³⁵ *Ibid.*, p. 370.

³⁶ Neil M. Coe and David C Jordhus-Lier, 'Constrained agency? Re-evaluating the geographies of labour', *Progress in Human Geography* 35, 2 (2008), p. 221.

³⁷ Christina Niforou, 'Labour leverage in global value chains: The role of interdependencies and multi-level dynamics', *Journal of Business Ethics* 130, 2 (2015), pp. 301-311.

³⁸ Al Rainnie, Andrew Herod, and Susan McGrath-Champ, 'Review and positions: Global production networks and labour', *Competition and Change* 15, 2 (2011), pp. 155-169.

³⁹ Neil M. Coe, Peter Dicken and Martin Hess, 'Global production networks: Realizing the potential', *Journal of Economic Geography* 8, 3 (2008), p. 272.

clear theoretical propositions regarding the specific ways in which labour can affect the operation of value chains.⁴⁰ Rainnie and colleagues contend that workers should be treated as ‘active shapers of [production] networks’,⁴¹ capable of intervening at different geographical scales and at different points or ‘nodes’ of the network to defend their interests. In a study of the cut flower sector in Kenya and Tanzania, Lone Riisgaard showed for instance that local trade unions in Tanzania were able to negotiate and extract concessions around the implementation of international labour standards.⁴² Applying a Marxist perspective, Ben Selwyn goes further by arguing that the struggle between capital and labour often determines institutional arrangements within value chains.⁴³

Yet, most of the recent literature on labour and GVC/GPNs has focused on trade unions and other collective actors, neglecting how workers can also exert pressure through their actions as individuals.⁴⁴ As Grace Carswell and Geert de Neve argue, a theoretical framework that aims to capture the role played by labour must not only be sensitive to the actions of trade unions and other collective actors, but also to ‘micro-agency’⁴⁵ or the ‘low-key and often invisible ways by which people with very limited material means make viable lives’.⁴⁶ In their research on the Tiruppur textile cluster in India, Carswell and De Neve illustrate how workers’ diverse motivations can actively shape employment practices.⁴⁷ The authors report that over the course of their study, several firms altered their practices in order to attract workers with particular characteristics. For instance, in order to retain male tailors – a group of workers who prioritize high earnings over job security – firms in the cluster increased their use of piece-rate systems. In contrast, large factories began to offer accommodation on site in order to cater to the female migrant workforce. Ben Rogaly also highlights how Indian men who migrate to take up low-paid and low skilled jobs rarely do so out of desperation and are rather pursuing long-term goals such as saving money to become traders.⁴⁸

Two scholars offer theoretical frameworks which are helpful for studying the varied forms of worker agency. For Chris Smith, indeterminacy lies at the centre of employment relationships.⁴⁹ According to the author, most of the industrial relations

⁴⁰ Rainnie, Herod, and McGrath-Champ, ‘Global production networks and labour’.

⁴¹ Ibid, p. 160.

⁴² Lone Riisgaard, ‘Global value chains, labor organization and private social standards: Lessons from the East African cut flower industries’, *World Development* 37, 2 (2009), pp. 326-340.

⁴³ Ben Selwyn, ‘Social upgrading and labour in global production networks: A critique and an alternative conception’, *Competition and Change* 17, 1 (2013), pp. 75-90.

⁴⁴ Rainnie, Herod and McGrath-Champ, ‘Global production networks and labour’, p. 161; Niforou, ‘Labour leverage in global value chains’; Grace Carswell and Geert De Neve, ‘Labouring for global markets: Conceptualising labour agency in global production networks’, *Geoforum* 44 (2013), pp. 62-70.

⁴⁵ Ibid.

⁴⁶ Ben Rogaly, ‘Spaces of work and everyday life: Labour geographies and the agency of unorganised temporary migrant workers’, *Geography Compass* 3, 6 (2009), p. 1984, quoted in Carswell and De Neve, ‘Labouring for global markets’, p. 64.

⁴⁷ Carswell and De Neve, ‘Labouring for global markets’.

⁴⁸ Rogaly, ‘Spaces of work and everyday life’.

⁴⁹ Chris Smith, ‘The double indeterminacy of labour power: Labour effort and labour mobility’, *Work, employment and society* 20, 2 (2006), pp. 389-402.

literature has focused on the variability of worker effort and has paid less attention to another fundamental form of indeterminacy: workers' ability to terminate their employment contract at will.⁵⁰ Smith argues that the study of employment relations must take into account both forms of worker power – 'work-effort' and 'mobility-effort'. Albert O. Hirschman develops a similar argument through his conceptualization of 'exit', 'voice' and 'loyalty'.⁵¹ For Hirschman, economic actors can pursue two fundamental strategies in the face of unsatisfactory or deteriorating conditions in human organizations: 'exit', the action of leaving an undesirable environment and 'voice', expressing discontent. While Hirschmann and Smith cover similar terrain, Hirschmann's model is based on a more complex understanding of human agency: the individual worker is a strategic actor, capable of selecting between alternative courses of action.

