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ADDIS ABABA UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
MBA PROGRAM

***LABOR UNION ACTIVITIES AND ITS CHALLENGES IN ADEI
ABEBA YARN SHARE COMPANY***

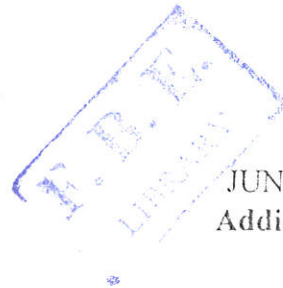
BY

MESAY BAREKEW

A PROJECT REPORT SUBMITTED IN PARTIAL FULFILLMENT
OF MASTERS OF BUSINESS ADMINISTRATION (MBA)

ADVISOR: KRISHINA MURTHY (Prof.)

JUNE 2008
Addis Ababa



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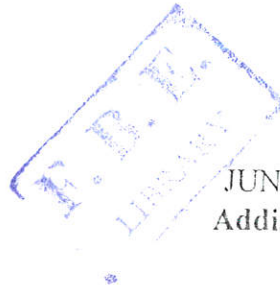
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Addis Ababa University School of graduate studies

Title: LABOR UNION ACTIVITIES AND ITS CHALLENGES IN ADEI ABEBA YARN SHARE
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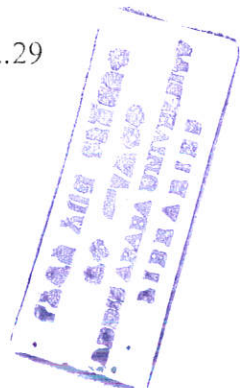
I would like to forward my gratitude to Professor Krishina Murthy who contributed a lot in helping me on the direction of the paper and for his critical suggestions on the development of this project. All members of the Confederations of Ethiopian Trade Unions (CETU) and the Industrial Relation head in the Industrial Federation Textile, Leather and Garment Workers Trade unions, *Ato Ayalew Ahemed*, also deserve the deep-rooted thanks for their unlimited help in supplying information and assisting me in all respects.

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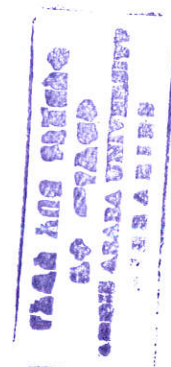
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Operational Definitions

1. **Confederation:** refers to The Confederation of Ethiopian Trade Unions (CETU) unless and otherwise specified.
2. **Federations:** refer to the nine Industrial labor Federations of Ethiopia.
3. **Public Enterprise** – Share Company or factory owned by government.
4. **Labor Proclamation 377/2003** is the latest labor proclamation which is aimed at ensuring that worker-employer relations are governed by basic principles of rights and obligations with the view of enabling workers and employers to maintain industrial peace and work in the sprit of harmony and cooperation towards the all-round development of the country.
5. **The Ethiopian Privatization Agency (EPA)** was established in 1994 by proclamations number 87/1994 and 146 /1998. EPA carryout the process of privatization of public enterprises.

ABSTRACT

The labor unions usually defined as associations of workers who by means of collective bargaining and endeavor to improve their working conditions, economic and societal position. This shows that unions strive to share benefits mainly from the organizations such as profits. But when organizations operate in loss, undergone major structural changes and on process of privatization the main duty of labor unions will be changed. To assess labor union activities and challenges in Ethiopian public Enterprises, in which most of them are operating in loss mainly in textile and yarn enterprises, Adei Abeba yarn share company basic labor union was selected based on preliminary assessment. The study used document review, interview and questionnaire as main tool of data collection. After deep analysis the study identified the union is building its financial capacity by involving in commercial activities. This activity helped to plan for its members for long run benefits and survival by saving the company and its members from total failure. Instead of seeking benefits through collective bargaining the union gives away the rights of its members to the organization to save the company. The main challenges of the union being the poor performance of the company and less qualified and old aged members, the union strives to cope up with the challenges. The study will benefits other public enterprise labor unions to cope up with challenges faced by labor unions and benefit their members in long and short run.

CHAPTER ONE

Introduction

1. Introduction

Employees organize a union to bargain collectively for them (Fossum: 1999). This definition is considered as the core purpose of labor unions establishment in many organizations. Labor unions are representatives of employees to represent them in collective bargaining with the management to secure the rights and benefits of employee from the organizations. Hence, labor unions are expected to take the share of the company's profit through wage negotiation, social, economic and legal rights of employees on behalf of their members.

However, is that possible for the unions to secure the rights and benefits of employees when the organizations face loss? What should be the focus of labor unions when organizations are in crises, restructuring? Should unions focus on collective bargaining or self-capacity building?

For the better understanding of these questions, preliminary assessment was made in the Confederation of Ethiopian trade Unions (CETU) and Industrial Federations. The assessment found out the situations of public enterprises as in the conditions of operating in loss, restructuring, downsizing, and on privatization process. The respective labor unions are also in many problems, which took some unions to the total collapse.

However being in the same situation, Adei Abeba share company labor union was found to be reacting differently to the challenges encountered. This study was designed to identify the activities of this labor union, challenges faced and ways of coping with the challenge. The study conducted detail analysis of the labor union to share experiences to other unions in similar situations.

The study used both primary and secondary method of data collection. Detail analysis of data was made to identify the activities, challenges and labor union members. Finally, summary of the findings and recommendations were given at the end of the paper.

1.1 Background of the Study

What to study in Ethiopian public enterprise labor unions had been the researcher initiation at the beginning. To do so, preliminary assessment of the study was made in the Confederations of Ethiopian Trade Unions (CETU) and Labor Federations to get insight about the activities of basic labor unions. This assessment was made with document review as well as interview with the officials of the CETU and the Industrial Federation Textile, Leather and Garment worker's Trade Unions. This method was selected since most of the public enterprise basic labor unions are organized under these associations and their activities are closely followed by their respective federations and the confederation. The assessment identified a lot of problems and challenges faced by the public enterprises' / share companies' / labor unions.

