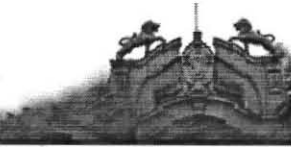


Addis Ababa
University
(Since 1950)



ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
COLLEGE OF LAW AND GOVERNANCE STUDIES
SCHOOL OF LAW

**EMERGING LABOR ISSUES IN INDUSTRIAL DEVELOPMENT ZONES OF
ETHIOPIA: AN APPRAISAL OF LEGAL AND POLICY FRAMEWORKS.**

ALEMAYEHU DABA SHUMA

OCTOBER, 2018

ADDIS ABABA, ETHIOPIA

**ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
COLLEGE OF LAW AND GOVERNANCE STUDIES
SCHOOL OF LAW**

**EMERGING LABOR ISSUES IN INDUSTRIAL DEVELOPMENT ZONES OF
ETHIOPIA: AN APPRAISAL OF LEGAL AND POLICY FRAMEWORKS**

ALEMAYEHU DABA SHUMA

**ADVISOR: JETU EDOSA CHEWAKA (LECTURER AND PHD
CANDIDATE)**

**A Thesis Submitted in Partial Fulfillment of the Requirements for the
Degree of Master of Business Law (LL.M)**

**OCTOBER, 2018
ADDIS ABABA, ETHIOPIA**

ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
COLLEGE OF LAW AND GOVERNANCE STUDIES
SCHOOL OF LAW
(Approval Sheet)

**EMERGING LABOR ISSUES IN INDUSTRIAL DEVELOPMENT ZONES OF
ETHIOPIA: AN APPRAISAL OF LEGAL AND POLICY FRAMEWORKS**

ALEMAYEHU DABA SHUMA

Approved by:

Advisor

Jetu Edosa Sete

Name

Date & Signature

Examiners/ Readers

Mehari Redae

Amf 09/04/19

Name

Date & Signature

Bruk Haile

Amf 09/04/19

Name Date & Signature

Declaration

I, the undersigned, declare that this thesis is my original work, has not been presented for a degree in any other university and that all sources of data used in the thesis are dully acknowledged.

Declared by:

ALEMAYEHUDABASHUMA

Signature: _____

Date: _____

Confirmed by:

JETU EDOSACHEWAKA (Lecturer and Phd Candidate)

Signature: _____

Date: _____

Table of contents

Titles	pages
Introduction.....	1
1.1 Background of the Study	1
1.2. Statement of the Problem.....	3
1.3. Research questions.....	4
1.4. Objectives of the Study	4
1.4.1. General Objective	4
1.4.2. Specific Objective.....	4
1.5. Methodology	5
1.6. Scope and Limitation.....	6
1.7. Significance of the Study	7
1.8. Organization of the Study.....	7
Chapter 2: Employment and Industrial Development Zones	8
2.1. Introduction.....	8
2.2. The Conception and Design of IDZs in General	8
2.2.1. EPZs: Definition, and Design	8
2.2.2. IDZs and Employment Opportunity	9
2.2.2.1. Employment Creation.....	9.
2.2.2.2. Quantity of employment	10
2.2.2.3. Quality of employment	10
2.2. 3. Wage and Labor Conditions in EPZs	10
2.2.3.1. Wage in EPZs	10
2.2.3.2. The Right to Unions in EPZs.....	11
2.2.3.3. Collective bargaining in EPZs	11

2.2.3.4. Labor Inspection in EPZs	11
2.2.4. Labor Standards and Investment Inflows	11
2. 2. 5.The Effects of Removing or Reducing Labor Standards in EPZs	12
2.3. New Opportunities and Evolving challenges of IDZs.....	13
2.3.1. New Opportunities.....	13
2.3.2. Evolving Challenges.....	14
2.4. Evolution of IDZ in Ethiopia: Driving Factors and Current Conditions.....	16
2.4.1.Development of Industrial Zones in Ethiopia.....	17
2.4.2. Existing industrial parks in Ethiopia	18
Summary.....	18
Chapter 3: Comparative Review of Major Labor Issues in IDZs	19
3.1. Introduction.....	19
3.1.1. Wage Determination in EPZs	19
3.1.2.Unionization Rights in EPZs	20
3.1.3. The Right to Collective Bargaining in EPZs	21
3.1.4. Labor Administration in EPZ	21
3.2. Implications of the Comparative Review	22
Summary.....	23
Chapter4. Emerging Labor Issues in Industrial Development Zones of Ethiopia.....	24
4.1. Introduction.....	24
4.2. Regulating Wages in IDZs of Ethiopia.....	24
4.2.1. Determination of Minimum Wage.....	24
4.2.2. Minimum wage and Productivity	26
4.3. Regulating the Right to Form Trade Union and Collective Bargaining.....	29
4.3.1. Freedom of Association and Protection of the Right to Organize Convention (No. 87).29	

4.3.2. Right to Organize and Collective Bargaining Convention (No. 98)	30
4.4. Regulating Labor Administration in IDZs	32
4.4.1. Labor Market Institutions in Ethiopia.....	31
4.4.2.The Ministry of Labor and Social Affairs (MOLSA)	31
4.4.3. Labor Inspection	31
4.4.1.The Functions of the Labor Inspection Services	32
4.5. Assessment of Major Labor Issues in IDZs Ethiopia.....	33
4.5.1. Payment of Wage in IDZs of Ethiopia	33
4.5.1.1. Labor Productivity and Wage in Ethiopia	35
4.5.2.The Right to Form Trade Unions and Collective Bargaining in IDZs	36
4.5.2.1. The Right to Form Trade Unions in IDZs of Ethiopia	36
4.5.2.2. The Right to Collective Bargaining in IDZs of Ethiopia	38
4.5.3. Enforcement of Labor Inspection System in IDZs of Ethiopia	39
Summary.....	42
Chapter 5.Conclusion and Recommendations	44
5.1. Conclusion: Major Findings of the study	44
5.2. Recommendations: Policy Implications	45
Bibliography	48
Annex.....	57-69

Acronyms

CETU- Confederation of Ethiopian Trade Unions	EPRDF -Ethiopian People’s Revolutionary Democratic Front
IDZ- Industrial Development Zone	SOE- state owned enterprise
EPZ- Export Processing Zone	MLSM -Medium and Large-Scale Manufacturing
MOLSA- Ministry of Labor and Social Affairs.	UNIDO-United Nations Industrial Development Organization
BOLSA- Bureau of Labor and Social Affairs	IMF- International Monetary Fund
NAFTA- North American Free Trade Agreement or the Multi-fiber Agreement.	WB- World Bank
ILO- International Labor Organization.	IDS- Industrial Development Strategy
OECD- The Organisation for Economic Co-operation and Development	PASDEP -Plan of Action for Sustainable Development and Eradication of Poverty
BETDZ- Boi Eco Technological Development Zone in China	SDPRP- Sustainable Development and Poverty Reduction Program
GSP- Generalized Special Preference	ADLI - Agricultural Development Led Industrialization
ESG- ensure good social and governance	FDRE- Federal democratic republic of Ethiopia
MNE- Multinational enterprise	ICFTU - International Confederation of Trade Unions
CSR- corporate social responsibility.	GTP- Growth and transformation plan
SDG- sustainable development goal	IP- Industrial park
UNCTAD- United Nations Conference on Trade and development	IPDC- Industrial Park Development Corporation.
AGOA- African Growth and Opportunity Act.	EIC -Ethiopian Investment Commission
CAFTA-DR - Central America-Dominican Republic Free Trade Agreement	EU- European Union
SEZ- Special Economic Zones	FEZ- Free Economic Zone
FFYP - First Five-year Plan	

SEZ- Special Economic Zone

FTA- Free Trade Agreement

TUO- Trade Union Act

MOL- Ministry of Labor

NGO- Non- Governmental Organization

GDP- Gross domestic Product

GoE- Government of Ethiopia

MSE- Medium and small Enterprises

NEPS - Ethiopia's National Employment
Policy and Strategy

ILS- International Labor Standards

ILC- International Labor Convention

ACKNOWLEDGMENT

Everything is possible due only to the providence and blessings from the Almighty God. So, Thank you God!!

I am grateful to my advisor Mr. Jetu Edosa (Lecturer and PHD candidate) to go through and comment on the manuscript of this work tirelessly and thoroughly. It is therefore legitimate to acknowledge that without his invaluable comments and guidance, the study might not get the form and content it has currently.

I'm also indebted to Dr. Murado Abdo (PHD) and Dr. Mehari Redae (PHD) for their encouragement and direction they gave me to write on this topic.

In the course of conducting the study, I visited selected visits to industries in IDZs of Ethiopia and different government offices having a direct connection with the subject matter of the study. *Inter alia*, the Ministry of Labor and Social affairs and its counter offices, relevant respondents in industries in Huajian International Light Industry Zone, Eastern Industry Zone and Bole Lemi Industry Park. I appreciate them for presenting me their good offices and for cooperating me for interviews and focus group discussions. Thank you family for your unconditional love and respect!! Beshatu, I have no words to express your place in my life. Anyhow, Thanks dear wife!!

Last but not least, it won't be fair not to acknowledge supports of all kinds from my brothers Mekonnen and Sileshi and friends. So, I thank you all!!

To my father!!

Alemayehu Daba Shuma

October, 2018

Abstract

Economic globalization as facilitated chiefly by the sophisticated transport and communication technology enabled FDI to locate their business in areas that can fetch for them better outcomes. States in their developmental endeavors are also competing in attracting the FDI in to their economy by providing different investment incentives. In view of this developing countries including Ethiopia are establishing industrial development zones (IDZ) or EPZ with packages of incentives.

Governments and industries tend to suppress labor standards in their attempt to attract FDI in to EPZ and to be competitive in international market by minimizing their labor cost. They reduce workers' wage, prevent operation of unions, collective bargaining and inspection services in EPZs. However, different studies uncover there are no evidence that FDI is attracted to areas where labor rights are reduced, or union and inspection rights and minimum wage is absent. It is however found that FDI location is mainly determined by factors like quality of infrastructure, generosity of incentives, market access, ease of administrative bureaucracies and productive labor. And cost of labor is considered not a factor or insignificant factor.

Today there is a shift of focus from EPZ based on low labor cost to EPZ which is based on respect of labor rights because respect of labor standards are becoming preconditions for grant of market preferences to developed countries like EU and USA and also for engaging in business with reputed MNEs. Therefore, EPZ competitiveness based on low labor cost is traditional and is racing to the bottom of labor standards.

In what mechanism and how some emerging labor issues in IDZs of Ethiopia could be protected are the main questions raised by this thesis and the answer is respecting and enforcing labor standards in zones. This research employed a qualitative methodology is employed and literature review, comparative study and different interviews and FGD are conducted with relevant bodies and common themes were gathered and analyzed to proof the real data with the theories. It is found that wage paid in IDZs Ethiopia is below poverty line and not livable. As a result, against GoE policy objective of poverty reduction the workers in IDZs are working under extreme poverty and are burden to the society and the economy. Unionization rights are practically limited and suppressed due to enclave nature of zones preventing access and by acts of government and industries in the zone. As a result there is no forum for voice of workers in IDZs of Ethiopia. Generally the zones social condition lacked government attention. The relevant organ of government entrusted with labor administration is weak and not committed to inspect violation of workers' rights.

If IDZs of Ethiopia are required to succeed there should be industrial peace which relies mainly on allowing workers get their fair share by way of wage, and the right to labor union and collective bargaining protected and effective inspection services allowed. To this effect MOLSA, industries and workers in IDZs and other stakeholders should work toward reforming the practice, law and policy design of IDZs of Ethiopia by fixing minimum wages, allowing right to organize and collective bargaining, guarantee the enforcement of labor standards in IDZs by strengthening the inspection structure.

Chapter 1: Introduction

1.1 Background of the Study

Growing liberalization of economies fueled by increased innovation in technology, communication and transportation enabled multinational enterprises (MNEs) to easily relocate their operation to areas that can fetch them better outcomes.¹ States are also working busy to attract foreign investment with a view to creating jobs, increasing exports and thereby obtaining foreign earnings to mention some, by promoting their comparative advantages and offering many more incentives.² To this end EPZs are among the programs that developing countries have endorsed for the last few decades.³

According to the International Labour Organization (ILO), EPZs are defined as industrial zones with special incentives set up to attract foreign investors, in which imported materials undergo some degree of processing before being exported again⁴.

The query into the labour conditions in EPZ is justified on some accounts. First, the fact that EPZ usually host labour intensive industries and hence employ a large number of people makes them a legitimate spot of concern regarding their labour conditions. Second, ILO expressed "labour costs is a large component of total costs"⁵ leading for companies to see labour as a cost to contain.⁶ Related to the second the fact that EPZ production is principally destined to the competitive international market also reinforces the motive to contain labour costs so as to stay competitive. Thirdly, as Romero contends the frequent occurrence of fatal industrial accidents has cast further suspicion on EPZ and thus warranted for a critical look at their labour conditions.⁷

The observations made by workers' organizations in respect of EPZs have also drawn attention to low trade union membership in EPZs,⁸ denial of access for trade union representatives to

¹ Labour Conditions in EPZ and the Role of the ILO: Focus on Freedom of Association, (2013, unpublished thesis, Faculty of Law, university of Oslo), p. 1.

² Ibid.

³ Ibid.

⁴ ILO (1998) News, available at http://www.ilo.org/global/about-the-ilo/press-and-media-centre/news/WCMS_007997/lang--en/index.htm (assessed on Aug. 3, 2009).

⁵ Ibid.

⁶ Ibid.

⁷ Labour Conditions in EPZ and the Role of the ILO, cited above at note 1, p.14.

⁸ Observations made by the International Confederation of Free Trade Unions (ICFTU) in relation to India. See Review of annual reports under the Follow-up to the ILO Declaration on Fundamental Principles and Rights at Work: Introduction by the ILO Declaration Expert-Advisers to the compilation of annual reports, GB.286/4, International Labour Office, Geneva, Mar. 2003, para. 62; and observations made by the ICFTU in relation to Fiji and Mauritius, compilation of annual reports under the ILO Declaration on Fundamental Principles and Rights at Work, International Labour Office, Geneva, 2002, pp. 52 and 120

workers in EPZs,⁹ anti-union practices by employers in EPZs,¹⁰ and the poor enforcement of labour laws in EPZs.¹¹

The growth and transformation plans (GTP I and GTP II) and the investment and industrial development strategies targeted development of industrial development zones a central strategic tool for leveraging up and enhancing pro-poor economy of Ethiopia by way of job-creation , initiating domestic industrial development so that it impacts on poverty reduction effort of the country.¹²The developments of industrial zones in different parts of the country were considered central to GTP plan for GoE to transform the economy from agriculture to industry.¹³ According to TilmanAltberg Ethiopia preferred labour intensive industries than capital intensive industries because of factor endowment in Ethiopia i.e. low cost and abundant labour.¹⁴

Today as Ethiopia is establishing a number of IDZs issues of wage, union and collective agreement and labour administration are major labour issues in IDZs of Ethiopia worth for research. This is justified based on the following grounds; one, unionization is the key enabling rights for the attainment of all other rights at work".¹⁵Unionization is one of the four core labour rights and principles identified by ILO in its 1998 declaration on fundamental principles and rights at work.¹⁶ And studies found out infringement of union rights are common in EPZs.¹⁷Two, collective agreement enables workers and employers to negotiate and agree on terms and conditions of employment. But the protection of this right depends on the protection of the right to union.¹⁸Three, One important outcome of employment generation in IDZs is wage earned by workers from the employment. And for GoE employment (job creation) is one of the eight pillar strategies of millennium development goals (MDGs) aimed at ending poverty.¹⁹Also it is stated in employment policy of Ethiopia wage paid for workers play crucial role in poverty reduction and economic growth.²⁰However, industries in IDZs want to reduce wage as labour cost to be

⁹ Observations made by the All India Trade Union Congress (AITUC), Hind MazdoorSabha (HMS) and the ICFTU in relation to India. See Review of annual reports under the Follow-up to the ILO Declaration on Fundamental Principles and Rights at Work: Introduction by the ILO Declaration Expert-Advisers to the compilation of annual reports, GB.292/4, International Labour Office, Geneva, Mar. 2005, para. 117.

¹⁰ Observations made by the ICFTU in relation to El Salvador.

¹¹ Observations of the ICFTU in relation to Brazil and India; observations made by the ICFTU in relation to Mauritius.

¹² Jetu Edosa, Protection of Core Labour Rights in Ethiopian Industrial development zones: The Case of Eastern Industry Zone, in *Economic, social and cultural rights in Ethiopia* (2016), pp 101-134.

¹³ Markos Tekle, *Industrial Zone Development Making Ethiopia the Hub of Light Manufacturing in Africa*, (un published, 2010).

¹⁴ T. Altberg, *Industrial policy in Ethiopia*, (2010), p. 5-10.

¹⁵ International Training Center, ILO, *Freedom of Association and Collective Bargaining*, Electronic Library, Conceived by: Bernard G, Alberto O., and Horacio G., (2009 version).

¹⁶ 1998 ILO Declaration on Fundamental Principles and Rights at Work paragraph 2 (A-D).

¹⁷ Labour conditions in export processing zones and the Role of ILO, cited above at note 1, p. 22.

¹⁸ Freedom of association, www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/freedom-of-association/lang--en/index.htm, accessed 25/08/2012 41

¹⁹ National Employment Policy and Strategy of Ethiopia. Policy report Ministry of Labour and Social Affairs, (Addis Ababa, MoLSA, 2009), p 11.

²⁰ Ibid.

competitive even though it is also found wages in EPZs are found to be improved.²¹Four, as Jesper said regarding labour administration it was observed by trade unions and NGO's that establishment of especial EPZ authority practically excludes or reduces the access of the normal controlling and enforcing authorities of the country²² and governments also depend too much on the short term foreign investments for meeting their employment promises and they abstain from enforcing general legislation, and the right of workers.²³

1.2 . Statement of the Problem

Global competition based on quality, cost, volumes and delivery times, plus stiff competition between suppliers, place downward pressures on wages, working conditions and respect for fundamental rights of the workers participating in EPZ.²⁴

A survey conducted by UNCTAD on 100 EPZs around the world found that some EPZs require all companies that operate within the zone to abide by clear standards, often set by national laws and regulations covering minimum wages, freedom of association and other labour conditions. More importantly some EPZs in China and India require higher labour standards than are found in national legislation.²⁵

However, there are systematic violations of freedom of association in EPZs globally. Even when national legislation is strong, implementation of freedom of association is often inadequate.²⁶ILO reportfound "even when there are no such limitations under the law, EPZ workers in many countries are unable to effectively exercise their freedom of association on account of the anti-union discriminatory practices adopted by employers against EPZ workers engaged in trade union activities.

There is also lack of effective enforcement of labour standards in the zones.Very few EPZs expressly indicated that inspection services would be available to assist firms in meeting labour standards and policies²⁷, but some EPZs did indicate that labour inspectors were present within the EPZ.²⁸

Despite non-limitation of application of labour laws, policies and international labour standards in industrial development zones of Ethiopia Jetu's study on protection of core labour rights in

²¹ ILO, *Trade Union Manual on Export Processing Zones*, (2014) , p45

²² Nail Jesper, *EPZ- the experience seen from a trade union point of view*.

²³ Ibid.