In a context like Ethiopia, however, where the state is committed to strong intervention in the economy, any analysis of labour dynamics must take into account the actions of the government. As Coe and Jordhus-Lier note, 'the potential for worker action should always be seen in relation to the formations of capital, the state, the community and the labour market in which workers are incontrovertibly yet variably embedded'.⁵² In his critique of 'elite development theory', Ben Selwyn argues convincingly that class conflict ultimately shapes the policies and behaviour of state actors.⁵³ Yet in the present article, we do not exclude *prima facie* the possibility that the state may act according to its own distinct interests. The Ethiopian government's explicit emulation of East Asian developmental states does, however, raise questions regarding the type of employment regime emerging in the country. Several authors have argued that a non-existent, co-opted, or suppressed labour movement kept wages low, and helped maintain the competitiveness of light manufacturing in the 'Tiger' economies.⁵⁴ Especially in Korea, but also in Singapore, the state curtailed organized labour by repressing or co-opting independent unions. In Hong Kong and Taiwan, the intermingling of kinship ties and business networks limited the emergence of working class militancy.⁵⁵

In the context of a world characterized by the rise of GVCs, research on the impact of labour agency must therefore address three key issues: labour's capacity to act collectively or individually; workers' tendency to achieve their goals through a variety of means including 'effort', 'voice', and 'exit'; and the state and capital's role

⁵⁰ Ibid, p. 390.

⁵¹ Albert O. Hirschman, *Exit, voice, and loyalty: Responses to decline in firms, organizations, and states* (Harvard University Press, Cambridge, MA, 1970).

⁵² Coe and Jordhus-Lier, 'Constrained agency? Re-evaluating the geographies of labour', p. 214.

⁵³ Benjamin Selwyn, 'Elite development theory: A labour-centred critique', *Third World Quarterly* 37, 5 (2016), p. 796.

⁵⁴ Frederic C. Deyo, *Beneath the miracle: Labour subordination in the new Asian industrialism* (University of California press, Berkeley and Los Angeles, CA, 1989), pp. 4-5; Hagen Koo, *Korean workers: The culture and politics of class formation* (Cornell University Press, Ithaca and London, 2001), pp. 6-8.

⁵⁵ Deyo, *Beneath the miracle*; Laurids Lauridsen, 'Labour institutions and flexible capitalism in Taiwan', in Gerry Rogers, Klara Foti and Laurids Lauridsen (eds), *The institutional approach to labour and development* (Frank Cass, London, 1996), pp. 62-79.

in shaping the context of industrial relations. With this in mind, our article therefore asks: have the actions of labour organizations and workers shaped working conditions in the textile and leather-industries in Addis Ababa? Has worker behaviour affected the trajectory of GVC integration in the two industries?

Methodology

We conducted fieldwork between April and June 2015 and September and December 2016 in and around the capital city, Addis Ababa. At the time of fieldwork, manufacturing employment in the country was largely concentrated in urban areas, especially Addis, and while not entirely representative of economic conditions elsewhere in the country, the city and surrounding areas best captured what economic growth has entailed for Ethiopia. In addition, due to the proximity of firms, government agencies, and trade union officials, Addis Ababa was the best location to conduct a first investigation on employment relations in the textile and leather industries. In the context of a wider project on economic transformation, we interviewed managers and owners from 33 firms in the two industries, including foreign and locally owned, as well as representatives from trade and business associations and governmental institutions.

As the present article focuses on labour issues in firms that are participating in global value chains, we sought out companies that produce for the export market or are on the verge of doing so. These were typically the largest firms in their respective industries, as measured by export revenue, and likely to have the largest economic impact in Ethiopia. We interviewed managers and owners from 15 firms in the leather industry (six foreign and nine locally owned) and 18 firms in the textile industry (eleven foreign and seven locally owned). Among all firms interviewed, two locally owned firms in the leather industry and one locally owned firm in the textile industry had not yet started exporting. All other firms were producing for the export market.

We prepared an interview schedule which covered topics pertaining to the management of skills and labour and encouraged private sector representatives to share their perspective on unions, workforce management, and the government's labour policies. Alongside these questions, the interviews also focused on broader challenges related to the expansion of production and access to international markets. As noted by John Budd and Devasheesh Bhawe, firms and managers aim to maximize profit and often seek to exert greater power and control over workers.⁵⁶ Their interpretation of labour problems was often shaped by this goal. For this reason, the perspective of labour was also sought. Interviews were held with three officials from the Confederation of Ethiopian Trade Unions, staff at two international labour NGOs, and a total of 16 workers in two firms that allowed us to speak with their employees: 'Textiles Corp.', a manufacturer of garments producing exclusively for the local

⁵⁶ John W. Budd and Devasheesh P. Bhawe, 'Values, ideologies and frames of reference in industrial relations', in Paul Blyton, Edmund Heery, Nicolas Bacon and Jack Fiorito (eds), *The handbook of industrial relations* (SAGE, London, 2008), pp. 92-113.

market with approximately 350 employees, and ‘Leather Inc.’, a European company exporting 100 percent of its products and employing over 700 workers. The names of all private sector organizations and individuals have been changed to ensure confidentiality.

The worker interviews focused on their motivation to accept a job in a leather or textile factory, their degree of attachment to the firm, and the reasons underlying their decision to leave a previous job or to remain with their present employer. More interviews with workers could not be conducted due to financial, logistical, and time constraints. Although our sample of workers is small and conducting interviews in two firms limits the generalizability of our findings, the participants tended to share similar perspectives on industrial work. This was the case despite significant differences in terms of age, gender, and work roles.