1.2 Statement of the Problem

According to the labor union officials the problems encountered the unions were summarized as,

1. Unions either immersed in disagreement with management and/or their members such as Anbesa Shoe Share Company.
2. Internal capacity weakness and sometimes total collapse of unions in financially weakened organizations such as Akaki Textile Share Company in 2007/2008, which was the pioneer textile company in Ethiopia.

The preliminary assessment results are enumerated as follows:

- A. The decline in the membership of labor unions was the paramount problems faced by the unions. As per the Ethiopian labor union confederation annual statistical report of 1997 and



1998 in the four Yarn factories organized under the Industrial Federation Textile, Leather and Garment Workers Trade Unions, the total members of unions had decreased from 3813 to 2798 (i.e. by 1015) . This membership decrease mainly pertains to the continuous layoffs, downsizing and restructuring procedures made by the factories. Consequently the income of basic labor unions decreased each month by 1% multiplied by the net salary of each member, which was the contribution of members to their union fixed by CETU. This directly weakened the financial capacity of labor unions. This also adversely affected the activities of labor unions when active members were terminated and income was decreased.

- B. The privatization of many factories and the instability of factories after privatization created frustrations in other public companies' employees and basic labor unions. The *Deridawa Textile Share Companies*, *Arbaminch Textile Share Company*, the *Adie Abeba Yarn Share Company* number one were privatized. The owners failed to manage the factories as a result employees were exposed to problems and factories were closed for a while. The *Deridawa Textile Share Company* employees were not paid a salary which amount to 6, 000,000 birr and the higher federal court rejected the request of their salary from the government in the year 2008.
- C. The financial performance of many public enterprises had been becoming weak to support their employees. All members of the Industrial Federation Textile, Leather and Garment Workers Trade Union public enterprises operate in loss and many fail to satisfy the benefits, safety budgets and compensations as agreed on the collective bargaining and proclaimed by the government in labor union proclamation number 377/2003.

But in the preliminary assessment one special labor union was found which was performing the other way being in similar situations mentioned above.



The industrial relation head in the Industrial Federation Textile, Leather and Garment Workers Trade Unions, *Ato Ayalew Ahemed* said '... Adei Abeba Share Company Labor Union is even bidding to buy the company itself from privatization agency of Ethiopia, the company which is also in bankruptcy. And continued saying' ...sometimes unions may go beyond simple bargaining function to the extent of building a capacity of bidding to buy the company itself'. This statement made the researcher to study the activities of the Adei Abeba labor union, challenges and coping mechanisms so as to disseminate the experiences of this labor union to other many labor unions in the same situation. Hence this study described systematically the internal activities of Adei Abeba share company labor union along with challenges encountered and meanness used to alleviate challenges.

1.3 Significance of the study

This study is significant from improving the literature in the field and practice of labor union activities in Ethiopia. It will broaden the knowledge in the field of labor unions mainly in Ethiopia where it is barely available. Most literatures found are written from the specific country view point such as labor unions in United States, besides the literatures are very old.

Hence this study

1. Gave detail insights on the activities of labor union in Adei Abeba Yarn Share Company.
2. Gave detail insights on the possible challenges that could be faced by labor unions by taking Adei abeba yarn share company labor union.
3. Described how labor unions cope up with their challenges

The most important significance of this study is to contribute to the improvement of labor union practices.

1.4 Profile of Adei Abeba Share Company Basic Labor Union

↓ *Adei Abeba Share Company Basic Labor Union*

Adei Abeba employees had started the process of unionizing since the nationalization of the factory in 1975. Due to high political influence from the government employees were encouraged to form their own labor unions and to 'fight' for their rights. The name of the labor union had been changing with along with the change in the names of the company at different times.

Elections were conducted in every 2 to 3 years of interval for union leadership. The majority of the current labor union leaders were elected in 2003/2004. Since then union has conducted an election eight times and the majority of the current union leaders were reelected. The labor union is currently named as Adei Abeba Yarn Share Company Basic Labor Union. It is a member of the Industrial Federation Textile, Leather and Garment Workers Trade Unions, which was organized nationally. This Federation is a member of Confederation of Ethiopian Trade Unions (CETU).

★ *The management and organization of Adei Abeba Share Company labor union*

As per the Adei Abeba yarn share company basic labor union Legislation of the 2005, its management system was structured in four wings.

1. **General assembly** – is the supreme body of the labor union, which contains all members of the union. The main authority of the general assembly is to control the overall activity of the union, approve the legislation of the union, and elect the leaders of the union.
2. **Labor union council** – is a committee established by representatives of one member from administration staff and eight representatives from different sections of production department labor union members. The council is the vice supreme body of the labor union in its authority. The council conducts meeting on regular and irregular basis for close supervision of the labor union management.

3. *The labor union management* - the labor union management is responsible for carrying out day today activities of the union, plan for future activities of the union and represents the labor union in collective bargaining. The management is accountable for both the general assembly and the labor union council.

Members of the management are

- ❖ General Manager
- ❖ Deputy General Manager
- ❖ Chairman
- ❖ Accountant
- ❖ Cashier and two members

4. *Audit committee*- It is responsible in controlling the implementation of employee rights and resource utilization. It is accountable for the general assembly.

Labor union membership

As per the 2005 legislation of Adei Abeba Share Company Labor Union, any employee recruited on a permanent base and completed his/her prohibition period can apply for membership in the labor union. But department managers accountable for the general managers can't be a member.

1.5 Objectives of the study

The study had the general objective of assessing the general path of the labor union of Adei Abeba Share Company in the year between 2004/2005 to 2006/2007 to share the experience of the labor union to other unions.

✓ **Specific objectives**

This study identified

- The activities of the labor union
- The challenges faced by the labor union
- The mechanisms used to cope up with the challenges
- The needs of members from their labor union

1.6. Scope of the study

☞ When this study was conducted, Adei Abeba Share Company had two compounds named as block number one and block number two. In 1999, the share company number one was privatized. After four years, it was made under the custody of block number two but full integration or union was not made between the two blocks. They were operating independently. Hence, the study covered only the Adei Abeba Share Company block number two.