²⁴ ILO With contributions from OECD, IMF and World Bank Group, *Sustainable Supply Chains and Decent Work: Opportunities and Challenges for G20 Members* :Paper presented at the 2nd Meeting of the G20 Employment Working Group ,15-17 February 2017, Hamburg, Germany pp 3-6

²⁵The UNCTAD, *Enhancing the contribution of EPZ to sustainable development goals: An analysis of 100 EPZs and a Framework for Sustainable Economic Zones* (United Nation, New York and Geneva, 2015) p. 12.

²⁶ Ibid.

²⁷ Ibid.

²⁸ However, few EPZs communicate the specific functions of the labour inspectors or how they may be used by companies operating in the EPZ.

competitive even though it is also found wages in EPZs are found to be improved.²¹Four, as Jesper said regarding labour administration it was observed by trade unions and NGO's that establishment of especial EPZ authority practically excludes or reduces the access of the normal controlling and enforcing authorities of the country²² and governments also depend too much on the short term foreign investments for meeting their employment promises and they abstain from enforcing general legislation, and the right of workers.²³

1.2 . Statement of the Problem

Global competition based on quality, cost, volumes and delivery times, plus stiff competition between suppliers, place downward pressures on wages, working conditions and respect for fundamental rights of the workers participating in EPZ.²⁴

A survey conducted by UNCTAD on 100 EPZs around the world found that some EPZs require all companies that operate within the zone to abide by clear standards, often set by national laws and regulations covering minimum wages, freedom of association and other labour conditions. More importantly some EPZs in China and India require higher labour standards than are found in national legislation.²⁵

However, there are systematic violations of freedom of association in EPZs globally. Even when national legislation is strong, implementation of freedom of association is often inadequate.²⁶ILO report found "even when there are no such limitations under the law, EPZ workers in many countries are unable to effectively exercise their freedom of association on account of the anti-union discriminatory practices adopted by employers against EPZ workers engaged in trade union activities.

There is also lack of effective enforcement of labour standards in the zones. Very few EPZs expressly indicated that inspection services would be available to assist firms in meeting labour standards and policies²⁷, but some EPZs did indicate that labour inspectors were present within the EPZ.²⁸

Despite non-limitation of application of labour laws, policies and international labour standards in industrial development zones of Ethiopia Jetu's study on protection of core labour rights in

²¹ ILO, Trade Union Manual on Export Processing Zones, (2014) , p45

²² Nail Jesper, EPZ- the experience seen from a trade union point of view.

²³ Ibid.

²⁴ ILO With contributions from OECD, IMF and World Bank Group, Sustainable Supply Chains and Decent Work: Opportunities and Challenges for G20 Members :Paper presented at the 2nd Meeting of the G20 Employment Working Group ,15-17 February 2017, Hamburg, Germany pp 3-6

²⁵The UNCTAD, Enhancing the contribution of EPZ to sustainable development goals: An analysis of 100 EPZs and a Framework for Sustainable Economic Zones (United Nation, New York and Geneva, 2015) p. 12.

²⁶ Ibid.

²⁷ Ibid.

²⁸ However, few EPZs communicate the specific functions of the labour inspectors or how they may be used by companies operating in the EPZ.

Eastern Industry Zone found that low amount of wages by all accounts, lenient supervision of IDZs by labour administrative organs, violation of trade union rights as common labour rights violated in Eastern Industry zone. This is one indication of status of labour rights which I want to prove by my independent work when examining cases in IDZs of Ethiopia²⁹. This research is however different from Jetu's study in that it is conducted on major labour issues in IDZs of Ethiopia including Eastern Industry Zone whereas Jetu's study is related and focused only on issue of union rights in Eastern Industry Zone.

Even though Ethiopia is heavily promoting and investing in development of industries in IDZs, it is arguable that similar attention is given for protection of social issues in zones. The aim of this research is to investigate and show the challenges, importance, consequence and protection of emerging labour issues in IDZs of Ethiopia. Interaction of the researcher with environment in which IDZs of Ethiopia are operating and the evidences gathered from domestic and international sources mentioned above have shown the researcher the right of wage, the right to form union and collective bargain and labour administration by labour enforcement organs in IDZs of Ethiopia are some of the major emerging labour issues that required research on these issues worthy.

To the author's best effort and knowledge, there has been no similar research conducted on this issue. However, there are only indirectly related research works and are cited properly in this thesis. Thus, this research is believed to be unique in addressing the above mentioned issues.

1.3. Research questions

For the purpose of this study the following questions will be addressed:-

1. What peculiarities necessitate for the normative introduction of living (minimum) wage for employees working in IDZs of Ethiopia?
2. What are the challenges for the enforcement of the right to unionize and collective agreement in IDZs of Ethiopia?
3. How should labour administration organs in Ethiopia enforce labour conditions in relation to wage payment, unionizations and collective agreements in IDZs?

1.4. Objectives of the Study

1.4.1. General Objective

This research has the general objective of examining the administration of labor issues in IDZs of Ethiopia with regard to wage, union rights and collective agreement.

1.4.2. Specific Objective

The research specifically aims to examine:

²⁹Jetu Edosa, cited above at note 12, pp. 124-133.

1. The peculiar features of employment conditions in IDZs of Ethiopia that necessitate for the normative introduction of minimum wage.
2. The challenges to enforcement of the right to unionize and collective bargaining in IDZs Ethiopia.
3. How labour administrative organs in Ethiopia administer labour conditions in relation to wage payment, unionization and collective agreement in IDZs.

1.5. Methodology

This research employs qualitative research approach. The qualitative approach is chosen than quantitative because the emerging labour issues selected for investigation whether livable wage, right to union and collective bargaining and labour administration are protected and enforced can best be explained by expression of views, and status than numbers.³⁰ In this order data is collected from relevant literature reviews, focus group discussion, key informant interviews with relevant persons and observations have been used in this research. A comparative approach has also been used to determine the extent to which the Ethiopian IDZs program is in line with other successful EPZ operating countries in the world.

Qualitative legal sources are used in order to posit the gaps, ambiguities and how labour related laws have protected labour issues in IDZs of Ethiopia. Additionally, relevant international labour standards, conventions, expert recommendations are also used as supplementary legal sources. Ethiopian legal and policy frameworks for doctrinal legal analysis were been collected from either internet data bases or archives of the federal and regional parliaments. Comparative legal methodology is also employed in this research to consider the desirability of introducing forms of legal regulation that have been successfully introduced in other jurisdictions as a response to analogous issues.³¹ In this regard the legal frameworks of IDZ operating states of successful Asian and African countries like China, Korea, Kenya, Mauritius and Lesotho have been used for comparative study in this research.

Case study method is also employed to systematically collect adequate information how stakeholders and institutions handle and protect selected emerging labour issues in IDZs of Ethiopia.³² The selection of IDZs for this research is made on purposive basis with justification for making the selection.³³ Accordingly, the case study area is limited to the study of three IDZs in Ethiopia: 1, East Industry Zone located in Dukem, 2, Bole Lemi Industrial Zone located in Addis Ababa, and 3, Huajian International Light Industry zone located in Addis Ababa Lebu area. 15 industries located in the three IDZs were selected. The selection of the zones and industries in the zones is based on duration of their operation because the recent ones are not mature to be researched. Likewise the more recent zones and industries are left out. And as per the policy objective of GoE to widen the development of private sector 2 private operated and 1 government operated zones are included in this research. As a result the 1st and 3rd zones are private operated zones and the 2nd represents government operated zone. The researcher believes the three EPZ selected for this research can reliably represent IDZs in Ethiopia. This belief can be strengthened by the fact that the three IDZs are the main ones who started full operation whereas the other

³⁰Frances Ryan, Michael Coughlar, Patricia Cronin, Interviewing in Qualitative research.

³¹ K. Zweigert and H. Kötz, An Introduction to Comparative Law (Clarendon Press, Oxford, 3rded, 1998).

³² Berg, B. L., Qualitative Research Methods for the Social Science, London, Allyn and Bacon (2001), p. 225.

³³Bryman & Bell, Business Research Methods, Oxford, Oxford University Press (2003), p.53.

IDZs are today under construction and some are on initial operation stage and are premature to be researched.

Purposive sampling technique in qualitative research is used for identification and selection of individuals or groups knowledgeable about the phenomena for the most effective use of limited resources to answer the research questions. It is employed to identify participants for FGD and key-informant interviews.³⁴ It is employed to identify participants for FGD and key-informant interviews³⁵. In this way primary data is gathered in the form of in-depth interview from 22 individuals, 7 focus group discussions, 3 observations. Interviews and focus group discussion have been made with labour union representatives, workers, human resource managers of industries, legal representatives of industries, experts and administrators of industries and government organs like MOLSA and Oromia and Addis Ababa BOLSA , representatives of CETU, IPDC, IDZs because these persons have knowledge and direct contact with the issue researched. Observations have been conducted on work places in the industries selected for the research and the surrounding community.

Data analysis and interpretation depends on the kind of research. Since this research is qualitative the data in this research is presented textually in narrative description form. The following tasks have been undertaken to analyze and interpret the collected data.³⁶ First, FGDs, observations and in-depth interview transcripts were coded or classified in to themes by inferring from the words being examined what is significant. Second, the afore mentioned classifications were examined to identify relationships between them; yet, concurrently beginning the process of understanding those relationships in general terms, so that they have credibility beyond the boundaries of the case being examined. Thirdly, a set of generalizations have been elaborated which suggest that certain relationships hold firm in the setting being examined, and affirming that these cover all the known eventualities in the data set'. Finally, theoretical constructs and inferences have been formalized from them to other cases to assess the regulation of emerging labour issues in IDZs of Ethiopia.

1.6. Scope and Limitation

This research does not investigate each and every detail of work condition and labour issues in Ethiopian IDZs nor does it investigate labour conditions outside of IDZs. Rather the research only investigates major emerging labour issues in Ethiopian IDZs. The major emerging labour issues investigated were related to the labour administration in IDZs Ethiopia mainly on payment of wage, union rights and collective bargaining rights.

As limitation even though ample researches on labour conditions in EPZ of other countries is available there is no much relevant research and publicity on this topic on IDZs of Ethiopia. Also some interviews are not willing to respond because of fear of effect of their response on their job. There is also problem of access in to premises of IDZs for data collection. But the

³⁴ Patton MQ. *Qualitative research and evaluation methods* (Sage Publications; Thousand Oaks, 3rd Eds., 2002)

³⁵ Cresswell and Plano Clark, *Designing and conducting mixed method research* (Sage Publications; Thousand Oaks, 2nd eds. 2011)

³⁶ Scott, D. & Usher, R. *Researching Education: Data Methods and Theory in Educational Inquiry*, 2nd edition. London: Continuum (2011).

researcher did every effort to get access to the EPZ by using co-operation letters and tried my best to get data from most relevant respondents. Problems of scarce research on the topic in Ethiopia IDZs are mitigated by using literatures from abroad and by using primary data. And due to these proactive works, the researcher believes the limitations do not frustrate the credibility and validity of this research.

1.7. Significance of the Study

This research investigates the wage levels paid in IDZs of Ethiopia and the problem faced by workers and employers and the industrial zones generally due to issues of wage determination and tries to show policy makers and stake holders' mechanisms of curbing this problem. It also tries to show the level and significance of labour union and collective bargaining in IDZs of Ethiopia and tries to inform stake holders to work on unionization and collective bargaining rights. Also this research will identify labour administration problems in IDZs of Ethiopia and inform what labour administration organs should do in order to carry out effective inspections and administrations in IDZs of Ethiopia. Generally the significance of this research for employer industries, industrial development zones, employees, policy makers, academicians, legislators, students and future researchers is undeniable.

1.8. Organization of the Study

This paper is organized into five chapters. The first chapter of this research deals with the introduction of the research and under it the back ground, statement of problem, research question, objectives, scope and limitations, methodology, significance of the research and organization of the research are included. The second chapter is about general overview of employment and Industrial development zones. Under chapter three comparative reviews of major labour issues in IDZs of some countries is discussed. The emerging labour issues in IDZs of Ethiopia and examine the practical, legal and policy frame works in relation to the emerging labour issues is examined in chapter four. Last but not least, the findings and recommendations of the research were dealt with under chapter five.

Chapter 2: Employment and Industrial Development Zones

2.1. Introduction

EPZ are often times industrial developments with incentives³⁷ and mainly destined for export.³⁸ Since the zones are exporting and competing in international market and labour intensive they tend to reduce labour standards.³⁹ The challenges in relation to infrastructure and conduciveness for business environment also tempt EPZ operating states to lax regulation of labour standards and rights.⁴⁰ However different studies show that EPZ operating states can be successful without diminishing labour standards and those diminishing labour standards to compete will fail.⁴¹ Under this chapter the concept and design of IDZs and its relation with labour rights and employment are discussed. Besides the challenges and future prospects of zone programs and how it evolved and its current status are also discussed.

2.2. The Conception and Design of IDZs in General

2.2.1. EPZs: Definition and Design

One of the most common instruments of industrial policy in developed and developing countries is EPZ.⁴² The United Nations Industrial Development Organization (UNIDO) defines EPZ as a relatively small, geographically separated area within a country, the purpose of which is to attract export-oriented industries by offering them highly favorable investment and trade conditions as compared with the rest of the host country.⁴³ The OECD describes EPZ as “a policy tool for development and export oriented growth”. And EPZ are a popular policy tool to attract export-oriented FDI.⁴⁴

EPZs are known with different nomenclature: Special economic zones, Free trade zones, Industrial free zones, Maquiladoras, Special economic zones, bonded ware houses, Free zones, Technology and science parks, financial service zones, Free ports and similar terms and phrases.⁴⁵ It is a nomenclature used to describe geographically limited and specially administered

³⁷ Labour Standards in Export Processing Zones, A Southern African Perspective, Southern Africa multi-disciplinary advisory team international labour organization (Malawi, 1996), p. 3

³⁸ Labour conditions in Export processing Zones and the Role of ILO, cited above at note 1, p.6.

³⁹ Id, p.14.

⁴⁰ T. Kusago, Z. Tzannatos; Export Processing Zones: A Review in Need of Update, (1998, Washington, DC, The World Bank), Social Protection Discussion Paper No. 9802, Social Protection Group, Human Development Network,

⁴¹ *The Economist*, “Consciences and consequences”, 3 June 1995.

⁴² Lakshman, The impact of EPZ on employment, wages and labour conditions in developing countries, (2014), p.1

⁴³ Ibid.

⁴⁴ Engman, Michael, Enrico Pinali, and Osamu Onodera. Export Processing Zones: Past and Future Role in Trade and Development. Trade Policy Working Paper No. 53. Paris. OECD, 2007. Available at [http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=TD/TC/WP\(2006\)39/FINAL&docLanguage=En](http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=TD/TC/WP(2006)39/FINAL&docLanguage=En) (assessed dec.6, 2017), p 11.

⁴⁵ There is no single authoritative definition of industrial parks or “EPZ” or the variations on this nomenclature noted above. The description and discussion of the key characteristics of industrial parks and Industrial

areas within a country that are established to attract local and foreign direct investment (FDI), trade, employment and industrial development.⁴⁶ For the purpose of this research I used industrial development zone and industrial park the common terms used in Ethiopia in addition to the usual term used in different literatures which is export processing zones to refer to the same.

Most EPZ are located in developing countries and focus on light manufacturing activities.⁴⁷ Those operating in such zones benefit from advantages granted by government that others operating outside zones do not possess.⁴⁸ The common advantages or benefits provided in EPZ include preferential tax or duty treatment or exemptions from restriction on the repatriation of profits, direct subsidies and enhanced physical infrastructure, as well as expedited permitting and related services.⁴⁹

Firms within EPZ are major employers, and traditionally lower labour costs have been considered a factor in export processing zone competitiveness.⁵⁰ The UNCTAD survey of EPZ also found limited evidence of publically reported proactive efforts by zones to enable good labour standards.⁵¹

According to the World Bank, EPZ have three main goals. They are to provide a country with foreign exchange earnings by promoting non-traditional exports. They are to create jobs and generate income. And they are to attract foreign direct investment, engendering technology transfer, knowledge spillover, demonstration effects, and backward linkages.⁵²

2.2.2. IDZs and Employment Opportunity

2.2.2.1. Employment Creation

EPZs have been highly effective at employment creation in some countries. By 2002, China alone had 30 million employed in over 2,000 Special economic zones, economic and technological development zones, EPZs and border zones.⁵³

But it is arguable whether employment created in EPZ resulted in decent work. Decent work implies that workers have adequate work of an acceptable quality, with a level of remuneration

Development Zones provided in this thesis is consistent with the definition of Special Economic Zones provided in World Bank, "Special Economic Zones: Performance, Lessons Learned, and Implications for Zone Development" (2008).

⁴⁶ Ibid.

⁴⁷ UNCTAD, *Investment Brief Number 2*, (2004), P. 27

⁴⁸ Ibid.

⁴⁹ Labour Standards in Export Processing Zones: cited above at note 44.

⁵⁰ ILO, *Economic development and working conditions in Export Processing Zones: A survey of trends*, (2007),

p11

⁵¹ Ibid.

⁵² World Bank, *Export Processing Zones*, (1998), p.1.

⁵³ Changwon, L. *Development of Free Economic Zones and Labour Standards: A Case Study of Free Economic Zones in Korea*, (2005) p. 17.

sufficient to ensure that they and their dependents enjoy an acceptable standard of living, above the poverty line.⁵⁴ Jobs created in EPZ are low quality, volatile and highly dependent on external factors, such as economic crises, external demands, and the level of investment or the existence of bilateral or regional trade arrangements.⁵⁵

2.2.2.1. 1. Quantity of Employment

Job creation has been an important factor motivating governments to promote EPZs. However, EPZs do not generally represent a major percentage of the total employment in a country. Estimates are that EPZ jobs account for less than 0.5% of global employment.⁵⁶

2.2.2.1.2. Quality of Employment

Quality of employment means that the jobs qualify the standards of the ILO's decent work agenda. It means that they provide opportunities for work that is productive, and deliver a fair income, with security in the workplace. It also means that a job ensures social protection for families, prospects for personal development, freedom for workers to express their concerns, organize and participate in the decisions that affect their lives. And it means work that ensures equality of opportunity and treatment for all women and men workers. However, decent work deficits are widespread in EPZs across the world.⁵⁷

2.2.3. Wage and Labour Conditions in EPZ

2.2.3.1. Wage in EPZ

It appears the majority of studies assert that EPZ firms belong to modern sectors of the economy and depend on international market and usually pay higher wages than their comparable domestic sectors outside the zones. Studies by Romero, the OECD, and the World Bank, among others, suggest that the wage level in EPZs in general is above the average market outside the zones.⁵⁸ This is as Romero explains due to high productivity and overtime payments which are typical Scenario in EPZs⁵⁹ and an incentive made to attract labour in to EPZ industries because EPZ are known for their harsh work conditions.⁶⁰ However, in reality, there are also zones which pay as bad as or even worse than the wages in local enterprises.⁶¹

⁵⁴ ILO, Trade Union Manual on Export Processing Zones, cited above at note 21.

⁵⁵ Ibid.

⁵⁶ Id.p22

⁵⁷ Ibid.

⁵⁸ Endresen, Sylvi B. and H. Jauch, Export Processing Zones in Zambia: Taking a Closer Look 2nd Ed. Namibia, (Labour Resource and Research Institute) July 2001, p.36

⁵⁹ Romero, A. Teresa, Labour Standards and Export Processing Zones: Situation and Pressures for Change. In: Development Policy Review. (1995), Vol. 13, pp.247- 276, p.253

⁶⁰ Gordon, E. Michael, Export Processing Zones, In: Transnational Corporation Among Labour Unions. London (ILR Press, 2000), pp.60-78, p.73

⁶¹ Trade Union Manual cited above at note 21, p13.