We conducted all interviews in English, with the exception of those held with workers. In the latter case, an interpreter was present and translated questions and responses between English and Amharic. The statements of workers and managers were analysed and coded to identify commonalities and contrasts with respect to the topics of productivity, labour relations and labour turnover. By reconciling these perspectives, we were able to obtain a more complete understanding of employment relations in the sectors. For instance, while most managers described workers as undisciplined, the worker interviews revealed that the actions of protesting, leaving a company, or failing to be present at work were motivated by more complex rationales.

Moreover, we completed a literature review of research on labour relations and industrial work in Ethiopia. Studies conducted on the manufacturing and cut-flower sectors have occasionally addressed labour issues and this material was triangulated with our own data on the textile and leather industries. By reconciling these sources of information, we were able to identify a set of labour and employment issues which were consistent across industrial sectors, and relevant to the textile and leather industries.

The conclusions of the study must be circumscribed to firms operating in and around Addis Ababa. Workers living in regional centres have more limited job opportunities, particularly in the manufacturing sector, and may feel less confident about their ability to find another job. Moreover, the textile and leather industries are labour-intensive, and require a relatively large number of unskilled or semi-skilled workers. Firms operating in more capital-intensive value chains are likely to encounter workers with stronger bargaining power. Nonetheless, obtaining data on workers’ attitudes towards industrial work in Ethiopia addresses an important gap in the literature, and serves as good starting point for future, large-scale investigations. Future research would be well served by focusing on key differences between industries and by looking at factors such as geographical location, the demographic characteristics of the work-force and capital intensity.

Employment relations in Ethiopia

Along with programmes and tax breaks to incentivize industrial upgrading, Ethiopia's industrial policies are characterized by a centralized and hierarchical approach to employment relations. While the EPRDF's ideology draws heavily from Marxism, its ideological roots stem from regional liberation movements and the mobilization of peasants.⁵⁷ The industrial proletariat does not have a strong role within the party. Following the fall of the *Derg* regime and the rise to power of the EPRDF, the state-controlled All-Ethiopia Trade Unions was replaced in 1993 by another national trade union organization: the Confederation of Ethiopian Trade Unions (CETU).⁵⁸ While the organization was free to operate independently during the early 1990s, labour leaders' criticism of the country's privatization policies led the EPRDF government to re-establish control over CETU through a series of legal and political moves.⁵⁹

CETU formally interacts with the government through the Ministry of Labour and Social Affairs. A tripartite committee composed of five representatives from CETU, five from the Ethiopian Employer's Federation, and five from the Ministry was in place at the time of fieldwork. This committee served as the main forum where the social partners could raise labour-related issues with the government. The Prime Minister's office also established a labour advisory committee in 2014, but several informants expressed doubts regarding the regularity of meetings and the effectiveness of this body.⁶⁰ Overall, CETU and the Ethiopian Employer's Federation have had little influence on the overarching developmental plans of the state.

Despite recent claims, CETU is not a government union.⁶¹ The organization attempts to represent workers in various policy discussions, fought changes to the employment protection provisions of the labour law and regularly denounces attacks on organizing rights.⁶² Yet its actions and statements take place in a manner that does not oppose the wider objectives of the regime. Indeed, in an interview, a senior CETU official described the organization as a mediator between the developmental objectives of the Ethiopian state and the interests of workers.⁶³

CETU is divided into nine sectoral associations of varying sizes (see Table 2). In 2010, trade union density stood at 14.8 percent, a slight decline compared with a rate of 16 percent recorded in 1999.⁶⁴ Membership is low, especially since the majority of

⁵⁷ Sarah Vaughan and Kjetil Tronvoll, 'The culture of power in contemporary Ethiopian political life' (Sidas studies no. 10, Swedish International Development Corporation Agency, Stockholm, 2003).

⁵⁸ A. Bersoufekad, 'Ethiopia Trade Union Country Report' (Friedrich Ebert Foundation, Addis Ababa, 2003).

⁵⁹ John Markakis, *Ethiopia: The last two frontiers* (James Currey, Woodbridge, 2011), pp. 251-252.

⁶⁰ Tamrat G. Giorgis, 'Indignant labour rebuked by aspirant administration', *Addis Fortune*, 5 January 2014, <<https://addisfortune.net/articles/indignant-labour-rebuked-by-aspirant-administration/>> (17 July 2017).

⁶¹ Florian Schaefer and Girum Abebe, 'The case for industrial policy and its application in the Ethiopian cut flower sector' (EDRI working paper 12, Ethiopian Development Research Institute, Addis Ababa, 2015).

⁶² Dawit Endeshaw, 'Amendment strikes labor hard', *The Reporter*, 28 October 2017, <<https://www.thereporterethiopia.com/article/amendment-strikes-labor-hard>> (25 March 2018); Giorgis, 'Indignant labour rebuked by aspirant administration'.

⁶³ Interview, trade union official, Addis Ababa, Ethiopia, 10 May 2015.

⁶⁴ International Labour Organization (ILO), 'Decent work country profile Ethiopia' (ILO, Geneva, 2013); Graeme J. Buckley and Giuseppe Casale, 'Social dialogue and poverty reduction strategies' (ILO, Geneva, 2006), p. 269.

the Ethiopian labour force is not in waged work and is excluded from union density calculations. The Industrial Federation of Textile, Leather and Garment Trade Unions (IFTLTGU) is composed of 47,812 members, with women representing a slightly larger share (52.8 percent) than men.