☞ A financial performance of the union was not included in the study.

1.7. Limitation of the study

- ❖ The basic limitation in this study was lack of literature on labor unions.
- ❖ The poor data and information recording and handling mechanisms also created a limitation on the study. The data were not updated and compiled in CETU, labor federations and Adei Abeba Yarn Share Company. Since 2007/2008 data was not updated, the study included the document review until 2006/2007. The limitations of lack of updated information and data was overcome by using different sources and data manipulation

- ❖ The lack of financial data of the labor union made the study not to include the activities of labor union in relation to detail financial analysis.

1.8. Methodology

The nature of the study is descriptive in nature and used questionnaire with open-ended questions, document review and interview as instrument of collecting data. The analysis method involved systematic interpretations of data and narration.

❖ Data Design

The study was conducted based on the primary and secondary data. Primary data was collected by using semi-structured interview and questionnaire. The secondary data was collected by rigorous readings of documents and reports.

Instrument of Data Collection

✦ *Document review*

The document of Adei Abeba Share Company, Adei Abeba Share Company Labor Union, CETU and Industrial Federations were the main source of data. Since the study covered a 3 years phenomenon of the labor union, it was assumed documents could contain the original data and information for the time that has passed. Above all activities and challenges of the labor union changed from time to time, which made document review necessary. Secondary data was collected from various sources like Legislation of the labor union, collective bargaining document labor law and other relevant documents from the following sites

- The Confederation of Ethiopian Trade Unions (CETU)
- Industrial Federation Textile, Leather and Garment workers Trade Unions
- Adei Abeba Yarn Share Company



✦ *Interview*

Detailed semi-structured interview was conducted to strengthen and get explanations on issues that were not clear on the documents. The interview also contributed substantially to the study since it was conducted with all labor union leaders most of whom have been leading the union for more than 13 years.

✦ *Questionnaire*

Questionnaire was also used as one tool of collecting data from labor union members. In Adei Abeba Yarn Share Company there were 809 labor union members when this study was conducted. Questionnaire was used to collect data from these members. The purpose of the questionnaire was to support the validity of other sources of data. Besides it was used to gather information on the need of the union member from the labor union.

❖ **Sampling technique**

The population of the study was the members of Adei Ababa yarn Share Company labor union members which were numbered to 809 (i.e. all workers of the company eligible to be a member of the union were all members) . In the study homogeneity among the population was assumed, since they were all members of the union and the study required identifying simple opinion they had about the labor union. Above all, the workers to benefit from their union collectively establish labor unions. As a result, employees had collective opinion about their labor union, which made the population homogeneous for the purpose of this study. Homogeneity was assumed among the administration and production workers. Since it is very difficult to include all the population in the study sampling technique was used. Due to the homogeneous nature of the population, 5% of the total population was taken as a sample, which total 41 sample size (Colin Robson: 2002). This was decided by using personal judgment. In sampling technique, stratified sampling was used by dividing the total number of employees in to administration department

and production department, and from each department 5% was taken to maintain the 5% sample size from the total population. This was because the assumption that labor union members might had different opinion about the labor union depending on the nature of their work. But still homogeneity was assumed among each department workers (i.e. administration and production).

Table: 1 Sample Size Computation

Department	A=number of employees	B= 0.05	A*B Sample Size
Administration	141	141*0.05	7
Production	668	668* 0.05	34
Total population	809	809*0.05	41

In the distribution of the questionnaire in each department systematic sampling was used to ascertain that all the population had equal chance of getting the questionnaire.

Table: 2 Systematic Sampling Technique Computations

Department	A=number of employees	B= Sample size	C= Systematic sampling B/A
Administration	141	7	20
Production	668	34	19

The distribution of the questionnaire was easy due to the fact that the administration and production department compound were far apart, and each have their own employee attendance list. In this study systematic sampling was drawn by using the attendance list, and from the

administrative staff every 20th and from production department every 19th were taken until the sample size is satisfied

1.9 Data Analysis

The analysis was divided in to three parts:

The first part is document and interview analysis along with related questionnaire data. It mainly contained the analysis of activities carried out by the labor unions and factors that initiated the activities. The analysis categorized the activities of the labor union and narrated to explain the current and future activities of the union in detail. For this purpose content analysis method was employed. The output of this analysis was the explanation of detail activities of labor unions.

The second part of analysis used data collected through questionnaire and assessed

- ❖ The objective of members to join the labor union,
- ❖ The participation of members in the labor union
- ❖ The communication between Labor unions and members
- ❖ The current demand of members from the labor unions and related issues

The last analysis part contained the narration (Creswell, 2003) of challenges faced by the labor unions in detail. This was done through interview with the union leaders and document analysis.

At the end conclusions and recommendations were forwarded.

1.10 Organization of the Paper

This paper is organized in to 4 chapters

Chapter one Introduction: this chapter gives the background of the study and the methodology used to conduct the study.

Chapter two is Literature Review: This chapter reviews study - related literatures and previous studies to conceptualize the content of the study.



Chapter three is Data Presentation and Analysis: this chapter discusses the activities of Adei Abeba Share Company Labor Union, the needs of the labor union members and the challenges faced by labor unions.

Chapter four gives the Summary of the finding and recommendations for the problems identified in the study.

CHAPTER TWO

Literature Review

This part reviews various literatures on the study. A wide variety of books and articles were reviewed to substantiate the concept of the labor union and specific topics.

2.1 Labor Unions

A labor union is defined as "a group of workers who have banded together to achieve common goals in the key areas of wages, hours, and working conditions" (Boone and Kurtz, 1999).

What are Trade /Labor unions?