2.2.3.2. The Right to Unions in EPZ

Regarding EPZs, the most difficult area, the biggest concern and the highest priority for the trade union movement is to secure the right of workers to form and join independent trade unions and to bargain collectively with employers operating there.⁶² The government is the main actor in oppressing labour union activities in EPZ. Governments even publicize their union-free environment with assumption to attract foreign investment. Unionization, while not illegal in many EPZs, is discouraged by many government and firm tactics⁶³. Generally, in various instances workers in EPZs are denied their right to freely organize.⁶⁴

2.2.3.3. Collective Bargaining in EPZ

In most EPZ operating countries, the right of workers to collectively bargain with the employer to negotiate their terms and conditions of employment is recognized. However, in countries where the right of EPZ workers to organize themselves is not recognized under the law, their right to collectively bargain with the employer is likewise not recognized. The CEACR has emphasized that the denial to EPZ workers of this right is not compatible with the requirements of Convention No. 98.⁶⁵

2.2.3.4. Labour Inspection in EPZ

Proper and effective application of labour legislation depends on an effective labour inspectorate, with labour inspectors examining how national labour standards are applied in the work place and advising how to improve the application of national labour law.⁶⁶ In many countries, labour inspection systems are underfunded and understaffed. Regarding EPZs, the general lack of material and human resources and training of labour inspectors, and the absence of a legal framework giving them the power to act in the general interest constitute the main existing problems.⁶⁷

2.2.4. Labour Standards and Investment inflows

A recent survey of foreign investors in five Eastern African countries⁶⁸ conducted for the World Bank in 1994 which covered 150 current and potential investors from Europe, Asia and Africa

⁶² Ibid.

⁶³ T. Romero's 1995 paper. It includes both laws and employer tactics to discourage unionization in 16 different developing countries.

⁶⁴ Ibid.

⁶⁵ Ramapriya Gopalakrisnan, Freedom of association and collective bargaining in export processing zones: Role of the ILO supervisory mechanisms, International Labour Standards Department, Working Paper No. 1, (International Labour Office, Geneva, 2007) p50.

⁶⁶ Trade union manual cited above at note 21, p45

⁶⁷ Ibid.

⁶⁸ Economist Association. Eastern African Survey of Foreign Investors: Summary of Main Findings, (Italy, Bologna, 1995).

have found investors were particularly sensitive to⁶⁹ political and policy risk as the most serious one, followed by poor basic infrastructure. Problems related to the cost and/or quality of labour was ranked among low range constraints. Other labour regulations, trade unions and labour costs were perceived as moderate to minor constraints. It was found that rather than the cost of labour it is its productivity that seemed to matter the most to the surveyed firms.⁷⁰

In short, it is found that it is not countries that show disrespect for labour standards that host EPZs. This may suggest that factors other than labour (such as incentives, infrastructure, administrative arrangements, political stability and so on) are more important to determine location of EPZs in one country or another compared to totally free use of labour by employers and MNCs.⁷¹

2.2.5. The Effects of Removing or Reducing Labour Standards in EPZs

Governments may feel that a removal of labour standards is needed to entice firms to start operations in a new EPZ environment and compensate for other local disadvantages. As a matter of fact, however studies found relatively high and growing wages and a sound industrial relations system have not hampered the growth of the few EPZ schemes that have been successful in Africa so far.⁷²

As mentioned above studies identified important determinant factors for inflow of FDI to invest and locate some export-oriented operations in Africa. According to these studies the compromises on labour standards did not result in a much higher flow of investment into the sub-region.⁷³ This implies the international un-competitiveness of countries in the whole of Africa is mainly affected not by the cost of labour but by other factors like geographical disadvantages and a generally poor policy and infrastructure environment, which create conditions unfavorable to the international operations of firms. However, taking into account the motivation and nutritional effects of pay, substantive reductions of wage could result in higher costs because of reduced productivity that well-motivated workers could have delivered. Also restraining freedom of association inhibits the positive contribution of workers and workers' organizations to help raising workplace productivity and quality of output.⁷⁴

Downward pressures on wages are just one aspect of the economic implications of the removal of labour standards.⁷⁵ On the other hand EPZ firm's overt violations of national and international standards, which are common in unregulated EPZs attract the attention of international agencies, trade unions, consumer groups, etc.⁷⁶ and they might reduce the chances of African countries to

⁶⁹ Labour standards in Export Processing Zones, cited above at note 44, p 24.

⁷⁰ Id.p25.

⁷¹ T. Kusago, Z. Tzannatos; cited above at note 47.

⁷² Labour standards in Export Processing Zones, cited above at note 44, p29.

⁷³ Ibid.

⁷⁴ Id.p30.

⁷⁵ Ibid.

⁷⁶ Ibid.

bargain for privileged access to markets in industrial countries. Also a growing number of high-profile transnational companies in labour-intensive industries have adopted guidelines or codes of conduct that condition the choice of subcontractors and local partners in joint ventures to respect for basic standards. Some governments benefitting from the United States GSP scheme, for instance, have already been faced with the threat or actual suspension of preferences following violations of labour standards. In its new GSP Scheme, the European Union is envisaging the possibility to grant additional preferences to beneficiaries that apply ILO Conventions Nos. 87, 98.⁷⁷ And in a number of cases, open violation of standards concerning child labour or forced labour has also induced major companies to withdraw from their operations in given countries, with considerable export losses for these latter.⁷⁸

Generally the existing evidences in the African sub-region as well as empirical evidence from elsewhere show that EPZ-type strategies can be comparatively successful without diminishing labour standards. Thus, the removal or reduction of labour standards is not only contrary to internationally recognized principles which have been accepted in the sub-region, but also unnecessary for the success of African EPZs.⁷⁹

2.3. New Opportunities and Evolving Challenges of IDZs

2.3.1. New Opportunities

Ethiopia's focus on the light manufacturing through IDZs development is based on its cheap, easily trainable and abundant labour resources. The labour productivity in some well-managed firms in Ethiopia approximates to levels in China and Vietnam while wages in Ethiopia are one-fourth of China's and one-half of Vietnam's.⁸⁰ This is an opportunity for Ethiopia if the work force is provided with quality education.

Duty-free and quota-free access to U.S. and EU markets under the AGOA, EBA, GSP and the Cotonou Agreement can be another opportunity for export-oriented investors time bound, though.⁸¹ Ethiopia's engagement in the process of accession to the WTO can also be taken as an assurance for the country's commitment towards economic liberalization and recognition of internationally accepted practices and standards in the regulation of proprietary interests involving a foreign element. Moreover, Ethiopia's memberships to regional strategic partnerships like COMESA, NEPAD and IGAD would formally widen the market in the best interest of manufacturers for export. The fact that Ethiopia is the second populous country in

⁷⁷ Ibid.

⁷⁸ *The Economist*, "Consciences and consequences", 3 June 1995.

⁷⁹ Ibid.

⁸⁰ Hinh T. Dinh, Vincent Palmade, Vandana Chandra and Frances Cossar, *Light Manufacturing in Africa: targeted policies to enhance private investment and create jobs 3* (Africa development forum, the world bank, 2012).
https://elibrary.worldbank.org/doi/abs/10.1596/9780821389614_CH08

⁸¹ Ibid.

Africa⁸² and fourteenth in the world⁸³ could also be higher potential of the domestic market itself.

In a broader trajectory, the task of promoting FDI in IDZs of Africa in general and Ethiopia in particular is hoped to be more fruitful if countries integrate regionally⁸⁴ because the regional integration widens the market size.

The rise in the cost of labour, land and introduction of stricter compliance standards in the East Asian countries,⁸⁵ may relocate FDI to other countries and Ethiopia could win her competitors due to her strategic location for FDI seeking market in Asia, Europe than its competitors in Africa, Caribbean and Latin America.

There other opportunities in Ethiopia may relate to available lower energy cost per unit, political stability as government policy documents advocate, rich raw material resources such as livestock, diversified agro-ecological zones suitable to grow different kinds of industrial raw materials⁸⁶ These endowment factors can make Ethiopia an attractive place for FDI investment in IDZs especially for light manufacturing sectors.⁸⁷

Given that comparative advantage is dynamic that need to be built with a long term vision and plan, its current level of comparative advantages can be important input both to attract foreign investments and build IDZs⁸⁸.

2.3.2. Evolving Challenges

EPZs require strong political commitment from government. But political changes can be a challenge to the success of Zones unless EPZs are based on clear strategic plans.⁸⁹

The challenge to success of zones may come from concept of Zones as enclaves. This is because zone enclaves restrict backward and forward links and domestic participation. And experience shows success of zones is entwined with competitiveness of the national economy and national investment environment.⁹⁰

Moreover the changing regulatory environment and lack of legal rules is the other challenge to EPZ model. For instance the lack of a clear and transparent legal and regulatory framework in

⁸²Ethiopian Economics Association, Report on the Ethiopian Economy 196 (2013), p 288.

⁸³Access Capital, Investing in the "Ethiopian" Stock Market, p4.

⁸⁴ DINH, HINH T., ET AL., cited above at note 87, p 14.

⁸⁵See World Bank, cited at note 59, p5.

⁸⁶Alebel Bayrau Weldesilassie, Mulu Gebreeyesus, Girum Abebe & Berihu Aseffa, Industrial development zones, study on Industrial development: issues, practices and lessons for Ethiopia, EDRI, 2017, p 103

⁸⁷ Ibid.

⁸⁸ Ibid.

⁸⁹ T. Farole, Special economic Zones, progress, emerging challenges, and future directions, (2011), p. 10.

⁹⁰ Id, p.11.

zones and an authority with a capacity to enforce it has led to disputes and delays in several of the projects in African EPZs in which Chinese developments involved.⁹¹

Market access is also another critical challenge. Market access is often times the number one investment location determinant. Therefore, it is critical for zones to look for sufficient market access.⁹²

Another Challenge as World Bank reported regarding Chinese FDI in Ethiopia has been poor trade regulations and inefficient customs clearance procedures, the perceived foreign exchange rate risks, inconsistent and inefficient tax administration, inadequately educated workforce (6-7 years education),⁹³ insufficient local access to finance, and bureaucratic administration.⁹⁴ Included in the list of such constraints are: difficulty to access land and electricity, higher tax rates, corruption, poor transportation facilities, and so forth.⁹⁵

Another study covering manufacturing FDI from China to Ethiopia have found weak design of EPZs including the Eastern Industrial Zone in Dukem, low rank in political stability among all African countries, gaps in working culture and low labour productivity to the list of business constraints in Ethiopia, and confirm the problems of corruption and high foreign exchange risks.⁹⁶

Ethiopia shares the common problem of poor trade logistics in many landlocked African countries which manifest itself in the form of higher cost of inland transport, port and terminal handling fees,⁹⁷ customs clearance and technical control fees, document preparation and letters of credit, and foreign exchange, shipping to and from Ethiopia.⁹⁸

Moreover, since the time Ethiopia started to liberalize its economy, export earnings could not catch up with the fast growing imports resulting in a huge trade deficit to the extent that the export value covers only around one-fifth of imports.⁹⁹

⁹¹ Ibid.

⁹² Id p. 17.

⁹³ Education statistics highlight Africa's current disadvantage in human capital. World Bank data place recent literacy rates of young people (ages 15–24) at 45, 75, and 77 percent, respectively, in Ethiopia, Tanzania, and Zambia as opposed to 97 and 99 percent, respectively, in Vietnam and China.

⁹⁴ World Bank, *China FDI in Ethiopia: A World Bank Survey 1* (2012), p 21.

⁹⁵ Id. p 9.

⁹⁶ F. Xiaochen, *Promoting Manufacturing Foreign Direct Investment from China to Ethiopia* (2012, John F. Kennedy School of Government, Harvard University), vol.16, p 22-26.

⁹⁷ Yacob H/Mariam, *Of Who is Asab? Ethiopia's Quest for a Port 11-12* (2012) (ያዕቆብ/ማርያም፣ አሰብላለንናት? የኢትዮጵያ የባህር ጥያቄ፣ 11-12 (2004 ዓ.ም.) ይመለከታል።).

⁹⁸ Id. p 88.

⁹⁹ BultiTerfassa, *Ethiopia's Trade and Investment Policy*, in *Digest of Ethiopia's National Policies, Strategies And Programs 285* (TayeAssefa Ed., 2009), P.296.

2.4. Evolution of IDZ in Ethiopia: Driving Factors and Current Conditions

IDZs in Ethiopia evolves from the time the country started opening market soon after the EPRDF-led transitional government seized power that announced the country would follow a market-led economic policy.¹⁰⁰ From 2002/03 the EPRDF-led government formulated comprehensive industrial development strategy (IDS).¹⁰¹ The IDS says sustainable and fast industrial development can only be ensured if the sector is competitive in international markets. And hence, the export oriented industrialization is pursued to lead industrial development and given preferential treatment.¹⁰²

The strategy paper explicitly further argues for a strong role from the state. Inspired by the East Asian experience the government has recently introduced the language of ‘developmental state’ as its policy principle regarding the public–private relationship.¹⁰³ The strategy cites two important mechanisms in which the government could engage and promote the private sector:- 1. creating an environment conducive for private sector and, 2. providing direct support for identified sectors.

With regard to the first, the strategy paper identified 6 intervention areas among which establishing industrial development zones in major cities and towns with all required infrastructure is one of the focal point of this paper will be discussed hereunder.¹⁰⁴

One driving factor for establishing IDZs in Ethiopia is government’s perception of IDZs as tool and catalyst of development. As also mentioned in the introduction part Ethiopian GTP I and GTP II, the investment and industrial development strategies identified IDZs are important tools to enhance and sustain pro-poor growth by way of job creation, initiating domestic industrial development thereby contribute to poverty reduction effort of the country.¹⁰⁵ The other driving factor relates to the relocation of global production networks in to developing countries in search of favorable business conditions which also considered as an opportunity to attract FDI to developing countries including Ethiopia in to their IDZs.¹⁰⁶

¹⁰⁰Mulu Gebreeyesus, Industrial Policy and Development in Ethiopia: Evolution and Present Experimentation, (2013), p6.

¹⁰¹Id p27.

¹⁰² Ibid.

¹⁰³ Ibid.

¹⁰⁴ Ibid.

¹⁰⁵MoFED (2010). Growth and Transformation Plan (2010/11-2014/15). Volume i: Main text Ministry of Finance and Economic Development (MoFED), Addis Ababa, Ethiopia, p.30.

¹⁰⁶ A. Lang, Trade Agreements, Business and Human Rights: The case of Export Processing Zones, (Corporate Social responsibility Initiative Working Paper No. 57. Cambridge, MA: John F. Kennedy School of Government, Harvard University, 2010).

2.4.1. Development of Industrial Zones in Ethiopia

The aim of establishing industrial development zones in Ethiopia is to attract foreign direct investment (FDI), foreign exchange earnings and employment for Ethiopia.¹⁰⁷ To achieve the plan set as Markos writes the country is heavily investing in road infrastructures, social and energy and highly emphasizing on luring FDI in priority sectors such as light manufacturing. Among them export oriented light manufacturing industries are prioritized.¹⁰⁸

GoE beside of investing in infrastructure has also moved on to organizing a responsible organ entrusted with the task of promoting and regulating this IDZ activity of public operated industry parks.¹⁰⁹ The Ethiopian Industrial Zone Corporation is established in 2013 later re-established as the Industrial Parks Development Corporation (the “Corporation”) with the status of a public enterprise under the Council of Ministers Regulation No. 326/2014¹¹⁰ and is a responsible institution to oversee the construction and regulation of public operated zones. The development of industrial parks can be undertaken by the government, private investors or by joint venture according to the Ethiopian investment law.¹¹¹

Subsequent to the establishment of the Corporation, the Industrial Park Proclamation No. 886/2015¹¹² was enacted. One of the objectives of this Proclamation is accelerating the economic transformation and development of the country through the establishment of industrial parks in strategic locations.¹¹³

According to this proclamation and other related laws industrial Development zones are regulated by different government bodies mainly by investment board, Ethiopian investment commission and ministry of industry.¹¹⁴ But also the social aspect of IDZ which is dealing with work conditions, the subject of this thesis, is regulated by the ministry of labour and social affairs.¹¹⁵ And the environmental aspect of IDZ is regulated by ministry of environment and forest. Other competent authorities having regulatory powers and duties over particular activities or geographic areas in respect of such industrial zones may also have regulatory powers.¹¹⁶

¹⁰⁷ Ibid.

¹⁰⁸ Markos Tekle, Cited above at note 13.

¹⁰⁹ Ibid.

¹¹⁰ Industrial parks development corporation establishment Council of Ministers Regulation No. 326/2014, Federal Negarit Gazeta, 21st year no. 2, Addis Ababa, 5th December 2014.

¹¹¹ Markos Tekle, Cited above at note 13.

¹¹² Industrial parks Proclamation No. 886/2015, Federal Negarit Gazeta, 21st Year, No. 39, Addis Ababa, 9th April 2015.

¹¹³ Ibid.

¹¹⁴ Id. article 28.

¹¹⁵ Id article 28(1)- prescribed labour proclamation no. 377/96 (as amended) shall be applicable in any industrial park, see also proclamation 377/96, article 2(4) and 170.

¹¹⁶ Proclamation no. 886/2015, cited above at note 185, article 2 sub article 19 and article 28 sub article 1-3, 29,28(4 and 5).

2.4.2. Existing Industrial Development Zones in Ethiopia

There are a few industrial parks that already started operation, and many more are under-construction and in the planning stage.¹¹⁷The operational industrial development zones in Ethiopia are: Bole Lemi I found in south east of Addis Ababa, Eastern Industry Zone found in Dukem Town, Huajian International Light Industry found at Lebu area inside Addis Ababa, and Hawassa Industrial Park found in Hawassa town.¹¹⁸

The other zones which are planned but not operational are: Bole Lemi II at adjacent to Bole Lemi I, Kilinto at 20km South of Addis Ababa center, George Shoe City in Addis Ababa, Mojo found at south of Addis Ababa, Dire Dawa at East of Addis Ababa or 300km from Djibouti border, Kombolcha at North of Addis Ababa near Dessei, Adama at Adama, etc.¹¹⁹

Summary

EPZs are common instruments of industrial policy both in developing and developed economies. They are industrial zones with special incentives to attract foreign investors. It is one aspect of globalization which is meant for short to medium term solution used to induce foreign investment in less developed nations. In this regard EPZs are successful in generating quantity employment. But the quality of employment in EPZ is often times under question.

Several factors influence the choice of location of EPZ operating enterprises. Studies found out that labour cost, like low wage, absence of trade unions and inspection services are not significant investor location determinant factors. Studies do not show investors are attracted to locations where labour standards are not protected. It is also found violation of labour rights in zones might reduce chances of African countries for privileged access to markets like GSP to US and EU markets and opportunity of joint venture operation with reputed MNE who condition respect of labour standards for their operation.

Generally it can be concluded EPZ type strategies can be comparatively successful without diminishing labour standards because reduction of labour cost and labour standards will not motivate investors' decision and will not lead to additional investment. And today there is the need for a 'role reversal' for EPZs; that is switching from a narrow focus on cost advantages and lower standards to become champions of social excellence and at the same time be competitive. This envisages that Ethiopia should also follow the same trend in her IDZs.

¹¹⁷ Extensive development of industrial parks <http://www.investethiopia.gov.et/investment-opportunities/strategic-sectors/industry-zone-development> assessed on Aug. 2010 EC.