Table 2: Sectoral trade unions: Number of members and basic trade unions

	Basic Trade Unions	Members		
		Male	Female	Total
The National Federation of Farm, Plantation, Fishery and Agro Industry Trade Unions	215	91820	50666	142823
Federation of Food, Beverage, Tobacco, and Allied Trade Unions	72	29386	20548	49934
National Industrial Federation of Energy, Chemical and Mine Trade Unions	79	38272	9967	48239
Industrial Federation of Textile, Leather, and Garment Trade Unions	82	22261	24921	47182
The Ethiopian Industrial Federation of Construction, Wood, Metal, Cement and other Trade Unions	105	40737	6081	46818
National Industrial Federation of Tourism Hotels and General Service Workers	261	13886	10134	24020
Industrial Federation of Banking and Insurance Trade Unions of Ethiopia	7	12540	8808	21348
Transport and Communication Workers Union Industrial Federation	31	16296	4805	21101
Federation of Commerce, Technical and Printing Trade Unions	66	8895	5495	14390
Total	918	274093	141425	415515

Source: Confederation of Ethiopian Trade Unions, ‘CETU's Affiliated Industrial Federation and Trade Unions’ (CETU, Addis Ababa, 2015).

Although rarely mentioned in the press or captured by official statistics, there were reports of work stoppages and strikes within leather and textile manufacturing firms. Informants discussed how such events were often chaotic, short-lived, and rarely focused on wage bargaining. For instance, at a large vertically integrated Turkish textile company, the general manager described a three day strike that had taken place as a result of workers’ dissatisfaction with the quality of food offered in the firm’s canteen.⁶⁵ In a European-owned leather goods factory, a work stoppage occurred due to a newly hired quality control officer being paid five dollars more than other

⁶⁵ Interview, general manager of a vertically integrated textile company, Addis Ababa, Ethiopia, 5 June 2015.

employees.⁶⁶ Christopher Blattman and Stefan Dercon also observed small-scale protests at factories located outside Addis Ababa.⁶⁷

Interviews with employees at Textiles Corp. and Leather Inc. shed further light on workers' views with respect to trade unions and collective voice. At Textiles Corp., where a union was not present, workers were generally hopeful that the formation of a workers' association would lead to improvements in wages and working conditions. This view was not universal, however. Haile, a 28-year-old worker in the samples department, believed that unions were unnecessary:

The existence of labour unions is not relevant [...] Whenever problems happened it can be solved immediately, so no need for a labour union. The company does give us annual leave, which is good. Last time I ran out of words to thank the company on stage because it organized a trip to [...] and covered all costs. Labour unions are needed to ensure the rights of employees which over here is good.⁶⁸

Haile's lack of class consciousness can be partly explained by the efforts of management to limit the appeal of unionization. Indeed, during our visit to Textiles Corp, the general manager proudly showed us the large and airy factory floor, where at one end stood a stage with loudspeakers. This served as the site of a weekly meeting, during which he encouraged his employees to express their grievances. Although well-intentioned, these efforts were part of a 'paternalistic' strategy to minimize the appeal of unionization.

At Leather Inc. in contrast, a union was officially recognized and well established. However, few workers perceived the organization's efforts in a positive light. At best, our interviewees believed the union was relatively inactive beyond collecting dues and providing financial support for burials or illnesses. At worse, workers thought the organization failed to address grievances, and one interviewee reported that the union only helped those with personal ties to its leadership. This was Fana's (25 years old, sewing operator) response when we asked her to describe the union's activities:

Fana: I haven't seen any of its activities, other than its existence.

Interpreter: Can you talk to them when there is a problem?

Fana: I haven't encountered a problem, but someone who has a problem can contact them. Once upon a time there was a disagreement that happened between employees and the company, in which the labour union mediated the situation.

Interpreter: Do you think there is any change in the factory because of the union?

Fana: I didn't see any change.⁶⁹

⁶⁶ Interview, general manager of a leather goods factory, Addis Ababa, Ethiopia, 4 June 2015.

⁶⁷ Christopher Blattman and Stefan Dercon, 'Occupational choice in early industrializing societies: Experimental evidence on the income and health effects of industrial and entrepreneurial work' (National Bureau of Economic Research working paper no. 22683, Cambridge, MA, 2016), p. 8.

⁶⁸ Interviewed on 29 May 2015, Addis Ababa, Ethiopia.

⁶⁹ Interviewed on 5 June 2015, Addis Ababa, Ethiopia.

Fana's view was in line with the information provided by managers in other firms; CETU and its sectoral affiliates struggle to gain positive recognition and legitimacy amongst workers. Informants referred to the lack of experience and skill of trade union representatives as a key obstacle for the effective translation of workers' concerns into concrete actions.⁷⁰ Moreover, CETU and the Industrial Federation of Textile, Leather and Garment Trade Unions (IFTLG TU) were rarely responsible for labour unrest in the two industries. To the contrary, union leaders generally were brought in after the emergence of disputes in order to mediate conflicts. CETU's approach in turn led to a situation where many employers did not perceive trade unions to be useful negotiating partners. A firm manager believed that the union active in his company was 'weak' and struggled to ensure workers respected the rules of the collective bargaining agreement.⁷¹ Another representative from the business community made a perceptive comment, illustrating how unions may struggle to mobilize workers without some form of 'collective identity':⁷² 'the workers will not be forced by the unions, unions don't have the right to hire or fire'.⁷³ Blame does not only rest at the feet of CETU, however. Other informants reported that many employers have resisted unionization efforts, and that union activists frequently face threats and dismissals.