'Trade unions are usually defined as associations of workers who by means of collective bargaining endeavor to improve their working conditions, economic and societal position'. However, he evaluated this definition as wrong saying, first in addition to fight for higher wages, advanced unions have taken on such new tasks as advisory and executive functions in government committees on education recreation, social welfare, public health, and national defense. Secondly, the definition limits the unions' goals to the group of organized workers. However, agreements between labor and management are binding for all workers in an industry. Thirdly, the definition assumes the members' interests to be the union's sole source of motivation. But unions have widened their concerns sometimes even the extent of supporting the needs of the national economy against the demands of their members. Modern trade unions are multi purpose organizations whose goals for the society increasingly takes precedence over the goals for the union membership. In an attempt to analyze the union's roles, he identified the following main functions in his study (Mark Van De Vall: 1970).

Macro social functions – On behalf of the society

On behalf of the industry

On behalf of all workers

Micro social functions – On behalf of the members

2.2 Types of Unions

The category of the labor unions is also important to evaluate the main emphasis of the labor unions. Unions can be categorized based on ideology and organizational forms. Ideology refers to the union's goals and objectives: what its members see as its mission. A distinction is often made between political unionism and "bread and butter unionism" (termed business unionism).

There are several different organizational forms characteristic of labor unions. The earliest unions were craft unions. Craft unions represent employees in a single occupation or group of closely related occupations. The members of craft unions are generally highly skilled workers. Examples of craft unions include the various skilled trades in the construction industry. Separate unions exist for each major skill (e.g., carpenters, electricians, plumbers). Craft unions are most common in occupations in which employees frequently switch employers. A construction worker is usually hired to complete work at a specific job site and then moves on to work elsewhere (often for another employer). In addition to collective bargaining, craft unions often serve as a placement service for members. Employers contact the union's hiring hall and union members currently out of work are referred to the job.

Closely related to craft unions, though distinct in many respects, are professional unions. A professional is generally understood to be an employee with advanced and highly specialized skills, often requiring some credential, such as a college degree and/or a license. Professional

unions are much more recent than craft unions and are most common in the public sector. The American Federation of Teachers is one of the oldest professional unions in United States of America. Many professional unions began as professional associations, and then became more union-like in character (e.g., the National Education Association of America).

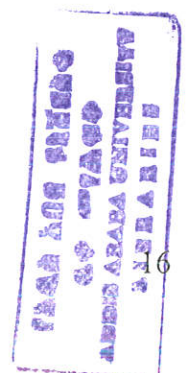
The unionized system considered in this study, however belong to industrial unions. This is because almost all public enterprises are organized in such system in Ethiopia .An industrial union represents workers across a wide range of occupations within one or more industries. A good example of a typical industrial union is the United Auto Workers (UAW). It represents skilled craft workers, assembly line workers, and unskilled workers in all of the major American automobile companies. Although most industrial unions began by organizing workers in a single industry or group of related industries, most have diversified over the past 30 to 40 years. Another organizational form is the general union. General unions organize workers across all occupations and industries. Because they are typically politically oriented, general unions are more common in Europe and developing countries (<http://www.answers.com/topic/labor-union?cat=biz-fin>).

Labor unions are complex and vary considerably with respect to internal structure and administrative processes. It is easiest to differentiate among three distinct levels within the labor movement: local unions, national and international unions, and federations.

Organization of labor union in American

Local unions are the building blocks of the labor movement and represent the interface between the union and its rank-and-file members. Although there are some free-standing local unions, the vast majority of locals are in some way affiliated with a national or international union. Most

craft unions began as local unions, which then joined together to form national (or international) organizations. Some major industrial unions also began as amalgamations of local unions, though it was generally more common for national organizations to be formed first, with locals to be established later. The duties of a local union almost always include the administration of a union contract, which means assuring that the employer is honoring all of the provisions of the contract at the local level. In some instances, local unions might also negotiate contracts, although unions vary considerably in terms of the degree to which the parent national or international union is involved in the negotiation process. Another important function of the local union is servicing the needs of those represented by the union. If a worker represented by the union believes his or her rights under the union contract have been violated, then the union may intervene on that person's behalf. Examples of such situations include the discharge of an employee, failure to promote an employee according to a contract seniority clause, or failure to pay an employee for overtime. Virtually any provision of a contract can become a source of contention. The local union may try to settle the issue informally. If that effort is not successful, the union may file what is known as a grievance. This is a formal statement of the dispute with the employer and most contracts set forth a grievance procedure. In general, grievance procedures involve several different steps, with higher levels of management entering at each step. If the grievance cannot be settled through this mechanism, then the union may, if the contract allows, request a hearing before a neutral arbitrator, whose decision is final and binding. Most craft unions have apprenticeship programs to train new workers in the craft. The local union, usually in cooperation with an employers' association, will be responsible for managing the apprenticeship program. In addition, local unions with hiring halls are responsible for making job referrals.



The jurisdiction of a local union depends to a large extent on the organizational form of the parent organization. Locals of industrial unions most often represent workers within a single plant or facility of a company (and thus are termed plant locals). For example, in the case of the UAW, each factory or production facility of each automobile manufacturer has a separate local union. In some instances, a factory may be so big that it requires more than a single local, but this is not usually the case. In contrast to plant locals, local craft unions (as well as some industrial unions) are best described as area locals. An area local represents all of a union's members in a particular geographical region and may deal with many different employers. Area locals are typically formed for one of two reasons. First, members may in the course of a year work for a number of different employers, as in the case of craft unions. Consequently, it would be difficult, if not impossible, to establish and maintain a separate local in each work location. Second, members may work continuously for a single employer, but each employer or location may be too small to justify a separate local union. The latter case is more typical of some industrial unions. An example is the United Food and Commercial Workers (UFCW), which represents, among others, clerks in retail outlets. Although an industrial union, the UFCW may have only a few members in each store, so a single local is established to serve an entire region. The size of the region served by a local union depends on the number of members available. In large metropolitan areas, an area local might serve only members in a particular city. In less densely populated regions, an area local may have a jurisdiction that covers an entire state (in a few cases, more than one state). Internal structures and administrative procedures differ between plant and area locals. In almost all local unions, the membership meeting represents the apex of power, as the officers of the union are accountable to the members much as the officers of a corporation are accountable to stockholders. In practice, however, membership participation in union affairs is usually quite limited, so local union officers often enjoy considerable power.