¹¹⁸ Ibid.

¹¹⁹ Ibid.

Chapter 3: Comparative Review of Major Labour Issues in IDZs

3.1. Introduction

Under this chapter the enforcement and protection of major labour issues as raised in this thesis wage, labour union, collective bargaining and labour administration in EPZs of some countries will be highlighted and best experiences can be captured. I have provided case studies in different jurisdictions from African countries to compare the situation in African countries as Ethiopia is also one of the African countries. The selected African countries for this study are among the somehow successful EPZ operators.¹²⁰ Case studies of EPZ in Mauritius, Kenya, and Lesotho were seen from African side. Case studies of Asian countries especially those which Ethiopia follows as her economic model, case study of Korea, and China are seen under.¹²¹ And finally implications of this comparative review are also taken.

3.1.1. Wage Determination in EPZs

With respect to wages the evidence confirms the common sense expectation that indeed wages are lower in countries where per capita incomes are lower.¹²²

In Mauritius the Mauritian labour market has been tight since the late 1980s¹²³ causing wage increases¹²⁴. These wage increases, some claim, are putting the Mauritian EPZs at a competitive disadvantage and may encourage foreign firms to relocate to countries¹²⁵ with lower labour cost. For instance, in 1991 the wage levels of garment workers were estimated at \$1.28 per hour while that of China stood at \$0.2577. Although there are instances of this occurring both in Mauritius and in other countries, firms by-and-large do not decide setting up in or leaving a zone just based on wage competitiveness. Rather, firms also consider factors such as political stability, the incentive “package” they are promised, the infrastructure of the zone and labour productivity (education).¹²⁶

In Kenya today firms within the EPZ are subjected to minimum wages.¹²⁷ Farole finds the wages within the zones on average are 22% higher than minimum wage.¹²⁸ The minimum wage in Kenya, however, is low, and argued to be less than the level needed to ensure a decent standard

¹²⁰Farole says the consensus from previous policy research is that African zones have generally underperformed, with the significant exception of Mauritius and the partial exception of Kenya, and possibly Lesotho.¹²⁰

¹²¹This is evidenced in various GoE policy documents.

¹²²T. Kusago, Z. Tzannatos; cited above at note 54.

¹²³D. Madani: Review of the Role and Impact of Export Processing Zones, Policy Research Working Paper, Series No. 2238, The World Bank, Washington DC (1999), p 73.

¹²⁴Data on Mauritius is obtained from Mauritius Economic Review, 1992-95 and various issues of Economic Indicators - an occasional paper published by the Ministry of Economic Planning and Development of Mauritius.

¹²⁵T. Kusago, Z. Tzannatos, cited above at note 47, p 74.

¹²⁶Ibid.

¹²⁷EPZ firms aspired to have minimum wages repealed again, to increase competitiveness with Asian countries (McCormick, 2006).

¹²⁸Lene Kristine, EPZ in Sub-Saharan Africa – Kenya and Lesotho, (2013),pp56-58.

of living for workers.¹²⁹ Even though the average wage in Kenyan zones is lower than in many other African zones, such as Lesotho, Senegal, and Nigeria, it is still higher than in Asian countries, such as Bangladesh, China, and India¹³⁰

In Lesotho Lall finds wage to be comparable with East Asian countries. But the level of minimum wages is argued to be lower than the level needed to meet basic demands.¹³¹ Today the government in Lesotho aims to ultimately sell export goods at higher prices than reducing wages, which would allow for higher wages, as consumers put more emphasis on labour standards.¹³²

In China wage levels in the Beijing Economic and Technological Development Zone (BETDZ) are based on the minimum wage standard of Beijing. Employees' wages in the zone are adjusted based on the minimum wage standard according to their skill levels.¹³³ And if employees in the development zone are paid less than that, the BETDZ labour supervision department will send salary commissioners to negotiate with the enterprise and use administrative intervention even by means of law to correct the said wage practice.¹³⁴ The government also plays an instructive role in developing wage policies in BETDZ by using non-compulsory guide lines.¹³⁵ Another experience worth considering in China is enterprises in BETDZ chose to reduce the number of employees rather than reduce workers' wages to cope with problems brought by recession in 2008-2009.¹³⁶ In Korea wage in electronics and garment industries is \$13/hr whereas, it is \$86 and \$78 in Japan and \$100 in USA.¹³⁷

3.1.2. Unionization Right in EPZs

In Mauritius EPZs active unions are allowed. But union membership levels in the EPZs are below 12%. And employers in the EPZs remain hostile to the unions, who find it very difficult to approach the workers given that, in most cases, trade unionists are denied access to the industrial sites.¹³⁸

In Kenya prior to 2005 the government did not allow EPZ workers the freedom to unionize or engage in collective bargaining as an incentive to attract investors. However, today the right to join unions applies. But the practice of Kenyan EPZ use of temporary employment has resulted

¹²⁹Lene Kristine cited above at note 135.

¹³⁰ Ibid.

¹³¹The ILO provided technical assistance in setting the minimum wage however workers did not find the minimum wage acceptable and protests were held in 2012 (GoL, 2013).

¹³² Ibid.

¹³³Z. Xiangquan, Z. Chenggang, C. Liwen, Y. Yang, S. Yichen, *EPZ in China: A Survey and a Case Study*, ILO ACTRAV Bureau for Workers' Activities, (Renmin University of China, 2012) Working document. Pp. 12-20.

¹³⁴ Ibid.

¹³⁵ Id, pp36-37.

¹³⁶ Ibid.

¹³⁷ T. Kusago, Z. Tzannatos cited above at note 47, p17

¹³⁸ Trade union manual cited above at note 21, p29.

in low unionization, about 14% in 2008.¹³⁹ In Lesotho 42% of EPZ workers are unionized a relatively high share for both African and non-African countries.¹⁴⁰

In China EPZs labours' rights of organizing and participating in trade unions in EPZs are protected in related laws.¹⁴¹ But at present, trade union organization came across 4 main challenges in EPZs of China:¹⁴² 1. Non-state-owned enterprises are against enterprise-level unions, 2. Local government's protection of investing environment encourages enterprises' objection to trade unions, 3. Workers' heterogeneity and diversified demands posed challenges to union's representativeness, 4. Flexible employment relationships become an obstacle to unionize.

In Korea the government prohibited trade unions or even labour disputes in EPZs before 1987 but subsequently relaxed these restrictions, and union membership rose to 74% of all workers.¹⁴³

3.1.3. Collective Bargaining in EPZs

In China collective bargaining is facilitated by government strategy from top to down. But there are obstacles in pursuing enterprise-level collective bargaining. Among the obstacles are:¹⁴⁴ 1. Low-labour-cost development pattern is the main obstacle of carrying out collective bargaining. 2. Turnover rate of first-line workers is high in enterprises in EPZs, and the workers are not so active in signing the collective contract. 3. There is information asymmetry between the two sides (workers and the management), and the financial situation of the enterprise is unavailable to the employees, both of which limit the negotiation power of the employees. To overcome difficulties in collective bargaining in EPZs, local governments in China mainly took financial rewards as a measure to encourage enterprises with low profit to carry out collective bargaining.¹⁴⁵ But evidences are not available to mention experiences regarding collective agreements in Mauritius, Kenya, Korea and Lesotho.

3.1.4. Labour Administration in EPZs

In Kenya inspectors were, moreover, not allowed within the zones to ensure adequate working conditions. However, today firms within the zones are subject to the same labour regulations as other companies and inspection is allowed.¹⁴⁶

¹³⁹ T. Farole, cited above at note 96, p. 10.

¹⁴⁰ Lene Kristine cited above at note 10, P 121.

¹⁴¹ Z. Xiangquan, Z. Chenggang, C. Liwen, Y. Yang, S. Yichen, cited above at note 140, pp. 16-17.

¹⁴² Ibid.

¹⁴³ T. Kusago, Z. Tzannatos cited, cited above at note 47, p19.

¹⁴⁴ Z. Xiangquan, Z. Chenggang, C. Liwen, Y. Yang, S. Yichen, cited above at note 140, pp16-17.

¹⁴⁵ Ibid.

¹⁴⁶ T. Farole, Cited above at note 96, p77.

In China in BETDZ flexible enforcement of labour inspection is allowed. Administrative punishments are not used if necessary. Inspectors take court action at final stage after different administrative procedures are exhausted.¹⁴⁷

In Korea government adopted sustainable free economic zones. The free economic zones are based on social foundations and labour standards and enforced labour inspection in a race to the top in the world competition.¹⁴⁸

3.2. Implications of the Comparative Review

Wage in Mauritius EPZ is higher than competing East Asian countries EPZ. Firms in Mauritian EPZ did not relocate their operation in to other jurisdictions where lower wage is paid because investors are more concerned about other factors than low wage factors like political stability, better infrastructure, productive man power, available trade agreements and better incentive packages which are available in Mauritius. This implies other factors are more important for determining FDI location than low labour cost and countries that rely on low labour cost for competitiveness can get a lesson from this.

The wage in Kenya EPZs is higher than wage in China EPZ. But the wage in Ethiopia IDZs is 1/4th of China. The existence of minimum wage in Kenya is important for EPZ workers however this minimum wage did not help workers to earn livable wage due to high cost of living and low productivity of workers. This implies the government has to work on alleviating productivity of workers and reducing inflation in order to make the labour intensive industries competent and at the same time pay livable wage for workers.

Wage in Lesotho EPZs is comparable with East Asian countries and is higher than other African countries with equal incentive programs such as Ethiopia, Tanzania, Ghana and Kenya. But higher cost of living compared to Asian competitors and low productivity is a problem that challenged Lesotho competitiveness in labour intensive industries. This implies improving wage, working conditions and competitiveness in Lesotho requires improving the zones' overall competitiveness, preferably by improving other factors that also have a long-term positive impact on the economy like productivity and inflation.

Experience in China, Kenya, Mauritius, Korea and Lesotho show EPZ employees wage is adjusted and enforced based on minimum wage standard. This implies fixing minimum wage in laws and supervising its implementation in EPZ is important method for addressing problems of low wage in EPZs.

Even during challenging time in 2008-2009 China EPZ firms reduced the number of employees than reducing wage of workers to cope up with problems brought by recession. This implies the priority is made for wage of workers even during challenging economic situations and lessons

¹⁴⁷Z. Xiangquan, Z. Chenggang, C. Liwen, Y. Yang, S. Yichen, cited above at note 140, p48.

¹⁴⁸Changwon Lee; cited above at note 60, pp 17-19

should be taken from China EPZ by other EPZ operating states like Ethiopia who try to justify their low wage development strategy based on economic condition of the state.

Regarding unionization in Mauritius free unions are allowed in EPZ but only 12% of workers are unionized because enterprises in EPZ are hostile to trade unions. Unionization in Kenya EPZ is allowed after 2005 but only 14% are unionized because EPZ firms' use of temporary employment hindered ability of workers to organize. Also unionization is allowed in Lesotho and reached 42% which is higher by EPZ standard. Also in China even though unionization right is protected by law it is linked to the centralized All-China Federation of Trade Unions (ACFTU) and is not free. This all implies countries may improve from not allowing unions to allowing active unions but still in addition to allowance by lifting different legal and practical restrictions realizing union right require EPZ operating states to fully respect and enforce union rights in zones.

Regarding collective bargaining experience in China teaches even where there are laws protecting collective bargaining there are practical difficulties concluding collective agreements in EPZ and different strategies were used to curb difficulties encountered during collective bargaining.

Regarding labour administration after 2005 Kenya lifted disallowance of application of labour law regulation in her EPZ to ensure adequate working conditions and labour union and collective bargaining in EPZ. Experiences in China and Kenya also vividly show the importance of implementing labour inspection in EPZs. Also in Korea EPZs are based on social foundations. This implies in Korea livable wage, union rights and right to collective bargaining are respected and enforced.

Summary

The experiences of countries above show zone programs are unlikely to succeed if they fail to offer opportunities for quality of employment by providing minimum wage laws, allowing union rights, collective agreement and labour inspection in EPZ and/or if they derive their competitive advantage from exploiting low-wage workers.¹⁴⁹ As a result they are improving their labour condition like wage of their workers by providing minimum wage laws, allow labour unions, collective agreements and inspection services in zones.

¹⁴⁹Farole and Akinci.in Douglas ZihuaZeng; Special Economic Zones: Lessons from the Global Experience, (2011).

Chapter 4. Emerging Labour Issues in Industrial Development Zones of Ethiopia

4.1. Introduction

Under this chapter the legal and practical aspects of major emerging labour issues in IDZs of Ethiopia; wage, labour union and collective bargaining and labour administration will be assessed in detail. The Right to form union is fundamental right for workers as it enables them to bargain for other rights. The protection of this right therefore has significant effect on protection of other labour rights. Only organized labour in the form of unions have an opportunity for collective bargaining and collective agreement with employers on work conditions like wage.¹⁵⁰ Collective agreement is made between employers and workers union and is essential tool for protection of labour rights.¹⁵¹ Our labour laws guarantee protection of labour unions and collective agreements as will be seen under this chapter.¹⁵² In collective agreements one concern for employees and employers is issue of wage and benefits.¹⁵³ Hence protection of wage rights somehow depends on the right to organize and collective bargaining. Labour as human activity should however not be left for market only and minimum standard protection should be protected in the form of fixing minimum wages below which bargaining is not allowed.¹⁵⁴ But minimum wage is not regulated under Ethiopian labour laws.¹⁵⁵ The other important issue worth discussing in this chapter is labour administration which has the task of administering proper functioning of labour conditions. Ministry of Labour and Social Affairs in this regard has the mandate to administer labour conditions in industries including IDZs of Ethiopia by using inspection services.¹⁵⁶ But the ministry is weak and not in a position to act effectively as much deficiencies were observed in its inspection structure.¹⁵⁷

4.2. Regulating Wages in IDZs

4.2.1. Determination of Minimum Wage

A minimum wage is 'the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract.'¹⁵⁸

¹⁵⁰ Freedom of association, cited above at note 18.

¹⁵¹ Mesfin Sileshi, "The extent of compatibility and limitations of the Labour Proclamation No. 377/2003 vis-à-vis Fundamental ILO Conventions" (2012, unpublished thesis Addis Ababa University, school of law), P38

¹⁵² FDRE Constitution, article 13(2).

¹⁵³ Labour proclamation no. 377/2003, article 124, 128

¹⁵⁴ General Comment No. 23 by Committee on Economic, Social and Cultural Rights, (2016) on the Right to just and favorable conditions of work on article 7 of the International Covenant on Economic, Social and Cultural Rights, paragraph, 19.

¹⁵⁵ Mahari Redae; *Employment and Labour Law, Teaching Material*, 2009. p69

¹⁵⁶ Occupational Safety and Health Profile for Ethiopia, MOLSA, Oct. 2006, page 19.

¹⁵⁷ This conclusion is based on the key informant interview with interviews mentioned below.

¹⁵⁸ General Comment No. 23 by Committee on Economic, Social and Cultural Rights, (2016) on the Right to just and favorable conditions of work on article 7 of the International Covenant on Economic, Social and Cultural Rights, paragraph, 19.

In accordance with the FDRE labour proclamation No.377/2007, wages mean the regular payment to which the worker is entitled to in return for the performance of the work that he/she performs under a contract of employment.¹⁵⁹ Wages are independent of overtime premium, allowances, bonus, commissions, service charges received from the customers and other incentives paid for additional work.¹⁶⁰

From 188 ILO Conventions, four Conventions deal with wage. Among them three deal with minimum wage.¹⁶¹ From these four ILO Conventions on wage and minimum wage protection Ethiopia has neither ratified nor enacted laws concerning minimum wage protection for private sectors in their domestic laws. This reveals that government of Ethiopia did not commit itself to respect, protect, promote and fulfill labour rights of employees of private sector on minimum wage.¹⁶²

Regarding minimum wage Mehari stated many jurisdictions have succeeded in prescribing minimum hourly/monthly wages to employees working within their territory. Others leave this issue to the contracting parties. The Ethiopian employment regime seems to adopt a hybrid of the two approaches. The civil service regime has prescribed a minimum monthly wage for those working in the civil service; while the labour law regime has left the issue to the parties themselves.¹⁶³

The rationale for such double standard from the side of the Ethiopian government as Mehari stated relates to Ethiopia's economic philosophy which is free market economy, i.e. price of goods and services is to be fixed by taking into account the supply and the demand side of the item in a forum of bargain. He said this could be the main reason why the government opted for deregulation with regard to the private sector. As regards to the civil service, however, since the government is the sole employer, it can come up with a rule binding upon itself. However he stated the problem associated with such an approach is the invalidity of considering labour as a commodity whose price is to be determined against supply and demand. Furthermore he stated countries like the US who claim to be the most faithful exponents of free market economy also see nothing wrong in determining minimum hourly wage by law. In light of these, Mehari said the position of the Ethiopian government seems to deserve second thought.¹⁶⁴

In Ethiopia, usually wages in private employers are fixed by the employer or by collective agreements or by the employee's contract of employment. However, whether the country is developed or developing, the law needs to consider minimum wage because when the private

¹⁵⁹ Article 53(1) of the FDRE Labour Proclamation No. 377/2003 (amended by Proc. No. 466/2005 & Proc. No. 494/2006).

¹⁶⁰ Ibid, article 53(2).

¹⁶¹ Kenna Tariku Ejeta; Labour Rights of Security Guards in the Ethiopian Private Security Industry: Case Study in Addis Ababa, (Addis Ababa University, School of Law, 2017, un published Thesis), p58.

¹⁶² Ibid.

¹⁶³ MahariRedae; cited above at 162, p.69.

¹⁶⁴ Ibid.

sector expands taking advantage of the market economy, labourers could be subjected to exploitation.¹⁶⁵ This is because, minimum wage is a point of reference that allows employees to negotiate with their employers that without a minimum wage, they may be forced to accept whatever suggested by the employer.¹⁶⁶ Thus, minimum wages should be fixed and applied for employees of the private sector including workers in IDZs of Ethiopia.¹⁶⁷

4.2.2. Minimum wage and Productivity

Recent studies have shown that minimum wages can contribute to higher labour productivity both at the enterprise level and at the aggregate economy-wide level. At the enterprise level, workers may be motivated to work harder. They may also stay longer with their employer, gaining valuable experience and also encouraging employers and employee to engage in productivity enhancing training. At the aggregate level, minimum wages can result in more productive firms replacing least productive ones and surviving firms becoming more efficient. These mechanisms can increase overall economy-wide productivity.

(a) workers can be more motivated

A large number of experimental studies have supported the hypothesis formulated by Akerlof in 1982 that employees consistently provide higher effort levels in response to higher wages, the so-called “efficiency wage” theory¹⁶⁸. Most of these studies have showed that higher pay compared to elsewhere can attract more experienced and motivated applicants. Higher pay can also elicit greater commitment and productivity from existing employees.¹⁶⁹ The effect of minimum wages - as opposed to higher wages in individual firms on workers’ motivation has also been found to be positive. Experimental evidence in the U.S. by Owens also points to a positive relationship between minimum wages and workers' effort.¹⁷⁰

¹⁶⁵ KennaTariku, cited above at note 175, p59.

¹⁶⁶ Ibid.

¹⁶⁷ Ibid.

¹⁶⁸ G. Akerlof, “Labor contracts as partial gift exchange”, *Quarterly Journal of Economics*, vol.97, (1982), pp. 543-569

¹⁶⁹ R. G. Ehrenberg and R. S. Smith, *Modern Labor Economics: Theory and Public Policy*, (10Th Edition, 2009) Pearson.