Institutions that could potentially channel worker voice into improvements in wages or working conditions thus lack influence and power in the textile and leather industries in Addis Ababa. Studies on East Asian developmental states emphasize the absence of class consciousness or the preponderance of family ties as important factors behind the weakness of labour movements in the early stage of industrialization.⁷⁴ Yet, the difficulties faced by the labour movement in Ethiopia also stem from the challenge of generating legitimacy. As Claus Offe and Helmut Wiesensthal argue, labour movements must rely on bureaucratic or collective forms of power to mobilize workers.⁷⁵ Lacking either capacity, CETU and the IFTLG TU have struggled to exert influence on firms, even in their own local 'node' of the textile and leather GVC.⁷⁶ Indeed, unionization did not represent a major concern for firms attempting to enter the global market. While Mark Anner argues that firms operating in the apparel GVC tend to avoid countries with strong unions in order to minimize disruptions to their value chain,⁷⁷ we show in the next section that trade unions are not the only source of disturbance. The absence of effective 'voice' mechanisms has pushed workers to adopt 'exit' strategies in order to improve their circumstances, and

⁷⁰ Interview, representative from an international NGO, Addis Ababa, Ethiopia, 5 May 2015; interview, general manager of a textile firm, Addis Ababa, Ethiopia, 6 June 2015; interview, representative from a business organization, Addis Ababa, Ethiopia, 6 May 2015.

⁷¹ Interviewed on 23 May 2015, Addis Ababa, Ethiopia.

⁷² Claus Offe and Helmut Wiesensthal, 'Two logics of collective action: Theoretical notes on social class and organizational form', *Political Power and Social Theory* 1 (1980), pp. 67-115.

⁷³ Interview, representative from a business organization, Addis Ababa, Ethiopia, 6 May 2015.

⁷⁴ Koo, 'Korean workers'; Lauridsen, 'Labour institutions and flexible capitalism in Taiwan'.

⁷⁵ Offe and Wiesensthal, 'Two logics of collective action'.

⁷⁶ Rainnie, Herod and McGrath-Champ, 'Global production networks and labour', p. 157.

⁷⁷ Mark Anner, 'Worker resistance in global supply chains: Wildcat strikes, international accords and transnational campaigns', *International Journal of Labour Research* 7, 1-2 (2015), pp. 17-34.

the resulting labour turnover has emerged as a major concern for the government and firm managers.

The labour turnover problem

The case of Berhanu, a 26-year-old sewing operator at Textiles Corp, shows that when ‘voice’ fails, ‘exit’ is often the only alternative:

Well we worked standing all day and the machinery was heavy. And they don’t consider that on your payment, there are no incentives or bonuses and besides there were chemicals. It affected our skins; they don’t provide you with safety equipment. I quitted for such reasons. We asked our supervisors, I waited for them to get better day after day but they don’t care so I left.⁷⁸

The investors and managers we interviewed were nearly unanimous in describing turnover as the most common and costly labour issue for firms in the textile and leather industries. Florian Schaefer and Girum Abebe previously reported that the problem was prevalent in the cut-flower sector,⁷⁹ and R. Renjith Kumar observed high turnover in a textile plant in the southwestern town of Arba Minch.⁸⁰ Furthermore, in a randomized control trial comparing the well-being of industrial workers with self-employed small business owners, Blattman and Dercon found that 78 percent of those who were assigned an industrial job had not only left their firm, but also the manufacturing sector by the end of the study.⁸¹

Many managers were puzzled by the high labour turnover. For instance, the general manager of Textiles Corp. described how he offered free lunches, adequate pay, medical services, and annual leave in order to retain his employees. He did not understand why workers only stayed for three to four months despite receiving these benefits. Other informants offered clearer interpretations: an Ethiopian firm manager mentioned that workers generally justified their departure by claiming they could obtain higher wages elsewhere. He also described how his company struggled to match the higher wages paid by foreign firms.⁸² This view is in line with Kumar’s survey of workers in a textile plant, where 50.7 percent of its employees reported that they would leave the company if they could find a better salary elsewhere.⁸³

Several informants from the business community discussed the costs associated with high levels of turnover. For instance, a manager in a locally owned shoe factory

⁷⁸ Interviewed on 29 May 2015, Addis Ababa.

⁷⁹ Florian Schaefer and Girum Abebe, ‘The case for industrial policy and its application in the Ethiopian cut flower sector’ (EDRI working paper 12, Ethiopian Development Research Institute, Addis Ababa, 2015).

⁸⁰ R. Renjith Kumar, ‘Turnover issues in the textile industry in Ethiopia: The case of Arba Minch Textile Company’, *African Journal of Marketing Management* 3, 2 (2011), pp. 32-44.

⁸¹ Christopher Blattman and Stefan Dercon, ‘Occupational choice in early industrializing societies’.