Plant locals have a number of elected officials, usually a president, vice president, secretary, and treasurer. In almost all cases, the officers are fulltime employees of the company the union represents, and the contract generally allows some release time for union affairs. In addition to the principal officers of the local, there are also a number of stewards. Stewards may be elected or appointed, depending upon the union. The steward serves as the everyday contact between the union and its rank-and-file members. If members have concerns about the affairs of the union, these may be voiced to the steward. The steward's most important responsibility is handling grievances. Should a worker represented by the union have a dispute with the employer over his or her rights under the contract, the steward has the initial responsibility of representing the worker. Usually the steward will discuss the matter with the employee's supervisor to see if the dispute can be resolved. If not, then a formal grievance may be filed and it then proceeds through the grievance system. At higher levels in the grievance system the employee may be represented by a chief steward or union officers.

Area locals typically have more complex internal structures than plant locals. This is usually because of the large geographical region under the local's jurisdiction, along with the greater dispersion of members within the region. As in the case of plant locals, area locals hold periodic meetings in which the officials of the union are accountable to members. There are also elected officers in area locals, as well as stewards for the various work sites in the local's jurisdiction. The principal difference between a plant local and an area local is that the latter typically employs one or more full-time staff members to handle the affairs of the union on a daily basis. These staff members are usually called business agents. Given the dispersion of members over a large geographical area and the possibility that the local may be responsible for administering many different contracts, it is the business agent's responsibility to visit work sites regularly and

deal with problems that may arise. The business agent may also be responsible for managing any apprenticeship programs and the union's hiring hall. Contracts are often negotiated directly by local unions and the business agents are usually responsible for these negotiations. In some unions, elected officers may serve as business agents, but normally business agents are separate staff members. Depending on the size of the local union, there may be a number of assistant business agents.

NATIONAL AND INTERNATIONAL UNIONS

There are approximately 150 national unions in the United States, along with about 30 professional associations that carry on union activities. National unions are composed of the various local unions that they have chartered. Some unions have locals in Canada and therefore call themselves international unions. The terms "international union" and "national union," however, are generally used interchangeably. As with local unions, the administrative structures of national unions vary considerably in complexity. One important factor is the size of the union: larger unions are structurally more complex. Structural complexity also differs between craft and industrial unions. Not only do craft unions tend to be smaller, but decision making tends to be decentralized. Contracts usually have a limited geographical scope and are negotiated by local unions. The national union pools the resources of local unions, thus helping out with things such as strike funds. The national union may also provide research services and be involved politically at the national and state levels. In general, there are few intermediate units between the national office and the local craft unions. National officers, elected periodically, generally work on a full-time basis for the union. Such unions also hold national conventions, most often every couple of years. The officers of the national union are accountable to the convention, much as the officers of a local are accountable to membership meetings.



National industrial unions are typically more complex. They tend to be larger and have a more heterogeneous membership than craft unions (both in terms of skills and demographic traits). Although there are exceptions, contracts in industrial unions tend to be negotiated primarily by staff members from the national office. In many cases, the bargaining unit will include all locals from a particular company (across the entire country). Even if contracts are negotiated by locals, representatives from the national union will often participate in talks to assure that the contract conforms to patterns established by the national organization.

As with craft unions, national unions have periodic conventions and national officers. Depending upon the union, the national officers may be elected directly by rank-and-file members or by some other body (such as convention delegates). National unions generally have a substantial paid staff that provides a variety of different services (e.g., research, legal representation, organizing new members, negotiating contracts, and servicing locals). National unions may also have one or more layers of hierarchy between the local unions and the national offices. For example, in the case of the UAW, there are different divisions responsible for the major industries in which that union represents workers (see above). Within the automobile industry, there are divisions that correspond to each of the major producers. There are other divisions that deal with the needs of special groups within the union (such as minority workers and skilled craft workers). Consequently, the structures of large industrial unions are often as complex as the companies with which they deal.

FEDERATIONS

A federation is an association of unions. It is not a union in the usual sense of the term. Rather, it provides a range of services to affiliated unions, much as an organization such as the National

Association of Manufacturers provides services to its member firms. The AFL-CIO is currently the only national federation in the United States. The AFL-CIO formed in the mid-1950s as the result of the merger of what were then two competing federations: the American Federation of Labor (AFL) and the Congress of Industrial Organizations (CIO). The AFL was established in the 1880s and consisted almost exclusively of craft unions. Craft unionists feared that industrial unions might undercut their position, thus they generally opposed formation of industrial unions. The most famous of the AFL's early leaders was Samuel Gompers (1850-1924), who is generally viewed as the "father" of the American labor movement.

Pressures during the Great Depression seemed to favor industrial unionism, so several unions within the AFL broke away to form the rival CIO. Most influential in formation of this federation was John L. Lewis (1880-1969), long-time president of the United Mine Workers (UMW). Initially, the competition between the two federations, which chartered competing unions, probably helped the labor movement to grow in the United States. As it became apparent, however, that further competition was only self-defeating, the merger was ultimately negotiated.

There are about 70 national unions affiliated with the AFL-CIO; these unions represent about 13 million workers, or about 81 percent of the 16 million American union members. In addition, there are about 60 independent local unions that are also directly affiliated with the federation. A guiding principle of the AFL-CIO is "national union autonomy." That is, the federation does not control the affiliates nor dictate their internal policies (though it often tries to influence affiliates).

The federation serves a range of functions. It acts as a lobbying body in the political arena and uses its financial resources in election campaigns. It works to resolve conflicts between affiliated unions, such as disputes between construction craft unions over jurisdiction of different areas of

work and disputes between affiliated unions that may be competing in efforts to organize new members. It provides research services to affiliated unions and also helps unions organize new members. The diversity of AFL-CIO standing committees reflects the range of federation functions. These include the Legislative Committee, the Organization and Field Services Committee, the Civil Rights Committee, and the Community Services Committee.