¹⁷⁰ Owens and Kagel, “Minimum wage restrictions and employee effort in incomplete labor markets: An experimental investigation”, *Journal of Economic Behavior & Organization*, vol.73, (2010), pp.317-326

(b) there can be more productivity-enhancing training as a result of lower turnover

Another area that has been increasingly researched in recent years is the link between minimum wages and reduced turnover, i.e. the flow of workers in and out of jobs. Dube, Lester and Reich found that in the U.S. a 10% increase in the minimum wage results in a reduction of 2.1% in turnover for restaurant workers and a 2.0% reduction in turnover for teenagers¹⁷¹. In Canada, Brochu and Green found that hires, quits and layoffs of young workers with low education decline in the year after a minimum wage increase.¹⁷²

All this evidence suggests that with a more generous minimum wage, employers more easily retain their workforce, as a result of which workers can learn on the job and be trained to become more productivity over time. Arulampalam et.al found increased labour cost as a result of minimum wage in Britain led to increased employers' training.¹⁷³

(c) some firms can become more efficient

Researchers have pointed out that productivity increases may be the result of a fall in employment due to the minimum wage, as enterprises substitute capital for labour and adopt more capital-intensive production technologies. While this remains a distinct possibility when the minimum wage is set too high, the emerging trend is that the effects of minimum wages on employment are often small or insignificant, and in some cases positive.¹⁷⁴

Riley and Bondibene found companies in Britain responded to increases in labour costs due to minimum wage by raising labour productivity. These labour productivity changes did not come about via a reduction in firms' workforce or via capital-labour substitution. Rather they were associated with increases in total factor productivity, consistent with organisational change,

¹⁷¹ A. Dube, ; T., W., Lester, T.; M. Reich, Minimum Wage Shocks, Employment Flows and Labour Market Frictions, IRLE Working Paper No. 122-12, (2012).

¹⁷² P. Brochu, D., A. Green, The Impact of Minimum Wages on Quit, Layoff and Hiring Rates, IFS Working Paper 06/11, (2011).

¹⁷³ W. Arulampalam, A. Booth, M. Bryan, Training and the Minimum Wage. The Economic Journal, 114, (2004), C86-C94

¹⁷⁴ A. Kuddo, D. Robalino, and M. Weber, Balancing Regulations to Promote Jobs: From employment contracts to unemployment benefits, (2015, World Bank Group, Washington, D.C.)

training and efficiency wage responses to increased labour costs from minimum wages.¹⁷⁵ These finding is in line with findings of Croucher and Rizov who found an improvement in labour productivity in all of U.K.'s as a result of introduction of minimum wage low-paying sectors.¹⁷⁶

d) There can be increased efficiency at the macro level

At the macro-economic level, it has been observed that minimum wages may prompt low productivity firms to leave the market and higher-productivity firms to expand – thereby raising overall efficiency of the economy. Mayneris, Poncet and Zhang, using data for more than 160'000 manufacturing firms in China found that increases in city-level minimum wages resulted in lower survival probability of low-productive firms. For surviving firms, wage costs increased without negative repercussions on employment. They explain this finding by the fact that productivity in surviving firms improved significantly, allowing firms to absorb the higher labour costs without hurting their employment or profitability.¹⁷⁷

Using semi-structured interview with 80 senior representatives of employers' organizations and trade unions, senior civil servants and industrial relations academics, McLaughlin found in Denmark, New Zealand and Ireland that higher minimum wages are important for productivity but in the long-term they advise it should be supported by training and higher quality products.¹⁷⁸

4.3. Regulating the Right to Form Trade Union and Collective Bargaining in IDZs

The principle of freedom of association is for the first time enshrined in the ILO Constitution in 1919.¹⁷⁹ Then it was also made feasible in the ILO Declaration of Philadelphia in 1944, and the

¹⁷⁵ R. Riley, C., R. Bondibene, The Impact of the National Minimum Wage on UK Businesses. Report to the Low Pay Commission, National Institute of Economic and social Research and Centre for Macroeconomics, (2015).

¹⁷⁶ R. Croucher, M. Rizov, The Impact of the National Wage on Labour Productivity in Britain, E-Journal of International Labour Studies, Volume 1, No. 3-4 October-December 2012.

¹⁷⁷ F. Mayneris, S. Poncet, T. Zhang, The Cleansing Effect of Minimum Wage: Minimum Wage Rules, Firm Dynamics and Aggregate Productivity in China. CEPII working Paper, (2014)

¹⁷⁸ C. McLaughlin, The Productivity-Enhancing Impacts of the Minimum wage: Lessons from Denmark, New Zealand and Ireland. Centre for Business Research, Unioersity of Cambridge, Working Paper No. 342, (2009).

¹⁷⁹ Mesfin Sileshi, cited above at note 165.P32.

ILO Declaration on Fundamental Principles and Rights at Work make it part of the eight fundamental conventions in 1998. It is also a right proclaimed in the Universal Declaration of Human Rights in 1948.¹⁸⁰

Although the right to organize is the prerequisite for sound collective bargaining and social dialogue there are a continued challenges in applying these principles. In many countries of the world as already mentioned public employees and workers in EPZ and other categories of workers are denied the right to form a union. In other countries illegal suspension or interference with labour organization matters is very common.¹⁸¹

Freedom of association ensures that workers and employers can associate to negotiate efficiently the work relations between them. When sound collective bargaining practices are combined with strong freedom of association, they are able to ensure that employers and workers have an equal voice in negotiations and that the outcome will be fair and equitable for both.¹⁸²

Full respect for freedom of association and collective bargaining is necessary in order to translate economic development into social progress and vice-versa. Based on this fact, the international labour convention (ILC) mentioned that "*freedom of association and the effective recognition of the right to collective bargaining are the key enabling rights for the attainment of all other rights at work*".¹⁸³ This means the right to freedom of association and bargaining collectively are the two foundations on which other rights of workers are established on. In other words, other rights are derivatives of the two most fundamental rights mentioned.¹⁸⁴

4.3.1. Freedom of Association and Protection of the Right to Organize Convention (No.87)

Article 2 of Convention No. 87 provides that, workers and employers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization.¹⁸⁵ Under Article 4 of the Convention workers' and employers' organizations shall not be liable to be dissolved or suspended by administrative authority.¹⁸⁶

¹⁸⁰ Freedom of Association, cited above at note 18.

¹⁸¹ Ibid.

¹⁸² Collective bargaining, www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/collective-bargaining/lang--en/index.htm, accessed 25/08/2012.

¹⁸³ International Training Center, cited above at note 15.

¹⁸⁴ Ibid.

¹⁸⁵ Article 1, Freedom of Association and Protection of the Right to Organize Convention (No. 87) Adopted: 9 July 1948, Entered into force: 4 July 1950.

¹⁸⁶ Ibid.

It is also provided that each Member of the ILO for which this Convention is in force undertakes to take all necessary and appropriate measures to ensure that workers and employers may exercise freely their right to organize.¹⁸⁷

4.3.2. Right to Organize and Collective Bargaining Convention (No. 98)

Article 1 of Convention No.98 provides that workers will be protected against acts of anti-union discrimination, including dismissal because of union membership or participation in union activities and free from requirements that a worker not to join a union or abandon union membership for employment.¹⁸⁸

On the other hand, it is mentioned under Article 2 of the Convention that, workers' and employers' organizations shall enjoy adequate protection against any acts of interference by each other or each other's agents or members in their establishment, functioning or administration.¹⁸⁹

Machinery appropriate to national conditions shall be established, where necessary, for the purpose of ensuring respect for the right to organize as defined in the preceding Articles. Moreover, measures appropriate to national conditions shall be taken, where necessary, to encourage and promote the full development and utilization of machinery for voluntary negotiation between employers or employers' organizations and workers' organizations, with a view to the regulation of terms and conditions of employment by means of collective agreements.¹⁹⁰

One can safely conclude that, the two conventions, freedom of association and protection of the right to organize and the right to organize and bargaining collectively are intertwined together and exercising them separately cannot be realistic.¹⁹¹

The FDRE constitution and labour proclamation has also guaranteed the right to trade unions and collective agreement. Particularly, Article 13 (2) of FDRE Constitution states that the rights and freedoms specified under chapter three shall be interpreted in compliance with the principles of the Universal Declaration of Human Rights, International Covenants on Human Rights and international instruments adopted by Ethiopia.¹⁹² The guarantee of the right to freedom of association and collective agreement are provided under article 31 and 42 of the Constitution.¹⁹³ Also the existing Labour Proclamation No. 377/2003 unlike its antecedents have tried to

¹⁸⁷ Id. article 9.

¹⁸⁸ Right to Organize and Collective Bargaining Convention (No. 98) Adopted: 1 July 1949 entered into force: 18 July 1951.

¹⁸⁹ Ibid.

¹⁹⁰ Id, articles 3 &4

¹⁹¹ Mesfin Sileshi, cited above at note 158, P38

¹⁹² 1995 FDRE Constitution, article 13(2).

¹⁹³ See FDRE Constitution, article 31 and article 42.

maintain compliance with the international conventions and other legal instruments to which Ethiopia is a party.¹⁹⁴This was expressed in the preamble and body of the law.¹⁹⁵

Finally, as it was discussed earlier member States of ILO are duty bound to respect, promote and realize the fundamental conventions of ILO because of their membership in the organization. Ethiopia signed all the eight fundamental Conventions of ILO including Convention No. 87 and 98 and as a member state it is duty bound to respect, promote and realize its terms.

4.4. Regulating Labour Administration in IDZs

4.4.1. Labour Market Institutions in Ethiopia

Labour market institutions in Ethiopia include government bodies such as the Ministry of Labour and Social Affairs (MOLSA) at federal level and its regional counterparts - Bureaus of Labour and Social Affairs (BOLSAs) at regional levels, labour courts, trade unions and employers' associations. Such organizations are responsible for protecting the interests of workers based on standards and regulations related to employment, wage payments, benefits, promotion and other issues.¹⁹⁶

4.4.2. The Ministry of Labour and Social Affairs (MOLSA)

The mission of MOLSA is to promote effective, healthy and peaceful industrial relations through promoting social dialogue and to ensure good labour administration, with occupational safety and health services at both national and regional levels. It thus has several departments and a broad mandate, including responsibility for labour inspection.¹⁹⁷

At the Regional and city level by the two City Administrations in Addis Ababa and Dire Dawa, labour administration is undertaken by Bureaus of Labour and Social Affairs (BOLSAs). These organizations are responsible for labour inspection within each Region or City. Like MOLSA, the BOLSAs are also responsible for labour inspection, a task which is often delegated to Zonal and District offices.¹⁹⁸

4.4.3. Labour Inspection

The GoE which have an ambitious plan for economic and employment growth have to improve compliance with international and domestic labour standards to achieve its development goals, which in turn depends on building capacity in the labour inspectorates. Labour inspectorates help ensure that worker rights are respected, workplace injuries and deaths are reduced, and businesses' costs from lost man-hours and unsafe practices are reduced.¹⁹⁹

¹⁹⁴ Labour Proclamation No. 42/93, *Negarit Gazeta*, 52nd Year, No. 27, Addis Ababa, 20th January 1993. Article 3(2)

¹⁹⁵ Labour Proclamation No 377/2003, *Federal Negarit Gazeta*, 10th year, No. 12, Addis Ababa, February 26, 2003, Preamble

¹⁹⁶ National employment policy and strategy of Ethiopia, cited above at note 19.

¹⁹⁷ Occupational Safety and Health Profile for Ethiopia, MOLSA, cited above at note 163.

¹⁹⁸ Technical Memorandum, Ethiopia Labour Inspection Audit," published by the ILO's Lab/Admin program, (2005), available at https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---lab_admin/documents/publication/wcms_119248.pdf (assessed on Aug. 5, 2018).

¹⁹⁹ Ibid.

With a safer environment and more efficient labour administration, investors will view Ethiopia as an even more promising country for long-term investment. Employers will have a stable environment and worker lives will be measurably improved. But a primary challenge for Ethiopia's labour inspectorates is to prepare for and keep pace with the expected growth.²⁰⁰

Ethiopia has linked ILO labour standards to her national economic and social policy. But Ethiopia has not ratified either of the two principal ILO Conventions on labour inspection, namely the Labour Inspection Convention 1947 (No. 81) or the Labour Inspection (Agriculture) Convention 1969 (No. 129). These Conventions contain comprehensive provisions for labour inspection, and the enforcement of other legislation could improve if Ethiopia ratified these two Conventions as well.²⁰¹

4.4.4. The Functions of the Labour Inspection Services

The functions and powers of the labour inspectors are stated in the Labour proclamation no. 377/2003.²⁰² Labour inspectors at Federal and Regional level are responsible for "ensuring the implementation of provisions" concerning a wide range of topics in all sectors of employment.²⁰³

The Labour Proclamation No. 377/2003, as amended in 2006, provides a sound legal basis for an effective and modern labour inspection service. It includes many if not all of the provisions of the Labour Inspection Convention 1947 (No.81) and also the Labour Inspection (Agriculture) Convention 1969 (No.129) even though neither of these Conventions has been ratified by Ethiopia.²⁰⁴

Labour inspection have a vital role in applying international and national standards at the enterprise level, contributing to sustainable development, economic progress, employment and productivity, and strengthening good governance.²⁰⁵ Therefore, the availability of adequate resources for labour inspection is vital to its effectiveness and impact.²⁰⁶

Next the practice of the major labour issues in IDZs of Ethiopia will be analyzed based on the collected data.

²⁰⁰ Ibid.

²⁰¹ Ibid.

²⁰² Labour proclamation no. 377/96 article 177-179.

²⁰³ As quoted in the Occupational Safety and Health Profile for Ethiopia, MOLSA, Oct. 2006.

²⁰⁴ Ibid.

²⁰⁵ Ibid.

²⁰⁶ Ibid.

4.5. Assessment of Major Labour Issues in IDZs of Ethiopia

4.5.1. Payment of Wage in IDZs of Ethiopia

The payment of wage for unskilled workers in IDZs of Ethiopia is determined by the employer himself²⁰⁷ against the spirit of the labour law which require wage to be determined by negotiation during conclusion of employment contract, collective agreement or work rules.²⁰⁸ Some call it company scale.²⁰⁹ Also industry owners in IDZs are not free to decide their own workers wage because the other industries informally by consensus force them to pay a wage as similar as other industries in zone pay.²¹⁰ As we mentioned above leaving wage determination for market and allowing parties freely bargain is not acceptable because labour is not a commodity and will not be left for the market because of power imbalance between worker and employer. Also labour is a human activity which requires protection of workers from exploitation by intervening in the form of law making by fixing minimum wage.²¹¹

The payments of wage for unskilled workers in the three IDZs of Ethiopia though have slight variations range from about 600-1050.²¹² This indicates the estimated average monthly basic salary of the unskilled workers is about 900 ETH birr/month (\$32.49/month, \$ 1.083/day).²¹³

This payment of wage in IDZs of Ethiopia is considered by workers, workers representative, human resource personnel of the factories in the three zones and the concerned woreda social and labour affairs representatives to be not livable that means the wage of the concerned workers taking in to account the cost of living in the area where they are working is not sufficient for their food, shelter and schooling (for their children or their future) and clothing.²¹⁴

According to experts in Oromia BOLSA the wage paid for unskilled workers in IDZs of Ethiopia is not enough for covering their living cost and to improve their future.²¹⁵ They added low-wage

²⁰⁷ Interview with Asfawu Kelile legal representative of 5 industries in eastern industry zone; DiyuanCeramicaPlc, Dong Fang spinning, dying and printing plc, East Steel Plc, Eastern Industry zone, New Brilliant Manufacturing plc, ZA and HQ Manufacturing PIC, sept.10,2017 E.C., also interview with Mubarek Ahmed, manager of Ever Top sport's wear in Bole Lemi I industry park, sept.10,2017 E.C.etc. , Interview with NimonaTadese, legal representative of four employers Huajian International Light Industry zone, 3 industries in Eastern Industry zone: Kepa Textile PLC, ZhengZheng Iron and steel manufacturing plc, sept.10,2017 E.C., All respondents of my interview answered wage of unskilled workers in IDZs is determined by the employer himself and no negotiation is allowed.

²⁰⁸ Labour law article 4(1),(3)

²⁰⁹ Interview with NimonaTadese,cited above at note 203 .

²¹⁰ Interview with TamiruAbdisa, labour inspectors at Dukem town labour and social affairs, sept. 20/2017.

²¹¹ Mehari, cited above at note 150.

²¹² Interview with Asfawu, Nimona and Mubarek Cited above at note 203. Also observation of payroll of workers in 15 industries under study have shown the same result.

²¹³ The exchange rate of US \$1=27.7 ETH birr according to National Bank of Ethiopia's in 2017; then exchange rate for 900 ETH birr /month is \$32.49/month and \$ 1.083/day.

²¹⁴ Interview with Asfawu, Nimona and Mubarek Cited above at note 203.

²¹⁵ Focus group discusion with AyeleMekasa, director of Industrial relation at Oromia BOLSA, Nemera Abdisa , X,Y,Z (anonymous) experts at industrial relation department at Oromia BOLSA, sept. 10,2017. Focus group discussants said wage paid in IDZs of Ethiopia is not enough for house rent let alone for covering cost of living. And

forced workers in zones under study to share single room for 5-6²¹⁶ and to work forced longer overtime works for about 12-13 hours per day and on weekly rest and holydays to survive or compensate the low wage they earn. Some respondents also told the researcher some female workers in these zones engage themselves in prostitution off-work hours in order to survive.²¹⁷

However, the government of Ethiopia as is also mentioned above in its employment policy strategic plans have the objective of developing IDZs for reduction of poverty through employment generation and wage earned from employment.²¹⁸ But the industrial development carried out in Ethiopia could not alleviate workers of IDZs of Ethiopia from living under extreme poverty. Extreme poverty line is defined by the World Bank based on the purchasing power of money internationally. According to the World Bank \$ 1.25/day or \$34.625/month (35 ETH birr /day or 1050 ETH birr/month) was been extreme poverty line. Now in 2017 poverty line is revised and increased to \$1.9/day or \$57/month (52.63ETH birr /day or 1578.9ETH birr/month).²¹⁹ But workers in IDZs of Ethiopia as mentioned above are on average paid 30ETH birr /day, 900 ETH birr/month which show wage paid for unskilled workers in IDZs of Ethiopia is by far below extreme poverty line.²²⁰ This means all workers working in IDZs of Ethiopia are living under poverty line. In this regard this low wage paid in IDZs makes the purpose for which these zones are established,²²¹ poverty reduction objective, a failed objective.

Comparison of monthly wage for unskilled workers in EPZ of other jurisdictions also show there is lesson that Ethiopia could learn from them. The \$32.49/month wage paid for unskilled workers in IDZs of Ethiopia is by far less than EPZ wage of many African countries like Kenya which is \$117, Lesotho which is \$150, Tanzania which is \$133, Nigeria which is \$202, Senegal which is \$225.²²² It is also lower than wage paid for unskilled workers of some East Asian countries like Bangladesh which is \$46, Korea \$13/hr²²³. Also wages in Ethiopia are one-fourth of China's and one-half of Vietnam's.²²⁴

they said wage is the main reason of disputes in the zones. They conclude organizing labour union and conclusion of collective bargaining in zones will be a remedy.

²¹⁶ Ibid.

²¹⁷ Interview with Tamiru Abdisa, cited above at note 233, telling situation of female workers in Eastern industry zone.