⁸² Interview, general manager of an Ethiopian leather manufacturing firm, Addis Ababa, Ethiopia, 4 June 2015.

⁸³ Kumar, ‘Turnover issues in the textile industry in Ethiopia’.

explained how turnover placed limits on his firm's capacity to meet international quality standards: '[b]ecause of the turnover, most of the operators here are new, they cannot identify what exactly the problem is with the product'.⁸⁴ At Bole Lemi industrial park in Addis Ababa – a large industrial estate which mostly caters to foreign apparel and footwear manufacturers – output has fallen short of expectations, with high labour turnover perceived as the main cause of poor performance. Various explanations for the situation were offered by government and firm representatives: low wages, workers' unfamiliarity with industrial work, higher salaries in the construction and service industries in Addis Ababa, and the fact that most workers view work in an apparel or footwear factory as a temporary stage in their lives. Firm representatives put forth a final, related reason for high turnover: women leave their positions in textile and leather factories to work as domestic workers for much higher wages in the Middle East.

Blattman and Dercon argue that high turnover rates in Ethiopia's manufacturing sector are the result of two processes: 'learning and matching' and workers' response to shocks.⁸⁵ The first suggests that workers take up industrial jobs without a clear understanding of the required effort level and quit after finding out the role does not match their expectations. The 'shocks' explanation, on the other hand, proposes that workers know industrial work to be unpleasant but accept manufacturing jobs as a stop-gap solution while awaiting better alternatives. Although these are plausible suggestions, Blattman and Dercon pay insufficient attention to the underlying structural features of Addis Ababa's low-skilled labour market and to the 'micro-agency' of labour.

With a large informal sector and a high unemployment rate, labour market conditions in Addis Ababa appeared to be slack at first glance.⁸⁶ Yet, somewhat surprisingly, the workers we interviewed did not express major concerns around job security. While these views may be due to participants' young age and lack of dependents, older interviewees and those with children expressed similar beliefs. Semi-skilled workers, especially those with cutting and sewing skills, are in high demand, and the labour market is perceived to be favourable. Indeed, one of the participants was confident that even if she left her current job, her employer would hire her again.

Workers' beliefs regarding their ability to find work did not only revolve around their own employer or sector. During the interviews, almost all participants expressed a desire to leave their current employer once they had the means to start their own business. In fact, all but two workers expressed a preference for self-employment.⁸⁷ The informal labour market may be detrimental to the mobilization of labour as a collective actor, but for individual workers, it also appeared to provide somewhat of a

⁸⁴ Interviewed on 23 May 2015, Addis Ababa, Ethiopia.

⁸⁵ Blattman and Dercon, 'Occupational choice in early industrializing societies'.

⁸⁶ According to the Central Statistics Agency (CSA), unemployment reached 24.2 percent in 2013 (latest available data). See CSA, 'Statistical report on the 2013 national labour force survey', p. 351.

⁸⁷ Blattman and Dercon also identified this preference in their sample of workers (see 'Occupational choice in early industrializing societies').

safety net.⁸⁸ Indeed, several workers reported that they had second jobs such as petty traders, sewing contractors, or hairdressers.

In line with the ‘shocks’ explanation, very few workers described their decision to work in a factory as a positive choice. For many, however, quitting was a way to improve their life situation by finding work with better hours, slightly higher pay, or better health and safety conditions. Within the small sample of firms covered by our study, many employers reported how they had attempted to retain their semi-skilled workforce by offering meals, transport and a range of other incentives. Yet, even when workers expressed positive views concerning some of the practices enacted by Leather Inc. or Textiles Corp., they were not enough to generate attachment or loyalty to their firm. Many workers suggested they would leave immediately if a better offer came to their attention.

Workers’ protests through ‘exit’ generated costs for firms attempting to export their products. By pushing employers to offer better non-wage benefits, turnover also played at least some part in improving working conditions in the textile and leather industries. The finding aligns with Carswell and de Neve’s contention that the ‘micro-agency’ of labour can have consequences for employment practices within GVCs.⁸⁹ Yet worker agency in the two industries must be understood in the context of relatively limited opportunities for advancement and the absence of effective voice mechanisms. Blattman and Dercon offer a plausible explanation of decision-making at the individual level but fail to consider broader institutional forces such as the weakness of trade unions. The level of demand for skills in occupational sub-markets and the availability of work in the informal sector also played some role in generating very low levels of attachment to firms. Market and institutional forces have been under-theorized in the literature on worker micro-agency, but the case of the textile and leather industries in Addis Ababa shows that contextual factors have an important influence on the strategies adopted by workers.

No place for labour actors?

Labour turnover did not have uniform consequences across all firms. Foreign companies appeared to find it easier to cope and tended to be more pro-active in addressing the problem. For instance, at Leather Inc., management expertly took advantage of the labour law by using collective bargaining to establish a piece-rate system, which achieved some success in reducing labour turnover. Another example is the case of Hawassa Industrial Park, Ethiopia’s flagship industrial park project for the apparel industry. Investors in the park formed an association to address the turnover problem, and, along with actors from the international donor community, implemented a project to screen potential workers. Applicants are categorized into

⁸⁸ Frits C. M. Frias and Patricio Ruiz-Tagle, ‘Free market economics and belated democratization: The case of Chile’, in Henk Thomas (ed.), *Globalization and third world trade unions: The challenge of rapid economic change* (Zed Books, London, 1995), pp. 130-148.