The structure of the AFL-CIO is quite complex and also reflects the federation's multiple functions. The federation holds a convention every two years. Each affiliated union sends delegates to the convention. The day-to-day business of the federation is handled by its principal officers (president and secretary-treasurer), who confer regularly with an executive council consisting of more than 30 vice presidents, virtually all of whom are drawn from the ranks of the affiliated unions. In addition to the standing committees, the federation has several staff units. There are also several different departments within the federation that serve the specialized needs of different affiliates. An affiliate can choose to associate with those departments relevant to its particular needs, such as the Building Trades Department, the Industrial Union Department, the Metal Trades Department, and the Public Employees Department.

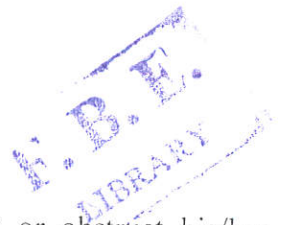
The national AFL-CIO offices are in Washington, D.C. There are state-level bodies of the AFL-CIO, however, in all 50 states. These bodies duplicate the federation's national activities at the state level (e.g., lobbying state legislatures and supporting pro-labor candidates in state elections). There are also AFL-CIO central bodies in more than 700 communities. Local unions are affiliated with the city centrals and these organizations provide services at the community level.

2.3 Why Workers Unionize?

According to Fossum (1999), Employee became union members through one of the three processes. First union employees may organize a union to bargain collectively for them. Second employees in a unit covered by a collective bargaining agreement may decide to join the union. Third a newly hired employee may be required by the collective bargaining agreement where they work to join union as a condition of continued employment, (Fossum: 1999). This will lay a foundation to understand the basic ways of establishing labor unions. But the detail explanations on reasons of joining labor unions are elaborated by Mark Van De Vall (1970) in his empirical analysis entitled as 'Towards union joining'. When a worker applies for union membership, his / her actions is usually the outcome of the decision making process in which the major elements involved are

- A. The image he / she has formed of the union
- B. The need she/he wishes to satisfy through the union
- C. The social environment, which directly exerts pressure to encourage or obstruct his/her application, indirectly influences the content of image and needs.

These decision making process are elaborated as image, needs and environment are closely linked; together they compose the psychological field in which the applicants motives developed. By motives it means the inner guiding process which determine behavior towards an end or goal, in this case membership in labor union .The image comprises activities which the union performs for the individual, group and society as well as those factors which together makeup 'the movement'. These are social groups (membership stewards, officials), the organization structure (branch, union, federation).The needs can be divided in to 'egocentric 'i.e. those which are directed primarily towards the individual own interest, and the 'sociocentric' that is those which



include the interests of fellow workers and / or entire community. Even if these elements are used in the analysis of his study the researcher clearly explained the problems associated with it. The problems in the use of this survey for establishing these needs are, first because the need for security may be subconscious and only indirectly related to trade union. These difficulty however can be overcome by deducing the members' needs from the motives he/ she gives decision to join. The second complication is that worker may join a union for more than one reason. Holley,(1997) explained in his book_called 'The Labor Relations Process' the reason why unions are formed pertains to two theories as explained below.

He started by asking, why unions are formed?

Unions are not present in every organization; in many instances, employees have chosen to remain non-union. This section provides explanation of employees collective behavior that cut across many organizations; the following sections attempts to explain what propels employees at a particular facility to be a member of a union.

Alienation Theory: This is based on the belief that employees might seek collective action to relieve their feeling of alienation, which has resulted from the extensive use of machinery in manufacturing operations. Employees become alienated from their work because

- They lost contact with their own labor when the products they created were taken away from them, thereby, reducing their spirit and status.
- They lost involvement in their work when the machine dominated.
- They became estranged from fellow employees when their work made them so tired and competitive that they were incapable of having authentic relationship.

As a result, employees might become aware of their common plight and class concessions could compel them to join in union or engage in collective activities to improve their working situation.

Unions can and do address a possible aspect of employee alienation, namely the employees desire to speak their minds without fear of management reprisal.

Employee might be dissatisfied with some aspects of their jobs while not being alienated from their work. William N. Cook, (1985) has shown that employees might join unions if they

1. Are dissatisfied with physical characteristics of the work place , low wages or lacks of benefits and
2. Believe that union will help them achieve the job related conditions important to them.

Scarcity consciousness: theory the need for job security in his classic book, a theory of labor management, suggests that employees are attracted to unions on the assumptions that unions will protect their jobs. Many employees, particularly manual workers strongly believe they are living in a country of limited opportunity and become scarcity conscious – the employee collectively believe that jobs are difficult to obtain and retain.

Unions therefore are attractive to be to the many employees concerned about job security, regardless of their skill and occupational skill. Few employees, including white-collar employees and managers, are currently immune from the possibility of layoffs. And unions do offer several ways of strengthening employee's job security: they can negotiate work rules, which prescribes procedures for performing a job thereby ensuring that a certain number of employees will be assigned work. They can negotiate apprenticeship program, which ensure the qualified people are available for certain skilled jobs. They can negotiate seniority and layoff provision, which require the company to lay off employees by their seniority and to recall the most senior ones first. They can negotiate grievance procedures, which include the final step of arbitration to protect them against to protect them against unjust discharges, unfair treatment, and violations of labor agreement.

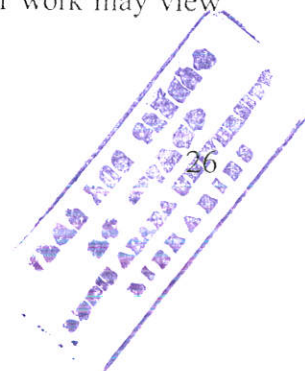
2.4 Catalyst for Organization

Employees' dissatisfaction with their work place is significantly related to both union activity and actual voting for union representation when elections are held. Employees are more likely to vote for unions as dissatisfaction increases.

Individuals are influenced to vote for unions more by dissatisfaction with employment condition than the job task characteristics. Dissatisfaction alone does not automatically mean a union organizing campaign will result or the union will win an election. Two conditions have to exist to predict organizing attempts and union win. First, employees have to be dissatisfied and believe they are individually unable to influence a change in the conditions causing their dissatisfaction. Second, a majority of employees have to believe collective bargaining would improve conditions more than changing jobs, and its benefits outweigh the costs.