²¹⁸ National Employment Policy and Strategy of Ethiopia, cited above at note 19, p12.

²¹⁹ 2017 global Poverty line Update is \$1.9/day. World bank 2017- available at

<http://www.worldbank.org/en/news/video/2017/04/14/why-change-the-international-poverty-line-from-1.25-to-1.90-per-day> assessed on aug. 15,2018.

²²⁰ Compare poverty line \$1.9/day (52.63ETH birr /day) with \$ 1.083 (30ETH birr /day) actually paid for unskilled workers in Industrial Development Zones of Ethiopia. Compare poverty line \$57/month (1578.9ETH birr /day) with \$32.490/month (900ETH birr /month) actually paid for unskilled workers in Industrial Development Zones of Ethiopia

²²¹ National Employment Policy and Strategy of Ethiopia, cited above at note 19.

²²² T. Farole, Special Economic Zones in Africa, Comparing Performance and Learning from Global Experience, World Bank (2009), p. 106.

²²³ Ibid.

²²⁴ Dinh, Hinh t., et al., cited above at note 80.

The interview made with different stake holders showed Ethiopian IDZs are based on assumption of low wage competitiveness. Ato TinsaeYimam, senior customer service manager in IPDC of Ethiopia, tells wage in our IPs is determined based on international market to compete with other countries but he also tell low wage is reason of disputes and strikes in our Ethiopian IDZs.²²⁵ But as mentioned earlier wage paid in IDZs of Ethiopia is by far less than wage in other competing African and Asian countries' EPZ. Also representative of some industries believe low wage resulted in high turnover of employees²²⁶, low productivity²²⁷ and bad worker-employer relationship in industries in IDZs of Ethiopia.²²⁸

4.5.1.1. Labor Productivity and Wage in Ethiopia

Labor productivity in Ethiopia is only slightly lower than China while wage in Ethiopia is very low. According to China daily Africa Weekly a typical Ethiopian worker is about 60-70 percent as productive as the equivalent Chinese, but it is also believed this can be increased to 70-80 percent whereas a typical wage in Ethiopia is only 30 yuan (USD 48) which is equivalent to one-tenth (1/10th) (3000 yuan or USD 480) of monthly wage of workers in China.²²⁹

Other writers also have a similar view. According to Vincent Palmade et al. labor productivity in light manufacturing in well-managed firms in Ethiopia approximates to levels in China and Vietnam while wages in Ethiopia are one-fourth of China's and one-half of Vietnam's.²³⁰ These facts also need to be seen with the findings raised above cost of labor due to reasons like minimum wage as insignificant factor/not a factor affecting employment and investor location determination and minimum wage as motivation factor which has the ability to increase productivity. Also it is important to notice labor cost due to minimum wage can be sucked by increasing productivity using training, efficiency wage, quality products. Interview with

²²⁵ Interview with TinsaeYimam, senior customer service manager at Industrial Parks Development Corporation, aug. 12, 2017. Ato Yemane says the reason of low wage is to be competitive and wage is determined based on market comparison with other states. But he did not mention any state with comparable wage with Ethiopia for his reference.

²²⁶ Interview with Asfawu, cited above at note 196. According to Asfawu most workers terminate their employment after one month pay because the pay is not enough for living.

²²⁷ Interview with Asfaw, cited above at note 230.

²²⁸ Interview with YohannesBirhanu, human resource manager of Eastern Industry zone, sept. 10, 2017.

²²⁹ Chen Weihua, "putting its Best Foot Forward", China daily Africa weekly, (09/12/2014), p. 20. Available at : <http://Africa.China.daily.com.in/weekly/201409/12/content-18587359.htm>>. see also Christina Parsarillo and Suzanne Kapner, "search for Ever Cheaper Garment Factories Leads to Africa: from H&M to Calvin Klein, Brands look to Ethiopian Factories where pay is as low as \$21 a month" Wall Street Journal, available at: <http://www.wsj.com/article/search-for-ever-cheaper-garment-factories-leads-to-africa-1436347982>.

Hinn T. Dinh, Vincent Palmade, Vandana Chandra and Frances Cossar, Light Manufacturing in Africa: targeted policies to enhance private investment and create Jobs 3 (Africa Development Forum, the Owrlid Bank 2012) <https://elibrary.worldbank.org/doi/abs/10.1596/9780821389624-CH08>

employer's representatives, Labor Unions representatives, Industry park representatives, MOLSA counter parts at district and city levels and CETU show productivity of Ethiopian labor is from good to very good. And they think low productivity of labor in their respective industries is due to low wage and the consequent high turn-over.²³¹

Labor productivity in Ethiopia is high among the few larger firms in four of the five subsectors. It remains low on average, especially for smaller firms that lack entrepreneurial, managerial, and technical skills.²³²

It can be concluded that the low wage is a serious problem affecting development and sustainability of IDZs. And absence of law fixing minimum wage for IDZs is a factor for low wage. To this effect employment policy of Ethiopia which has the aim of setting minimum wage for private sector including IDZs is not made practical until yet.²³³ As mentioned above in literatures minimum wages are minimum standard payment on which workers base and bargain with their employers and many countries have also succeeded by fixing minimum wage. Therefore, the absence of law fixing minimum wage for employees of IDZs in Ethiopia has played its own role for non-livable wages paid in IDZs and Ethiopia need to dwell on it for her IDZs.

4.5.2. The Right to Form Trade Unions and Collective Bargaining in IDZs of Ethiopia

4.5.2.1. The Right to Form Trade Unions in IDZs

As clearly explained in the literature part above the right to form trade unions is the fundamental right of workers and it is also the basic right that enables protection of other labour rights (work conditions) like wage, job security, work place safety and health etc. The power imbalance between workers and employers will be mitigated and fair bargain is possible only when workers are organized in union.²³⁴

The formation of trade unions in Eastern Industry Zone is not allowed by industries until recently. The first trade Union formed in Huajian International Shoe City, one of industries in Eastern Industry Zone, was dissolved in 2005 by interference of government and it is not reformed until today.²³⁵ The members of this labour union and its supporters were also fired after

²³¹ Interview with Tinsae Yimam supra note at 225, interview with Asfawu and Nimona, supra note at 196, interview with X vice president, cited at note 243, Focus group discussion with Nigusu Belay, Tesfaye Gemchu, X, Y, Z, cited above at note 224, Interview with Sudan Negewo cited above at note 261

²³¹ [Dinh+and+Others&aqs:Light+Manufacturing+in+Africa+Targeted+Policies+to+Enhance+Private+Investment+and+Create+Jobs+available+at+Light+Manufacturing+in+Africa+Targeted+Policies+to+Enhance+Private+Investment+and+Create+Jobs+Hinh+T.+chrome..69i57.2059j0j8&sourceid=chrome&ie=UTF-8](http://Dinh+and+Others+and+Others&aqs:Light+Manufacturing+in+Africa+Targeted+Policies+to+Enhance+Private+Investment+and+Create+Jobs+available+at+Light+Manufacturing+in+Africa+Targeted+Policies+to+Enhance+Private+Investment+and+Create+Jobs+Hinh+T.+chrome..69i57.2059j0j8&sourceid=chrome&ie=UTF-8) (assessed on February, 21-2011)

²³² National Employment policy and strategy of Ethiopia, Cited above at note 19, p38.

²³³ National Employment policy and strategy of Ethiopia, Cited above at note 19, p38.

²³⁴ International Training Center, cited above at note 15.

²³⁵ Interview with Nimona Tadese, cited above at note 196. Also interview with Asfawu Kelile, cited above at note 196.

dissolution of the union.²³⁶ The members and their supporters were represented by CETU and took their case to court. But the court finally ruled against the unionists and their supporters because the union is not member to and cannot be represented by CETU in court.²³⁷

But now after Qerro's (Oromo youth) struggle for peace and democracy and the coming in to power of the new Oromia President, Dr. (hon) Lemma Megersa, the situation is a bit moderated in Eastern Industry zone.²³⁸ Lemma's government noticed the need and necessity to form labour unions and now by facilitation of the Dukem town social and labour affairs office a quite good number of trade unions about 18 are recently formed in Eastern Industry Zone.²³⁹ But these labour unions were formed in the absence of willingness of the industries in the zone.²⁴⁰ Industries, especially Chinese industries, in zones do not want the formation of Unions in the zones.²⁴¹ As Asfawu explains industries in this zone perceive unions as source of conflict because he tells after union formation every quest for right by workers is accompanied by conflict and strike.²⁴² CETU also confirm Eastern Industry Zone despite negotiations they made for unionization with employers did not give fruit.²⁴³ According to experts and authorities in Oromia BOLSA industries in Eastern Industry zone restrict formation of labour unions, against the constitution and labour law guarantee to form union in order to evade conclusion of collective agreement. This is because industries are aware that there is no collective agreement if labour unions do not exist.²⁴⁴ They added there is antagonistic relationship between industries and labour unions and there is still no way out of the problem because the tripartite dialogue between workers, employers and government which could be a solution is not effectively working in practice.²⁴⁵ They said there is no forum for hearing voice of workers in the zones.²⁴⁶

In Huajian International Light Industry zone industries prevent formation of unions.²⁴⁷ Workers interviewed told the researcher different attempt of forming trade unions by workers were failed due to different acts of the industries. Workers in the zone believe it is impossible to form trade unions in their industry zone because any attempt to do so will result in being fired. As a result of this they added there is no single trade union formed in Huajian International Light Industry

²³⁶ Ibid.

²³⁷ Ibid.

²³⁸ Interview with Asfawu Kelile, cited above at note 196.

²³⁹ Interview with Tamiru Abdisa cited above at note 206, Also focus group discussion with Nigusu Belay, leader of Ayibo Garment PIC, Tesfaye Gemechu, Vice labour union leader of Ayibo Garment plc, X,Y,Z (anonymous), aug. 10, 2017.

²⁴⁰ Ibid. Also interview with Teferi Kenate, deputy administrator in Dukem Town labour and social affairs office, june, 2017.

²⁴¹ Ibid.

²⁴² Interview with Asfawu kelile, cited above at note 196.

²⁴³ Interview with X (anonymous), vice president of CETU, sept. 10, 2017.

²⁴⁴ Focus group discussion with Ato Ayele Makasa and others cited above at note 214.

²⁴⁵ Ethiopia has ratified tripartite Consultation (International Labour Standards) Convention 1976 (No. 144). convention

²⁴⁶ Ibid.

²⁴⁷ Telephone interview with Ato Kalu, manager of Huajian International Light Industry Zone, august 2018.

zone.²⁴⁸ The workers in the zone tell they feel government seems to want union free zone. The y added their woreda social and labour affairs office also did nothing toward facilitating for formation of unions in the zone.²⁴⁹ They said the usual organ of government available in the Industry zone is police force which they tell are not for their right but to protect the industry as property and to take workers to police station in case of dispute and strike only.²⁵⁰

Industries in Bole Lemi Industry park also do not have trade unions.²⁵¹ According to Mengistu, administrator of Bole lemi IP (zone), and Mubarek Ahmed²⁵², manager in Evertop sportswear plc, industries in the zone have different views on formation of unions; some in support and others in not supporting and agreement is not reached yet.²⁵³ Mubarek said some companies in the zone even want to initiate organizing labour but some other companies with capitalist origin strongly oppose the formation of labour unions. Mengistu said the reason for non-formation of labour union in our zone is because establishment of our IP is new.²⁵⁴ But about 5 years have lapsed since Bole Lami Industry park started operation. However ato Ayalewu, worker in Jay jay textile plc, said industries in the zone are against the right to organize and prevent workers from organizing because they think organizing creates work place disturbance.²⁵⁵ Bezu Seboka, worker in George Shoe plc., also said workers who started discussion on formation of trade unions in the industry were fired and now workers for one thing afraid and do not want raising about this issue and she also added most workers engage to work in the industry only for temporary time and do not want to form unions.²⁵⁶ Official of CETU say Bole Lemi Industry parks have shown their willingness for formation of trade unions and we have started to work with them in helping the formation of unions.²⁵⁷ Recently while this thesis is on its final stage only in one industry, Shintes garment Plc, have managed to form labour union in Bole Lemi Industry zone.²⁵⁸ But this union is on its early stage to tell its practice and its relation with the industry.

As a result of antagonistic relationship between union formation and industries in IDZs there are union discriminations on the members and leaders of the unions.²⁵⁹ In eastern industry zone out of the 18 unions formed about five are suspended due to union discriminations.²⁶⁰ The industries fired union leaders, some of the leaders were detained by police, and some were demoted from

²⁴⁸ Interview with NiguseGizawu, Security Guard in Huajian International Light Industry, sept. 14,2017.

²⁴⁹ Focus group discussion with GemechisTolera, Jemalkedir, AbdoAbdella, X, Z (anonymous), workers in Huajian International Light Industry zone, aug. 10,2017. Also interview with NimonaTadese, cited above at note 196.

²⁵⁰ Ibid.

²⁵¹ Interview with Mengistu Regasa, administrator of Bole Lemi Industry park, aug. 10,2017. According to Mengistu, there are 12 operational industries in Bole Lemi Industry park.

²⁵² Interview with Mubarek Ahmed, cited above at note 196.

²⁵³ Ibid.

²⁵⁴ Ibid.

²⁵⁵ Interview with AyalewuMoges, worker in Jay Jay textile plc in Bole Lemi Industry park, aug. 10,2017.

²⁵⁶ Interview with Bezu Seboka, worker in George Shoe factory in Bole Lemi Industry Park, August 2017.

²⁵⁷ Interview with X (anonymous), CETU Vice President, cited above at note 243.

²⁵⁸ Interview with Mubarek Ahmed, cited above at note 196.

²⁵⁹ Focus group discussion with Nigusu Belay, TesfayeGemchu, X,Y,Z, cited above at note 224.

²⁶⁰ Ibid.

their position of supervisor to ordinary worker and their entire wage and benefits are taken away due to their leadership role in unions.²⁶¹ Also some union leaders were prevented their full attendance and bonus payments.²⁶² These payments were told by the respondents as better than ordinary salary. Some were intimidated to murder and others were detained in the name of emergency decree.²⁶³ Sudan Negewo and Nugusu Belay who are trade union representatives of different trade unions told the researcher the industries are fabricating trivial fake reasons to fire and attack trade union leaders. Workers hired in 2009 after formation of the unions are often times fired before 45 day probation period lapses because the industries in so doing want to restrict them from becoming union member.²⁶⁴

Generally, IDZs of Ethiopia have no trade unions because the industries oppose and prevent formation of labour unions. Even where unions are formed they are formed against the industries interest and are suppressed and ineffective. But as we have mentioned in the literature above labour unions are important for workers and industry peace. Therefore, industries in IDZs of Ethiopia should refrain from preventing and suppression of union formation and operation in the zones.

4.5.2.2. The Right to Collective Bargaining in IDZs of Ethiopia

In the three industry zones under study there is no collective bargaining concluded between trade unions and the industries.²⁶⁵ Even in Eastern industry zone where about 18 unions are formed the industries did not conclude collective bargaining. According to Sudan, leader of trade union, some labour unions have already submitted the draft of their collective agreement and are waiting for any response from the industries. However the industries have delayed responding to their offer.²⁶⁶ But according to Ethiopian labour law parties should avail themselves for collective bargaining in 10 days from the time of request and refusal to bargain in good faith is prohibited.²⁶⁷

Generally IDZs of Ethiopia have no collective agreements implying the zones are almost free of effective trade unions and the work done to improve work conditions in the zones is weak. Absence of trade unions is a cause for absence of collective agreement because collective agreement is concluded between labour union and employers.²⁶⁸ Therefore, restrictions on formation and operation of unions and consequent non-existence of collective agreements is

²⁶¹ Interview with Sudan Negewo, labour union representative in Dong Fang spinning, printing, dying plc aug. 10, 2017.

²⁶² Ibid.

²⁶³ Ibid. Also focus group discussion with Workers in Ayibo Garment plc cited above at note 78.

²⁶⁴ Ibid.

²⁶⁵ Interview with all respondents of the research has shown none of the industries in IDZs of Ethiopia has concluded collective agreement.

²⁶⁶ Interview with Negewo, cited above at note 261.

²⁶⁷ Labour proclamation no. 377/96 article 130 (2) (4) and art. 185(2).

²⁶⁸ Labour proclamation no. 377/96 article 124(1).

against the interest of workers and industrial peace and requires immediate response of all stake holders, workers, government, employers and civil societies etc.

4.5.3. Enforcement of Labour Inspection System in IDZs of Ethiopia

Labour inspection in industries of Ethiopia generally and IDZs specifically is said to be weak. There is no reform done by government to capacitate inspection structure.²⁶⁹ Labour inspection offices as raised above are entrusted by law the duty to inspect work conditions and take corrective measures in case of violation of labour rights.²⁷⁰ But both at federal and regional levels the labour inspection structure is not effective because it lacks sufficient budget and human resources²⁷¹ and power.²⁷² The shortage of inspection tools, computers, insufficient man power both in quality and quantity, shortage of logistics like transport, and per diem are some of the reasons raised for its weakness.²⁷³

Sometimes inspections are carried out in Eastern Industry zone. But mostly the inspections in the zone are made after the fact (after violation of right) based on complaint made by workers or their representative and are not proactive inspections.²⁷⁴ Key informant interview with workers and workers representatives in eastern industry zone show there are ample cases of violations of workers' rights relating to longer hours, sexual violence, machine accidents due to non-provision of safety tools and workers who asked the provision of safety tools for unloading dangerous chemicals²⁷⁵ were penalized with wage deductions.²⁷⁶ But all these violations are not penalized due to the different reasons related to lack of sufficient man power and logistics etc. of inspection service.²⁷⁷

Group discussions and key informant interviews with workers and experts in the zone showed Bole Lemi Industry Park²⁷⁸ started inspection work only before 2 months at may,2010 and this could be a good start. But Huajian International Light industry were told to be rarely inspected

²⁶⁹Interview with Mogeskindu, expert at MOLSA under department of Harmonious industrial relation directorate, sept.10,2009 E.C.

²⁷⁰Labour proclamation no. 377/96 article 177,(2)(8)(9)

²⁷¹Interview with MogesKindu, cited above at note 254. Also focus group discussion with AtoAyelemekasa..., cited above at note 204.

²⁷²Interview with NimonaTadese, cited above at note 196.Nimona says the labour proclamation 377/96 do not give sufficient power for inspectors.

²⁷³ Ibid.

²⁷⁴Interview with TamiruAbdisa, cited above at note 206.

²⁷⁵Interview with Sudan Negewo, cited above at note 261.

²⁷⁶ Ibid.

²⁷⁷ Ibid.

²⁷⁸ Interview with LioulAsfawu, worker in Ever Top textile, Aug. 10,2009. Interview with YonasNiguse, worker in Ashton Apparel Manufacturing Plc, Aug. 10,2009., also interview with Tesfaye Girma, labour officer in Addis Ababa city labour and social affairs Beureo Bole Lemi Industry park branch office, aug. 10,2010.

until today and²⁷⁹ inspectors come to zone only after the fact (dispute) occurred in the zone.²⁸⁰ Lack of commitment of government to enforce labour rights can be implied here.