⁸⁹ Carswell and De Neve, ‘Labouring for global markets’.

groups based on their age, gender, health and abilities, and trained in soft skills such as time-management, professionalism, and hygiene, and then registered in an employee database from which firms in the park can recruit workers. Firms in the park are not permitted to lure workers by outbidding wages, and through the investors' association, the firms offer the same minimum wage and establish clear guidelines for compensation at each grade and skill level. The general manager of a foreign apparel company set to begin operating in the park justified the project in the following manner:

The idea with the investor's association is that we need some sort of coordination, so that we don't poach workers from each other. We have a common screening process for health and skills level. For example, for ironing, we need a strong male. For sewing, we need someone with good eyesight and finger dexterity.⁹⁰

In contrast, locally owned Ethiopian firms often have an owner-manager model and tend to lack capacity and expertise in terms of human resource management.⁹¹ Although several local owners and managers believed that high turnover was the result of foreign firms offering higher wages, the reality was more complex. As noted earlier, workers at Textile Corp. continued to leave in high numbers despite the firm offering relatively competitive wages and attractive non-wage benefits. The 'paternalistic' employment relationship found within most locally owned firms therefore appeared to fall short. Part of the divergence lies in the fact that foreign firms can rely upon a wider range of resources such as access to expertise, the rationalization of human resource practices, and support from foreign governments. At the same time, although turnover appeared to affect the capacity of Ethiopian-owned firms to participate in GVCs, the managers and owners we interviewed did not express major concerns around their ability to produce for the domestic market.

Despite differences in their approach, both foreign and locally owned firms generally addressed turnover without offering significant concessions to workers, particularly in terms of wages. The Ethiopian government has been broadly supportive of this strategy.

As previously noted, the relative freedom enjoyed by unions during the early 1990s was short-lived, and the governing regime quickly intervened to limit the labour movement's independence. During interviews, CETU's leadership also discussed several cases of firms that dismissed workers or took action to avoid the implementation of trade unions – a view supported by reports in the Ethiopian press.⁹²

Moreover, most of the initiatives implemented to address turnover problems at the firm level, whether in the form of incentives or sanctions, bypassed trade unions. For

⁹⁰ Interviewed on 24 October 2016, Addis Ababa, Ethiopia.

⁹¹ Dirk J. Van Wasbeek, *Human resource management practices in selected Ethiopian private companies: A study to increase employee productivity in Ethiopia* (PhD dissertation, Robert Kennedy College, Zurich, published by dissertation.com, Boca Raton, FL, 2004).

⁹² See Giorgis, 'Indignant labour rebuked by aspirant administration'; Dawit Endeshaw, 'Labor affairs', *The Reporter*, 12 August 2017, <<https://www.thereporterethiopia.com/content/labor-affairs>> (10 February 2018).

instance, CETU was not involved in the formulation of the plan to address labour turnover at Hawassa, and union leaders publicly expressed dissatisfaction regarding their exclusion from the decision-making process and the low level of the proposed minimum wage.⁹³ Even amongst firm managers with mandates to meet corporate social responsibility standards, many did not report actively working with unions.

In addition, the government has recently targeted the high turnover rates through policies and actions which intentionally or unintentionally limit the ‘mobility power’ of workers. A recent example is the ruling party’s response to international migration patterns amongst young Ethiopians. As noted by Rogaly, workers commonly use short and long-term migration as a strategy to improve their circumstances.⁹⁴ In Ethiopia, many young women travel to the Gulf and the Middle East in order to take up job opportunities as domestic workers.⁹⁵ Citing human rights abuses, in 2014 the Ethiopian government banned all migration to Arab countries.⁹⁶ Although its precise motives cannot be ascertained, the government’s decision is in line with some of the complaints expressed by the business community. A firm manager even drew a direct connection between the migration ban and the reduction of turnover amongst low-skilled workers in his establishment.⁹⁷

Carswell and De Neve have contributed significantly to the literature on labour and value chains by highlighting how the individual actions of workers can affect employment practices in the global south.⁹⁸ Nonetheless, the authors pay insufficient attention to the response of investors and managers as well as the broader context in which such actions take place. As Richard Peet has shown, capitalists have a distinct mobility advantage over workers and are capable of circumventing collective forms of resistance through relocation.⁹⁹ Moreover, it is generally easier for investors to coordinate their actions due to their similar economic interests and overlapping social networks.¹⁰⁰ In Addis Ababa, well organized and funded institutions such as the Addis Ababa Chamber of Commerce play a key role in coordinating the interests of investors and employers. Investors also hold an advantage in their relationship with the Ethiopian government: the ruling regime’s legitimacy as a developmental state is highly dependent on the successful attraction of foreign direct investment. The issue is even more crucial in labour-intensive GVCs such as textile and leather, where low wages represent an important competitive advantage. Furthermore, an internal report prepared for the Ethiopian Chamber of Sectoral Associations suggests the high cost of

⁹³ See Endeshaw, ‘Labor affairs’.

⁹⁴ Rogaly, ‘Spaces of work and everyday life’.

⁹⁵ According to figures from MoLSA, 200,000 women left Ethiopia for the Middle East in 2012. See Girmachew Adugna Zewdu, ‘Ethiopian female domestic labour migration to the Middle East: Patterns, trends, and drivers’, *African and Black Diaspora: An International Journal* 11, 1 (2018), p. 11.