Union member place the highest priorities in their union's handling grievances, getting feedback from their unions, additional fringe benefits, having a say in the union, better wages, and job security.

Holley, (1997) under the title 'Procedures for organizing unions explained the catalysts why employees join labor unions which he emphasized on labor union formation'. In forming and joining unions, employees mainly consider whether the union will improve their personal situation in terms of wages and benefits, promotional opportunities, and job security. Can employees expect to satisfy their job related goals and needs by supporting these goals? Will the union provide the means for achieving these goals? If employees perceive that a union will help them to attain their goals, they will likely vote for it in an election and support its activities afterwards. If they are not convinced, they will not vote for the union and will not support its activities. Employees who are not satisfied with their pay, supervision, and / or work may view



the union as the instrument to satisfy their job needs. Some researchers have argued that job dissatisfaction is the beginning of employee effort to start a union formation campaign. They argue that job dissatisfaction sets in motion a search to end the uncomfortable dissonance between what is desired (Good pay , effective supervision and so on) and what they are experiencing. Job dissatisfaction results in the formation of coalition of employees designed to bring about changes in economic and working conditions.

General beliefs about unions means that an employee beliefs , for example that that a union will improve wages, benefits , and working conditions , provide a return to the employees for the dues paid , and secure pro-employment legislation .

Specific beliefs about unions are more related to an individual's job and work place. To influence employees' specific beliefs about unions, union organizers should focus attention on communicating the union's unique characteristics and its impact at the work place. Specific beliefs that can be focused on include expectations about improvement in pay, benefits and job security because of unionization. Unions must promote their ability not only to improve wages and benefits , but to make the work more meaningful and increase employee participation .Social pressure , job dissatisfaction ,general and specific beliefs about unions interact with union instrumentality , which is employees perception of whether the union will be instrumental in attaining desired outcomes , such as higher wages , improved working conditions , job security , and protection from arbitrary treatment by management .

2.5 Goals and Strategies Management and Unions

Unions and management of companies have goals that are similar and goals that may at times conflict. Their goals provide directions and serves as the basis for their organization strategy, plans and organizations structures (Holley: 1997).

Goals of the company and the unions

The company wants	The union wants
<ul style="list-style-type: none"> ❖ To survive and remain competitive ❖ To grow and prosper ❖ To achieve favorable return on its investment ❖ To effectively use of human resource ❖ To attract , retain and motivate employee ❖ To retain managements right to make decisions and retain flexibility ❖ To obtain commitment from the union that there will be no strike for the duration of the agreement 	<ul style="list-style-type: none"> ❖ The company to survive and remain competitive as well as for the union to survive and remain secure ❖ The company to grow and prosper as well as the union ❖ The company to achieve a favorable return on its investment and return 'fair' wages to employees ❖ The company to effectively use human resource within the rules and policies of the agreement and to achieve job security and employment opportunity for members ❖ The company to attract , retain , and motivate employees with in the rules and policies of the agreement ❖ To protect union and employee rights that were negotiated and included in the labor agreement ❖ To obtain commitment from the company that there will be no lockout for the duration of the agreement.

Source: Holley (1997), The Labor Relations Process

2.6 The Decline in Labor Unions

One of the focus areas of the study is to identify the challenges emanated from internal weakness of the labor unions. To brief this idea the According to Paul Kubicek, (1999) who has studied labor unions in post communist countries , has made a research on labor unions mainly in post communist countries . Country samples taken in his study were Bulgaria, Czech Republic, Hungary, Poland Ukraine and Russia.

First he raised a question, Are labor unions in post communist states really weak, or have reports of their near death been grossly exaggerated? Overall, union membership has declined significantly, although in absolute terms unions remain the largest organizations in these countries. The ILO estimates that overall membership has dropped by a third, although in some cases the decline has been greater. In addition, they say nothing about member activity or confidence in unions, both of which are universally low. And finally he concludes that the decline in labor union will pertain to one sources of the weakness but not the only one.

CHAPTER THREE

Data Presentation and Analysis

Summary of Adei Abeba Basic Labor Union Activities between 1995- 2004

The labor union before 2005 mainly focused on the collective bargaining as a main means of securing the rights and benefits of its members. But due to recurrent financial loss, the company workers had never secured any salary increment. The company failed to cover the cost of safety for workers from 2001 onwards. The company couldn't buy accident protection materials, uniforms, shoes and other safety materials mentioned in the collective bargaining.

These situations pushed the union since 2004/2005 and it had developed its own vision mission and specific goals to execute.

3.1 The Labor Union Activities (2004/2005- 2006/2007)

The activities of the Adei Abeba Basic Labor Union emanate from its vision, mission and goals .Hence the vision, mission and goals are mentioned below.

General vision

- To create Industrial peace, make employees effective and efficient in the work and maximize their contribution for the organizations.
- To secure the full rights of employees and Job security.
- To create strong and smooth relationship with the management for the profitability of the company and motivate employee for better performance.
- To subsidize the low income of employees by making them shareholders of the union's business holdings so that employees will give focus for their job.
- To help and subsidize HIV victims

Short term vision

- Expansion of the 14 shops in further investments.
- To operate the Agro industry project of the union in *Methara Oromia regional state*.
- To buy the Adei Abeba Share Company from Privatization Agency and hence to create productive textile factory and make employees the owner of the company through shares.

Long term Vision

- Involve in maintenance and other related Agricultural Business such as export different Agricultural produces and save hard currency.
- To build marketing research training and development institution and other service giving sector.

Activities of labor union

Depending on the visions of the labor union it had executed the following activities .In 2004/2005 it has started to involve in commercial activities to build its financial capacity

1. Income generating activities

The union generates its income from contribution of its members. As per the legislation of the union each member should contribute 1% of its net salary to the union. But due to high layoffs of employees through restructuring, the union lost substantial number of its members which consequently hampered its source of income.