Regarding man power in 2007, Ethiopia's labor force was an estimated 37.9 million people and it is growing rapidly, with most workers in agriculture. If the formula for less developed countries is applied (the lowest threshold), then about 848 inspectors would be required to cover all sectors in Ethiopia. MOLSA has 123 labor inspectors and Ethiopia's largest state, Oromia, has about 50 labor inspectors. A rough estimate suggests that there are fewer than 250 total inspectors in the country.²⁸¹ Similarly, the number of labor inspectors in 2017 is likely insufficient for the size of Ethiopia's workforce of 52.82 million workers. According to the ILO's technical advice of a ratio approaching 1 inspector for every 40,000 workers in less developed economies, Ethiopia would employ about 1,321 inspectors.²⁸²

Dukem town where East Industry zone is located has only 2 (two) inspectors for inspecting 552 industries found under their jurisdiction. As a result they inspect yearly only 1/4th of the industries under their jurisdiction.²⁸³ The inspectors told the researcher budget, man power, logistics like vehicles, inspection tools were constraints limiting the efficiency of their service.²⁸⁴ This is common problem in all IDZs of Ethiopia.²⁸⁵ Kindu expert at MOLSA mentions Ethiopia as a nation has only 500 inspectors for over 18,618 industries in the country. And according to Kindu about 2,000 inspectors are needed to effectively inspect industries found in Ethiopia.²⁸⁶ This all weak inspection service is contrary to government employment policy objective of strengthening labour institutions.²⁸⁷

Focus group discussion with Ayele Mekasa and Nemera Abdisa, X,Y,Z, experts in Oromia BOLSA, tell the problem of man power in Oromia to inspect IDZs. They said we did not inspect IDZs because we have no sufficient man power both in quality, quantity and the required fields of study.²⁸⁸ They added the number of inspectors for Oromia for its regional jurisdiction are, save not for Oromia region, are not enough to inspect two woredas with high number of industries like Dukem and Sebbeta Hawas.²⁸⁹

²⁷⁹ Focus group discussion with Gemechis ..., cited above at note 234.

²⁸⁰ Interview with Nimona, cited above at note 196.

²⁸¹ -Jeff Wheeler, J.D, and Keith Goddard, DSc, P.E. CSP, Assesment of Ethiopia's Labor Inspection System (Bureau of International Labor Affairs U.S. Department of Labor, March 2013)p. 22.

²⁸² 2017 findings on worst forms of child labor in Ethiopia found at <https://www.justice.gov/eoir/page/file/1105161/download> assessed on february, 2009 E.C.

²⁸³ Interview with Teferi Kenate, cited above at note 225.

²⁸⁴ Interview with Tamiru Abdisa, cited above at note 206.

²⁸⁵ Interview with Moges Kindu, cited above at note 254.

²⁸⁶ Ibid.

²⁸⁷ National employment policy of Ethiopia, Cited above at note 19.

²⁸⁸ Focus group discussion with Ayele Mekasa and others, cited above at note 204.

²⁸⁹ Ibid.

The other challenge to inspection service in zones is the lack of power to punish violators.²⁹⁰ In Ethiopia labour inspectors are not empowered to impose immediate sanctions (administrative fines) on employers. Fine punishments provided by law are imposed only by the decision of a court of law. Inspectors can write formal letters or 'notices' to employers in cases where, in the inspectors' opinion, the law has been contravened.²⁹¹ Inspectors also expressed penalty provided in labour law do not enable to correct industries from violating labour rights because the punishments prescribed by law are lenient fine penalties.²⁹² Experts in Oromia BOLSA said²⁹³ government's lack of commitment for protecting labour rights is based on the assumption of promoting industries and FDI. Due to this reason they added action taken by inspectors on industries are interfered by ministry of industry and their counterparts at different levels.²⁹⁴

The other challenge to effective inspection in zones is problem of access to zones by inspectors. IDZs of Ethiopia are guarded by security guards who do not allow unconditional entrance of inspectors. As a result according to interview with labour union leader Sudan Negewo industries in Eastern industry zone avoid penalty by window dressing violations before inspectors arrive.²⁹⁵ Inspectors' entry into zones is possible only upon giving prior notice and consequent approval of the industry or zone administration reducing the probability of finding the violations of work conditions in zones.²⁹⁶ As explained above labour inspectors shall have power to enter during any working hours, without prior notice, any work place for inspection. And preventing inspectors from entering work place is prohibited.²⁹⁷ But the law is weak because it did not provide clear sanction for preventing inspector entrance in to work place. So, a zones act of preventing unconditional entrance of inspectors is illegal.

The infrequent inspections carried out in Eastern Industry zone, and recently in Bole Lemi and Huajian International Light Industry are based mainly on the claim and are passive and not proactive.²⁹⁸ And the inspection service for IDZs is tainted with shortage of man power, logistics and lack of commitment from government. In order to carry out its functions effectively, the labour inspection services in Ethiopia and IDZs specifically not only need an adequate number of trained staff but also the necessary resources and budget necessary to perform their task.²⁹⁹

²⁹⁰ Ibid.

²⁹¹ Technical Memorandum, cited above at note 180. Also see labour proclamation no. 377/96 article 186.

²⁹² Ibid. see also labour proclamation no. 377/96 articles 184-186. Penalty provided for violation of labour rights are only punishable with fine not exceeding 1200 ETH birr. According to this article inspectors do not have power to punish such penalties other than submitting the case to competent authorities entrusted with the power to determine labour disputes like court of law and labour boards.

²⁹³ Focus group discussion with Ayele Mekasa and others cited above at note 197.

²⁹⁴ Ibid.

²⁹⁵ Interview with Negewo, cited above at note 261.

²⁹⁶ Interview with Yohannes Birhanu, cited above at note 254. And also interview with Mr X (anonymous), security guard at gate of Eastern Industry Zone, aug. 10, 2009, Interview with Tesfaye Girma, cited above at note 296.

²⁹⁷ Labour proclamation no. 377/96, article 178 and 182.

²⁹⁸ Interview with Mengistu Regasa, cited above at note 229. Also telephone interview with Ato Kalu, cited above at note 232.

²⁹⁹ This conclusion is based on the key informant interview with above mentioned interviews.

Summary

Private sector development using development of industrial development zones as policy tool for employment generation and reduction of poverty is being implemented in Ethiopia. But the regulation of labour issues in industrial development zones requires a second look.

Wage regulation mainly requires among other things fixing minimum wage which is minimum standard below which bargaining is not allowed. Ethiopia has not ratified minimum wage conventions and despite there is policy objective to set minimum wage it is not fixed for private employees including IDZs of Ethiopia. Unskilled workers in IDZs of Ethiopia are paid wage by far less than absolute poverty line and are working under absolute poverty. The wage paid is generally not livable. In this regard the development of industrial development zones has not achieved the objective of alleviating Ethiopian work force above poverty line. The low wage competitiveness relied on by Ethiopian government when establishing the IDZs is also a failure because globalization and modern competitiveness required the shift of focus from low wage competitiveness to productive labour (speed and efficiency) and improving other competitive factors. This analysis shows the absence of law fixing minimum wage in Ethiopian IDZs and the consequent payment of wage below poverty line has exposed IDZ workers under the exploitation of the industries.

IDZs of Ethiopia have no effective labour unions because of among other things the industries are repulsive to union formation, government and other stake holders are reluctant to work toward protection of union rights. But union rights are international and nationally guaranteed rights which Ethiopia ratified and important basic rights for industrial peace and it is found that it should be promoted and enforced by industries, workers, government and other stakeholders in IDZs of Ethiopia.

Also this research has found even though collective bargaining are important tools for better work conditions and industrial peace as a result of non-existence of labour unions in IDZs and where there are unions as a result of anti-union practices adopted by industries there are no collective agreements concluded between employers and workers in IDZs of Ethiopia.

It is also found that labour administration in Ethiopia and particularly in IDZs of Ethiopia is weak to enforce labour rights. The inspection structure entrusted with the task of supervising the protection of labour rights in industries of Ethiopia including IDZS is riddled with various deficiencies including lack of sufficient man power, skill, logistics, lack of government commitment and the necessary legal authority that enables it to correct industries' conduct and as a result cannot enforce labour rights entailing the need of deeper policy and legal reform in this regard.

Chapter Five

Conclusion and Recommendations

5.1. Conclusion: Major Findings of the study

IDZs in Ethiopia are established as one pillar policy strategic objectives of Ethiopia aimed at shifting development of the economy from agriculture led to industry led. Ethiopia is enhancing industrial development by attracting FDI in to industrial development zones by providing various packages of incentives for the industries operating in zones.

Even though government of Ethiopia is aggressively developing industrial development zones in different parts of the country and widening various incentive packages for attracting industries in to the zones the government on the other hand is found reluctant to protect labour rights in the zones. The industries in IDZs as most of the industries in IDZs are producing for export market and are competing in international market tend to push down protection of labour rights. They consider labour cost as their major cost to contain. In so doing they base on low-labour cost, by way of reducing wage, restricting union and not providing safety tools, etc.

However the literature shows EPZs based on low-wage are traditional and its competitiveness is not sustainable. It is found modern competitiveness is based on mix of cost and quality (speed and efficiency). It is also established that EPZs competing based on low-wage are racing to the bottom and will not succeed. Therefore today there is a need to design new way of competitiveness which is based on improving labour productivity of workers through training, and enhancing infrastructural and efficient service facilities than relying on low-wage. Literature also stress better wage increases productivity and willingness of workers and should not be suppressed.

The wage paid for unskilled workers in IDZs of Ethiopia are not livable. The wage paid cannot cover monthly house rent, and or monthly low cost food. It cannot pay workers basic needs like food, shelter, and clothing and workers education for their children or for improving their future. The wage paid for workers in IDZs of Ethiopia is \$ 1.08 is below poverty line \$1.25/day (now poverty line is increased to \$1.9/day) according to World Bank and is also below wage paid in EPZ of many African countries. This shows workers in IDZs of Ethiopia live under extreme poverty. The employment and industry policy objective of Ethiopia is alleviating workers from poverty and making shared growth but against this policy wage paid for unskilled workers in IDZs of Ethiopia cannot reduce poverty and is not shared growth. This implies the growth of industries in the zones is not shared to work force. It left IDZ workers to be burden on the society and burden on the economy of Ethiopia rather than contributing something to it. In this regard the policy objective of IDZs of Ethiopia as tool of alleviating workers from poverty is found to be a failed objective.

The other labour right of workers which is guaranteed by national and international laws is the right to engage in or form labour unions of their choice. As seen above however protection of this right in IDZs of Ethiopia is generally neglected until when government of Oromia led by President Lemma Magersa noticed the need of labour unions in the zone as a result of 'Qerro's struggle for peace, equality and democracy in 2017 and some unions are formed only in Eastern Industry zone. These unions were not effective due to anti-union practices adopted by employers operating in the zone. As a result of anti-union practices of industries in IDZs of Ethiopia labour unions could not succeed in concluding collective agreements with industries. There is no collective agreement in the three zones including eastern industry zone where a fairly good number of unions are formed. Therefore, IDZs of Ethiopia are zones where there is no effective labour unions and collective agreement. But literature uncovers the right to organize in union and the rights to collective bargaining are enabling rights for protection of other labour conditions including livable wage for workers.

Labour inspection has a vital role in applying international and national standards. In this regard the availability of adequate resources for labour inspection is vital to its effectiveness and impact. The government organ entrusted with the task of regulating labour rights MOLSA and its regional counter parts lacked the necessary sufficient man power, budget, inspection tools, logistics and are generally weak and devoid of the necessary power to make effective inspection in IDZs.

It is found that no inspection works are done in Bole Lemi Industrial park and Huajian International Light Industry until 2010 E.C. since their establishment except recent starts made in Bole Lemi Industry Park by opening labour office. This establishment of labour office in the industry park can be encouraging task but it is too early to judge its performance. Inspection carried out in Eastern Industry Zone is not proactive and not effective because of different limitations of shortage of man power, logistics etc.

Also the government did not commit itself to make inspection in IDZs. Despite non-limitation of the law inspectors are not allowed to enter zones without giving prior notice for industries/zone administration as a result sudden inspection is not possible. The labour law also does not providesufficient power to take action for inspectors. The penalties provided for violations of labour law are found to be lenient and cannot correct industries. Generally, IDZs are found to lack effective inspection and there is no government guarantee for zone workers in case of violation of labour rights.

5.2. Recommendations: Policy Implications

1. Downward pressure on wages is an economic implication of the removal of labour standards. Competitiveness based on low cost labour is a race to the bottom. This is because globalization has shifted competitiveness based on low cost in to competitiveness based on speed and efficiency or productive labour. Modern reputed MNE, buyers and donors also condition their

business relation with states based on whether the state is protecting its national and international commitments including internationally agreed labour standards. Additionally studies identify low-wage among the insignificant FDI location determinant factors and the modern FDI location determinants are quality of infrastructure, political and economic stability, easier bureaucracy, efficiency and speed (productivity of work force) and not low-cost labour. Therefore, Ethiopia should shift its policy from relying on low wage to the new competitiveness like improving productivity of workers by providing skill trainings and improving other FDI inflow determinant factors to be competitive. In this regard GoE should revise vocational and university trainings to improve the quality of skill and skill mismatches with industry's needs. And the government should work with industries and other stake holders on training workers and potential work force in a way they improve productivity. Also government should work on taking positive measures like improving infrastructures like roads (roads to ports, to air-port, to raw materials etc.), political and economic stability, market diversification by using bilateral and regional trade agreements (or regional integration) to increase its competitiveness in international market.

2. Labour is an engine of industries and suppression of wage is deteriorating the labour and deteriorating the industry. Recognizing the contribution minimum wages for improving living condition of workers and Ethiopia's duty under ICESCR minimum wages should be fixed to protect workers from exploitation of industries in IDZs of Ethiopia. In this regard Ethiopia should also ratify wage conventions, Convention No.95 of 1949 on protection of wages and Conventions No.26 of 1928, No.99 of 1951 and No.131 of 1970 on the minimum wage protection in order to widen the legal base of the same.

3. Industrial peace requires consent of every one participating in the industry. Therefore the MoLSA, CETU and civil societies should work with zones and other stake holders to organize workers union in zones and facilitate conclusion of collective agreements and social dialogues for protection of workers' rights and industrial peace.

4. MOLSA should reform its structures and improve capacity of labour inspectors by increasing the number and skill of inspectors, by giving sufficient budget that enables to make effective inspection services in IDZs for protection of labour rights. IDZs of Ethiopia are guarded and unconditional access is not allowed. However, effective inspection in zones requires easy access in to zones by inspectors and therefore IDZs of Ethiopia should allow unconditional entrance of inspectors in to the work places.

5. MOLSA and their counter parts in cooperation with Ministry of Industry and Trade should give awareness creation trainings on the necessity of protection of labour law and labour standards in the IDZs of Ethiopia especially on the protection of the right to form trade unions and the right to collective bargaining for industries and workers in zone.

6. Employers in IDZs of Ethiopia should also abstain from harassing employees by un justified and exaggerated wage deductions, union discrimination and suppression, unlawful dismissals because of union activity.

7. Where there are labour unions every effort should be made by employers, workers and government and other stake holders to realize conclusion of collective agreements in IDZs of Ethiopia. And where there are no labour unions every effort should be made to organize labour unions and should also work to realize conclusion of collective agreements in the zones.

8.-Even though Labour Proclamation No. 377/2003, as amended in 2006, have included many if not all of the provisions of the Labour Inspection Convention 1947 (No.81) and Labour Inspection (Agriculture) Convention 1969 (No.129) since neither of these Conventions has not been ratified by Ethiopia I recommend that these conventions ratified so as to strengthen further the legal basis on which inspectors operate.

9. Although inspectors have been given a wide range of enforcement powers under the Proclamation, there is very little use of such powers in practice and little enforcement. Taking note of the fact that the federal government has already embarked on a program of labour law reforms I recommend that attention is specifically given to the reasons why labour law is poorly enforced, and that steps are taken to improve this so that the law is properly implemented and greater equity and justice is achieved in the workplace generally and IDZs specifically.

10.-There should be rules of the game in zones. Chinese privately established zones in Ethiopia are established in the absence of establishment laws by mutual contractual agreements. Where zones are established with clear establishment laws the establishment laws have a role in addressing and facilitating provision of services; infrastructure and ensuring compliance with labour standards and the opposite happens when not. Therefore, there should be establishment laws for privately operated zones including already established Huajian International Light industry and Eastern Industry zone.

11. Violation of labour standards in IDZs can reduce chances of preferential trades. They might reduce the chances of states to bargain for privileged access to markets in industrial countries because protection of labour standards are becoming preconditions for privileged access in the later countries. It can also reduce chances of joint venture with reputed enterprises due to adopted guidelines or codes of conduct by these enterprises that condition the choice of subcontractors and local partners in joint ventures to respect for basic labour standards. Therefore, industries in IDZs of Ethiopia should respect, enforce and protect labour standards in order to be competitive and sustainable. I recommend Ethiopia should work to make IDZs not only center of economic excellence but also center of social excellence by protecting labour rights to be/remain competitive in the long term. Government organs MOLSA and other stake holders like CETU and civil societies should also take their part and work to realize this.

Bibliography

Books, Journals, articles, thesis

Access Capital, Investing in the “Ethiopian” Stock Market.

Altberg, T. Industrial policy in Ethiopia, 2010.

Akerlof G., “Labor contracts as partial gift exchange”, *Quarterly Journal of Economics*, vol.97, (1982), pp. 543-569

Arulampalam, W.; Booth, A.; Bryan, M. Training and the Minimum Wage. *The Economic Journal*, 114, (2004), C86-C94

BayrauAlebel, MuluGebreeyesus, GirumAbebe&BerihuAseffa, Industrial development zones, study on Industrial development: issues, practices and lessons for Ethiopia, EDRI, (2017).

Berg, B. L., *Qualitative Research Methods for the Social Science* London, Allyn and Bacon (2001).

Brochu, P.; Green, D., A. The Impact of Minimum Wages on Quit, Layoff and Hiring Rates, IFS Working Paper 06/11, (2011).

Bryman& Bell *Business Research Methods*, Oxford, Oxford University Press (2003).

Changwon Lee; *Development of Free Economic Zones and Labour Standards: A Case Study of Free Economic Zones in Korea*, 2005

Cresswell and Plano Clark, *Designing and conducting mixed method research* (Sage Publications; Thousand Oaks, 2nd eds. 2011)

Croucher, R.; Rizov, M., The Impact of the National Wage on Labour Productivity in Britain, *E-Journal of International Labour Studies*, Volume 1, No. 3-4 October-December 2012.

D. Madani, Review of the Role and Impact of Export Processing Zones, Policy Research Working Paper, Series No. 2238, The World Bank, Washington DC (1999).

Dube, A.; Lester, T., W.; Reich, M., Minimum Wage Shocks, Employment Flows and Labour Market Frictions, IRLE Working Paper No. 122-12, (2012).

D. Scott, & Usher, R. *Researching Education: Data Methods and Theory in Educational Inquiry*, 2nd edition. London: Continuum (2011).

Economist Association. Eastern African Survey of Foreign Investors: Summary of Main Findings, (Italy, Bologna, 1995).

Ehrenberg R. G. and R. S. Smith, *Modern Labor Economics: Theory and Public Policy*, (10th Edition, 2009) Pearson.

Endresen, Sylvi B. and H. Jauch, *Export Processing Zones in Zambia: Taking a Closer Look* 2nd Ed. Namibia, (2001, Labour Resource and Research Institute).

Export Processing Zones, (World Bank , 1998).

Farole and Akinci.in Douglas ZihuaZeng, *Special Economic Zones: Lessons from the Global Experience*, (2011).

Farole, T., *Special Economic Zones in Africa: Comparing Performance and Learning from Global Experiences*. Washington, DC (World Bank) 2011.