⁹⁶ Katie Kuschminder, ‘Shattered dreams and return of vulnerability: Challenges of Ethiopian female migration to the Middle East’ (IS Academy policy brief no. 18, Maastricht Graduate School of Governance, Maastricht, 2014).

⁹⁷ Interviewed on 23 May 2015, Addis Ababa, Ethiopia.

⁹⁸ Carswell and De Neve, ‘Labouring for global markets’.

⁹⁹ Richard Peet, ‘Relations of production and the relocation of the United States manufacturing industry since 1960’, *Economic Geography* 59, 2 (1983), pp. 112-143.

¹⁰⁰ G. Williams Domhoff, *The powers that be* (Random House, New York, 1979).

inputs and logistics limits the advantage firms can derive from the country's low labour costs.¹⁰¹

In comparison, the individual-level resistance of workers is more diffuse. Although turnover has generated some short-term obstacles for GVC integration, the issue has not appeared to bring about significant gains beyond increasing the availability of non-wage benefits. Indeed, none of the managers we interviewed discussed increasing wages as a potential solution to limit turnover, and the government has taken actions which aim to dampen rather than encourage wage growth.

Conclusion

This article assessed how workers' pursuit of collective and individual goals influenced working conditions and wages in the textile and leather industries in and around Addis Ababa. It sought to evaluate how the actions of labour affected the trajectory of GVC integration in the two industries. We selected the leather and textile industries as case studies due to the government's focus on the development of labour-intensive manufacturing, and because labour-intensive manufacturing was important for the successful industrialization of East Asian developmental states – a state model Ethiopia is actively emulating.

We first outlined the context of industrial relations in the country, focusing on the relatively weak position of CETU, Ethiopia's national trade union federation, and then discussed the major challenge faced by firms in the two industries: high labour turnover. The lack of collective voice mechanisms, the low rewards of industrial work, and easy access to alternative employment opportunities in the informal sector and overseas, have meant that workers do not generally hold a leather or textile manufacturing job for very long. In turn, the high level of turnover placed limits on the capacity of some firms to compete successfully in the global market. Our article presented evidence showing that many textile and leather manufacturing firms responded by offering better benefits to workers such as subsidized lunches, health care services, and annual leave. Yet, the paternalistic tactics of many locally owned and foreign firms, along with the government's restrictions on union activity and labour mobility, indicate that such developments occurred alongside a curtailment of labour power in both its individual and collective forms.

While our article provides further support for the idea that the 'micro-agency' of workers can shape work practices within GVCs, we also show that employers and the state can counteract this power. The successful cases of worker agency discussed in the literature describe community organizations and international trade union confederations as key actors, capable of helping workers put pressure on firms or able

¹⁰¹ Bactec PLC, 'Enhancing the productivity of the Ethiopian manufacturing sector: Challenges, opportunities and the way forward' (Internal document prepared for the Ethiopian Chamber of Sectoral Associations, Addis Ababa, 2013).

to assist in monitoring the enforcement of international standards.¹⁰² Without the support of well-organized institutions of this type, it remains unclear how the micro-resistance of workers can translate into a sustained transformation of employment conditions in a value chain. Over the long run, the superior capacity of investors to coordinate their actions is likely to provide a key advantage in the struggle to exert control over the production process. In some sense, the recent literature on ‘micro-agency’ and GVCs must reconcile with the older focus of industrial relations research on collective actors and vice-versa. For instance, Anner has contributed significantly to the literature on labour and GVCs by arguing that worker strategies are influenced by ‘labour control regimes’.¹⁰³ Yet his analysis is limited to purely collective forms of resistance: wildcat strikes, international accords, and transnational corporate campaigns. A complete explanation of labour outcomes within GVCs must consider the individual and collective forms of worker agency, the reactions of employers and the state, and the resources controlled by these actors.

The findings also raise interesting questions regarding the implications of a developmental state model for labour relations. Is the business-state alliance typically associated with the model necessarily antithetical to the interests of labour in the short-term, or are certain compromises possible? Moreover, do concessions to labour necessarily lead late-developers to lose their competitive edge? The ethnic-based protests and resignation of Prime Minister Haile Mariam Dessalegn illustrate that the Ethiopian government should not ignore the political and socio-economic dimension of its development plans. As Jonathan Fisher and Meressa Tsehay Gebrewahd argue, expectations are high for the new administration of Abiy Ahmed,¹⁰⁴ and the manner in which Ethiopia’s ruling party moves to address problems around the distribution of power between labour, capital and state elites will likely be crucial for the future trajectory of Ethiopia’s ‘democratic developmental state’.

¹⁰² Riisgaard, ‘Global value chains, labor organization and private social standards’; Cumbers, Native and Routledge, ‘Labour agency and union positionalities in global production networks’.

¹⁰³ Anner, ‘Worker resistance in global supply chains’.

¹⁰⁴ Jonathan Fisher and Meressa Tsehay Gebrewahd, ‘Game over’? Abiy Ahmed, the Tigrayan People’s Liberation Front and Ethiopia’s political crisis’, *African Affairs*, ady056 (2018), <https://doi.org/10.1093/afraf/ady056>.