Frances Ryan, Michael Coughlar, Patricia Cronin, *Interviewing in Qualitative research*.

Gopalakrisnan, R., *Freedom of association and collective bargaining in export processing zones: Role of the ILO supervisory mechanisms*, In Working paper, International Labour Office, International Labour Standards Department, Geneva (2007).

Gordon, *Export Processing Zones In Transnational Corporation Among Labour Unions*. 2000, (London ,ILR Press).

Investment Brief Number 2, (UNCTAD, 2004).

ILO, trade Union Manual on Export Processing Zones, (2014).

ILO With contributions from OECD, IMF and World Bank Group, Sustainable Supply Chains and Decent Work: Opportunities and Challenges for G20 Members :Paper presented at the 2nd Meeting of the G20 Employment Working Group ,15-17 February 2017, Hamburg, Germany

International Confederation of Free Trade Unions, Behind the Brand Names, 2004.

Jetu Edosa, *Protection of core labour rights in Ethiopian Industrial development zones: the case of Eastern Industry Zone*, (2016), In *Economic, social and cultural rights in Ethiopia* (pp 101-134).

Jeff Wheeler, J.D, and Keith Goddard, DSc, P.E. CSP, *Assesment of Ethiopia's Labor Inspection System* (Bureau of International Labor Affairs U.S. Department of Labor, March 2013)p. 22.

K. Zweigert and H. Kötz, *An Introduction to Comparative Law* (Clarendon Press, Oxford, 3rded, 1998).

Kuddo, A., Robalino, D., and M. Weber, *Balancing Regulations to Promote Jobs: From employment contracts to unemployment benefits*, (2015, World Bank Group, Washington, D.C.)

- L. Kristin, Export Processing Zones in Sub-Saharan Africa – Kenya and Lesotho, (2013)
- Lakshman, The impact of export processing zones on employment, wages and labour conditions in developing countries, (March 2014),
- Labour conditions in Export processing Zones and the Role of ILO; Focus on Freedom of Association, (2013).
- Labour Standards in Export Processing Zones: A Southern African Perspective, Southern Africa multi-disciplinary advisory team international labour organization, (Malawi, 1996)
- L. Andrew, Trade Agreements, Business and Human Rights: The case of Export Processing Zones , (Corporate Social responsibility Initiative Working Paper No. 57. Cambridge, MA: John F. Kennedy School of Government, Harvard University, 2010).
- Mayneris, F.; Poncet, S.; Zhang, T., The Cleansing Effect of Minimum Wage: Minimum Wage Rules, Firm Dynamics and Aggregate Productivity in China. CEPII working Paper, (2014)
- McLaughlin, C., The Productivity-Enhancing Impacts of the Minimum wage: Lessons from Denmark, New Zealand and Ireland. Centre for Business Research, Unioversity of Cambridge, Working Paper No. 342, (2009)
- MQ. Patton, Qualitative research and evaluation methods (Sage Publications; Thousand Oaks, 3rd Eds., 2002)
- Mulu Gebreyesus, Industrial Policy and Development in Ethiopia: Evolution and Current Performance, Presentation at the “Learning to Compete (L2C): Accelerating Industrial Development in Africa” conference organized by UNU-WIDER June 24-25, 2013, Helsinki, Finland (unpublished)
- N. Jesper, Export processing zones- the experience seen from a trade union point of view.
- Owens and Kagel, “Minimum wage restrictions and employee effort in incomplete labor markets: An experimental investigation”, *Journal of Economic Behavior & Organization*, vol.73, (2010), pp.317-326
- Redae Mahari, Employment and Labour Law, Teaching Material, 2009.
- Romero, A. Teresa. *Labour Standards and Export Processing Zones: Situation and Pressures for Change*. In: *Development Policy Review*. Vol. 13.(1995) pp.247-276.
- Sileshi Mesfin; “The extent of compatibility and limitations of the Labour Proclamation No.377/2003 vis-à-vis Fundamental ILO Conventions” (2012, un published thesis Addis Ababa Jniversity, school of law)

Riley, R.; Bondibene, C., R., The Impact of the National Minimum Wage on UK Businesses. Report to the Low Pay Commission. National Institute of Economic and social Research and Centre for Macroeconomics, (2015)

Tariku Kenna, Labour Rights Of Security Guards In The Ethiopian Private Security Industry: Case Study In Addis Ababa, (2017, un published Thesis, Addis Ababa University, school of law)

T. Kusago, Z. Tzannatos; Export Processing Zones: A Review in Need of Update, (1998, Washington, DC, The World Bank), Social Protection Discussion Paper No. 9802, Social Protection Group, Human Development Network.

Tekle Markos, Industrial Zone Development Making Ethiopia the Hub of Light Manufacturing in Africa, 2010.

Terfassa Bulti, Ethiopia's Trade and Investment Policy, in Digest of Ethiopia's National Policies, Strategies And Programs 285 (TayeAssefa Ed., 2009).

UNCTAD/DIAE/IPB/: Enhancing the contribution of export processing zones to the sustainable development: An analysis of 100 epzs and a framework for sustainable economic zones. (2015, New York).

Yacob H/Mariam, of Who is Asab? Ethiopia's Quest for a Port 11-12 (2012) (ያዕቆብ/ማርያም፣ አሰብ የማን ናት? የኢትዮጵያ የባህር ቦር ጥያቄ፣ 11-12 (2004 ዓ.ም.) ይመለከታል።).

World Bank, China FDI in Ethiopia: A World Bank Survey 1(2012).

Xiaochen, F., Promoting Manufacturing Foreign Direct Investment from China to Ethiopia (2012, unpublished master's thesis, John F. Kennedy School of Government, Harvard University), vol.16, p 22-26.

Xiangquan Z., Z. Chengquang, C. Liwen, Y. Yang, S. Yichen, EPZ in China: A Survey and a Case Study,ILO ACTRAV Bureau for Workers' Activities,(Renmin University of China ,2012)Working document. Pp. 12-20.

Internet and Web Cites

Engman, Michael, Enrico Pinali, and Osamu Onodera. Export Processing Zones: Past and Future Role in Trade and Development. Trade Policy Working Paper No. 53. Paris. OECD, 2007. Available at [http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=TD/TC/WP\(2006\)39/FINAL&docLanguage=En](http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=TD/TC/WP(2006)39/FINAL&docLanguage=En) (assessed dec.6, 2017)

John, S. (2013). Why Does the Minimum Wage Have No Discernible Effect on Employment? Center for Economic and Policy Research. Available at:

<http://www.cepr.net/documents/publications/minwage-2013-02.pdf> (accessed on October 20, 2016).

Chen Weihua, "putting its Best Foot Forward", China daily Africa weekly, (09/12/2014), p. 20. Available at : [http://Africa.China daily.com.in/weekly/201409/12/content-18587359.htm](http://Africa.China%20daily.com.in/weekly/201409/12/content-18587359.htm)>. see also Christina Parsarillo and Suzanne Kapner, "search for Ever Cheaper Garment Factories Leads to Africa: from H&M to Calvin Klein, Brands look to Ethiopian Factories where pay is as low as \$21 a month" Wall Street Journal, available at: <http://www.wsj.com/article/search-for-ever-cheaper-garment-factories-leads-to-Africa-1436347982>.

Local Minimum Wage Laws: Impacts on Workers, Families and Businesses. IRLE Working Paper No.10414. Available at: <http://irle.berkeley.edu/workingpapers/104-14.pdf> (accessed on October 20, 2016).

MahariRedae (2012). Introduction to Employment and Labour Law, available at: <http://www.abysinnialaw.com/study-on-line/item/459-introduction-to-employment-and-labour-law#> (accessed on 26 June, 2017).

Hinn T. Dinh, Vincent Palmade, Vandana Chandra and Frances Cossar, Light Manufacturing in Africa: targeted policies to enhance private investment and create Jobs 3 (Africa Development Forum, the World Bank 2012) [https://elibrary. World bank.org/doi/abs/10.1596/9780821389624-CH08](https://elibrary.worldbank.org/doi/abs/10.1596/9780821389624-CH08)

Dinh+and+Others&aqs:Light+Manufacturing+in+Africa+Targeted+Policies+to+Enhance+Private+Investment+and+Create+Jobs available at [Light+Manufacturing+in+Africa+Targeted+Policies+to+Enhance+Private+Investment+and+Create+Jobs+Hinh+T.+ =chrome..69i57.2059j0j8&sourceid=chrome&ie=UTF-8](https://elibrary.worldbank.org/doi/abs/10.1596/9780821389614_CH08)(assessed on February, 21-2011)

Office of the United Nations High Commissioner for Human Rights, available at :<http://www.ohchr.org/english/countries/ratification> (accessed on October 28, 2016)

The text of the Declaration and its follow-up, www.ilo.org/declaration/thedeclaration/textdeclaration/lang--en/index.htm accessed 07/07/2012.

T. Hinh, Dinh, Vincent Palmade, Vandana Chandra and Frances Cossar, Light Manufacturing in Africa: targeted policies to enhance private investment and create jobs 3 (africa development forum, the world bank, 2012) Available at https://elibrary.worldbank.org/doi/abs/10.1596/9780821389614_CH08 Ken Jacobs, M. et al. (2014). (assessed on Aug.2/2010).

The UNCTAD, Enhancing the contribution of EPZ to sustainable development goals: An analysis of 100 EPZs and a Framework for Sustainable Economic Zones (United Nation, New York and Geneva, 2015).

Conventions, regulations and comments

ILO, (1999). Report of the Director General: Decent Work to the 87th Session. Geneva: ILO.

ILO,(1998a) Labour and Social Issues Relating to Export Processing Zones: Report for Discussion at the Tripartite Meeting of EPZs Operating Countries, International Labour Office, Geneva. TMEPZ/1998

General Comment No. 23, paragraph 20.

General Comment No. 23, paragraph, 23.

General Comment No. 23 by Committee on Economic, Social and Cultural Rights, (2016) on the Right to just and favorable conditions of work on article 7 of the International Covenant on Economic, Social and Cultural Rights, paragraph 21.

General Comment No. 23 by Committee on Economic, Social and Cultural Rights, (2016) on the Right to just and favorable conditions of work on article 7 of the International Covenant on Economic, Social and Cultural Rights, paragraph, 19.

Right to Organize and Collective Bargaining Convention (No. 98) Adopted: 1 July 1949 Entered into force: 18 July 1951.

Report of Committee of Experts, Protection against Unjustified Dismissal, ILO(1995).

Laws

The Constitution of the Federal Democratic Republic of Ethiopia, Proclamation No. 1/1995

Industrial park Proclamation No. 886/2015, Federal Negarit Gazeta, 21st Year, No. 39, Addis Ababa, 9th April 2015.

Investment Proclamation No 769/2012 (as amended), Federal Negarit Gazeta, 18th year No. 63, Addis Ababa, 17th September 2012.

Industrial parks development corporation establishment Council of Ministers Regulation No 326/2014, Federal Negarit Gazeta, 21st year no. 2, Addis Ababa, 5th December 2014.

Investment Areas Reserved for Domestic Investors Council of Ministers Regulation No. 270/2012, Federal Negarit Gazeta, 19th year, no. 4, Addis Ababa, 29th November 2012.

Investment (amendment) proclamation no. 849/2014, Federal Negarit Gazeta, 20th year No. 52, Addis Ababa, 22ndjuly, 2014

Investment incentives and investment incentives reserved for domestic investors council of ministers (amendment) Regulation No. 312/2014, Federal Negarit Gazeta, 20th year no 62, Addis Ababa, 13th august 2014

Labour Proclamation No 377/2003, Federal Negarit Gazeta, 10th year, No. 12, Addis Ababa, 26th February, 2003.

Public documents

CSA (1984, 1994, 2007) 'Population and Housing Census Report', A.A., Ethiopia.

Central Statistical Agency of Ethiopia, 2007. MOE (2002). The Education and Training Policy and its Implementation. Policy report Ministry of Education, Addis Ababa, Ethiopia.

CSA (1999, 2005) 'National Labour Force Survey'. A.A., Ethiopia.

Ethiopian Economics Association, Report on the Ethiopian Economy 196 (2013), p 288.

FDRE (2004). National Youth Policy. Policy report, Addis Ababa, Ethiopia.

FDRE and ILO (2009). Decent Work County Programme (DWCP) Ethiopia (2009-2012), A.A., Ethiopia.

MOE (2008). National Technical and Vocational Education and Training Strategy. 2nd edition Ministry of Education, Addis Ababa, Ethiopia.

MoFED (2010). Growth and Transformation Plan (2010/11-2014/15). Volume i: Main text Ministry of Finance and Economic Development (MoFED), Addis Ababa, Ethiopia.

MoFED (2006). Ethiopia: Building on Progress A Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (2005/06-2009/10). Volume i: Main text Ministry of Finance and Economic Development (MoFED), Addis Ababa, Ethiopia.

National Employment Policy and Strategy of Ethiopia. Policy report Ministry of Labour and Social Affairs, (Addis Ababa, MoLSA, 2009).

News, magazines

The Economist, "Consciences and consequences", 3 June 1995.

ILO, (1998) News, available at http://www.ilo.org/global/about-the-ilo/press-and-mediacentre/news/WCMS_007997/lang--en/index.htm

Interviews

Interview with Tamiru Abdisa, labour inspectors at Dukem town labour and social affairs, sept. 20/2017.

Interview with AsfawuKelile legal representative of 5 industries in eastern industry zone; Diyuan Ceramic Plc, Dong Fang spinning, dying and printing plc, East Steel Plc, Eastern Industry zone, New Brilliant Manufacturing plc, ZA and HQ Manufacturing PIC, sept.10,2009 E.C.,

Interview with Tesfaye Girma, labour office at Addis Ababa City Bole Lemi industry park branch office, aug. 10,2018.

Interview with Mubarek Ahmed, manager of Ever Top sport's wear in Bole Lemi I industry park, sept.10,2017

Interview with NimonaTadese, legal representative of four employers Huajian International Light Industry zone, 3 industries in Eastern Industry zone: Kepa Textile PLC, ZhengZheng Iron and steel manufacturing plc, sept.10,2017.

Interview with NiguseGizawu, security guard at Huajian International Light Industry zone, aug. 10,2017., telephone interview with Kalu, administrator of Huajian international Light Industry sept. 10,2017.

Interview with SisayTewodros , Human resource manager at Diyuan Ceramics PLC, aug. 10, 2017.

Interview with TinsaeYimam, senior customer service manager at Industrial Parks Development Corporation, aug. 12,2017.

Interview with YohannesBirhanu, human resource manager of Eastern Industry zone, sept. 10,2017

Interview with Bezu Seboka, worker in George Shoe factory in Bole Lemi Industry Park, August 2017.

Interview with Lemma Tegegn, manager and legal representative at Jay Jay textile plc, sept. 10,2017.

Interview with Sudan Negewo, labour union representative in Dong Fang spinning, printing, dying plcaug. 10,2017.

Interview with BayredinYesuf, worker in Dong Fang spinning, printing, dying plcaug. 10,2017.

Interview with TeferiKenate, dupity administrator at Dukem town labour and social affairs office, sept 10, 2017.

Interview with X (anonymous), vice president of CETU, sept. 10,2017.

Interview with MengistuRegasa, administrator of Bole Lemi Industry park, aug. 10,2017.

Interview with AyalewMoges, worker in Jay Jay textile plc in Bole Lemi Industry park, aug. 10,2017.

Interview with Mogeskindu, expert at MOLSA under department of Harmonious industrial relation directorate, sept. 10,2017 E.C.

Interview with Mr X (anonymous), security guard at gate of Eastern Industry Zone, aug. 10,2017.

Interview with LioulAsfawu, worker in Ever Top textile, Aug. 10,2017.

Interview with YonasNiguse, worker in Ashton Apparel Manufacturing Plc, Aug. 10,2017.

Focus Group Discussions

Focus group discussion with GemechisTolera, Jemalkedir, AbdoAbdella, X, Z (anonymous), workers in Huajian International Light Industry zone, aug. 10,2017.

Focus group discussion with Nigusu Belay, leader of Ayibo Garment PIC, Tesfaye Gemechu, Vice labour union leader of Ayibo Garment plc, X,Y,Z (anonymous workers), aug. 10,2017.

Focus group discussion with AyeleMekasa, director of Industrial relation at Oromia BOLSA, NameraAbdisa , X,Y,Z (anonymous) experts at industrial relation department at Oromia BOLSA, sept. 10,2017.

Focus group discussion with Huajian International Light Industry zone workers of different industries in the zone, sept.10,2017.

Focus group discussion with Eastern Industry zone workers of different industries in the zone jul. 1, 2017.

Focus group discussion with Bole Lemi Industry zone workers of different industries in the zone Aug. 1, 2017.

Annex

Questions for Data Collection.

The Questioners for collection of data for the thesis is prepared in two forms: Interview and Focus Group discussions. The interviews and Focus group discussions are administered to some workers, employers and representative of different offices and representatives of trade unions and employers associations and relevant experts in government offices in relation to work conditions and industrial and employment and employment policy issues in industrial zone/parks. The questioners are administered to workers working in the industrial zones/parks.

Dear respondent these questioners are provided to you for academic purpose solely so that the researcher fulfills his LLM thesis work on business law. I ask you to answer them impartially and without any fear of whatever causes. The privacy of respondents are protected and you are not required to write your name on the questioners.

Name _____ of _____ respondent's organization _____

Indicate whether respondent is representative or worker a) representative b) worker

Respondents for the research and the questions are provided as follow:

1. Interview and FGD Questions to workers and Representative of trade unions

Questions relating to trade union and collective bargaining

1. Do you have trade unions in your industrial parks/zones? A) yes b) No
2. If your answer to question no. 1 is no what prevented formation of trade unions/workers in your industrial park? A) restriction by law b) restriction by practice by employers c) trade unions do not want to form unions.
3. Do industries in your industrial park/zone have collective agreements? A) yes b) no
4. If your answer to question no 3 is yes how many collective agreements are there? Put this in percentage _____
5. Do your trade unions movements like assembly take place in your industry/industrial park/zone? A) yes b) no
6. Are there any instances where workers are suppressed/dismissed for their involvement in trade unions? A) yes b) No

7. If your answer for question no 6 is Yes indicate case number trace. _____

8. Do government support/encourage/facilitate you for formation of trade unions in industrial zones? A) yes B) No

Questions Regarding Terms of employment

1. How many workers are employed in your industrial park/zone as of today?
2. How is wage determined in your industrial park/zone? A) negotiation between employee and employer b) by employer himself c) the wereda/government will involve in negotiating on wage d) wage is determined by employment agents e) wage is determined by negotiation of employment agents and employees

Questions relating to conditions of work

1. Do inspectors inspect problems occurring on work? A) yes b) No
2. If your answer to q 3 is yes What problems did you encounter? _____

3. Do your Industries often be inspected whether industries in your industrial park/zone provide preventive and safety tools for their workers? a) yes b) no
4. Do you encounter occupational accidents which occurred due to non-provision of safety tools? a/ yes b/ no
5. Do employers provide workers with safety and preventive tools? A) yes b) no
6. Do you think workers in your industrial park earn living wage? A) yes b) no
7. How much is the minimum wage workers in your industrial zone/park earn? _____
8. Do you think the amount of wage workers in your industrial zone/park earn is congruent with the skill and labour they give for the work? A) yes B) No
9. How do you evaluate the skill of your workers in your industry to carry out their work?
a) Very low b) low c) good d) very good e) excellent
10. How is the work culture of workers in your industry?