Table: 3 Numbers of Union Members

Year	2004/2005			2005/2006			2006/2007		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Number	238	1040	1,278	222	1015	1237	157	652	809

Source: statistical report of CETU 2006/2007

From 2004/05 to 2005/06, 41 employees were terminated due to various reasons. But from 2005/2006 to 2006/2007, 428 members were terminated on the basis of 20/45. This significant layoff of employees had reduced the income of the union by 11,232 birr each month.

To cope up with this challenge the union started to expand the shops business. The union built more than 14 shops. The shops were built on 80 m² area (Company profile 2007) given by the company to the union.

The shops were mainly used for the purpose of cafeteria, kiosk, sell outputs of the company and some were rented. This activity boosted the union's income. Above all the projects created a market opportunity for the company and the area where the shops lay was open spaces and garbage throwing area was cleaned and developed. This gave an attractive outlook for the company and the area.

The union had involved in Agro-industry business in 2005/2006 by taking investment land from Oromia region in *methara* town expected to be operational in 2008/2009.

The union leaders stated the purpose of the project is to give secured source of income for employees in case of retirement and to subsidize the low income in the future.

When the labor unions were asked the reason they prefer to involve in this business, they explained that the Agro business was selected because of the assumption that 'it will not be affected by high technology, easy to use the local labor and conducive environment for the business in *Methara*'. The project was under construction when this study was conducted and not operational to give comment on the success of the project.

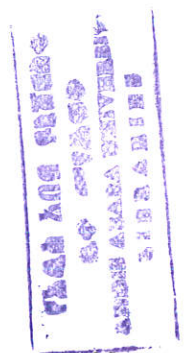


Table: 4 The Number of Union Members based on Income

<i>Monthly Income in birr</i>	<i>Number and percentage</i>				<i>Total</i>	
	<i>Male</i>	<i>Percentage</i>	<i>female</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>
≤ 300	5	3.18	33	5.06	38	4.70
301-450	46	29.30	275	42.18	321	39.68
451-600	45	26.66	304	46.63	349	43.14
601-750	7	4.46	17	2.61	24	2.97
751-900	30	19.11	11	1.69	41	5.07
901-1050	3	1.91	6	.92	9	1.11
1051-2000	16	10.19	2	.31	18	2.22
≥ 2001	5	3.18	4	.61	9	1.11
<i>Total</i>	157		652		809	100



Source: 2007/2008 Annual Report of Adei Abeba share company labor union

As can be seen from Table number 4, 87.52% of the union members earn less than 600 birr as monthly basic salary which was described as extremely low by the labor union leaders. The salary of employees had never been adjusted or increased since 1992. The union leaders believed with no increment in the salary of employees the income of employees is too low to resist the hike in price of consumer products. As a result the labor union leaders claimed that the union is involved intensively in business activities to subsidize the low income of employees in long run.

2. Social activities of the labor union

In an interview with the labor union leaders the activity called social activity was discussed and the results of the activities are observed. The social activity targeted mainly to support the social life of employees and protection from HIV /AIDS.

A. HIV AIDS Awareness Creation

The union invited professionals to the company to conduct a program on HIV /AIDS prevention effort. As per the labor union leaders this created awareness on HIV/ AIDS among employees. Above all many employees made HIV test by their own free will. According to the labor union leaders HIV was a 'terror' in the company before the year 2003. Mainly in the years 2001 the union lost 36 of its members in death due to HIV /AIDS. Due to high awareness creation through campaign and support the figure had fall significantly to one to two employees in a year. This shows the union was successful in its activities of HIV /AIDS protection campaign

B. Financial support

The union gave support of 200 birr per month for HIV victim employees by raising money from employees. The union had taken a piece of land from the company and gave it to these HIV victim employees to generate extra income by planting vegetables and made them productive. The union explained this was done to avoid sense of dependency and build sense of self support. In a questionnaire distributed to union members labor union activity on HIV AIDS is mentioned by (36) or 87.8% of the respondents as one strong side of the labor union.

C. Sponsoring Marriage Ceremony of its Members

Since 2004/2005 the labor union fully sponsored five marriage ceremonies each year on average. According to the labor union leaders, the union decided to sponsor marriage ceremonies targeting two objectives:

- I. To support employees who want to marry but lack financial capability for marriage ceremony
- II. Minimize HIV /AIDS expansion by encouraging marriage among employees

3. Activities on Education

A. Labor Union Members' Family supports

In 2005/2006 The union had covered the tuition fee for middle level technical training program at certificate level for 9 children of its members and hence facilitated their employment opportunity. This was done to support the old age, and low-income employees of the company who were going to retire. The union believed helping the children of employees would help the economic capacity of retired employees. But this activity was stopped because of disagreement by the other members on the selection procedure of the children and their families (i.e. members) for the opportunity.

B. Education for its Members

The union had given a computer training scholarship for 3 employees in 2005/2006. This program was developed to make employees ready for future technological changes mainly the expansion of computer usage in the company. But this attempt failed to continue due to high controversy among the members and union leaders on the selection criteria of employees for such training scholarships.

4. Activities to make Labor Union Members the owners of Adei Abeba share company

Adei Abeba Share Company Basic Labor Union has started the activity to buy the company. This idea was stimulated since the Privatization Agency announced bidding to sell Adei Abeba Share Company in the year 2006/2007. According to the union labor leaders this announcement was a 'shock' for the union due to the bad experiences of previous privatization. *Deridawa Textile*

Share Company, Arbaminch Textile Share Company and Adei Abeba Yarn Factory block one was privatized between the years 1998 to 1999. But after being privatized the companies were returned to the ownership of government due to disagreement created between the employees, government and buyers. The buyers left the country without paying the salary of employees in *Deridawa Textile Share Company* which amount to 6,000,000 birr. Hence, the union decided to buy the company with other investors in share. This was decided by the union leaders anticipating.

- ↓ If employees are the owners, they will feel the organization is their own property as a result productivity will increase.
- ↓ To retire incapable (i.e. physically and mentally) employees by giving shares of the company and create employment opportunity for new qualified Job seekers.

Table5: Human Resource distribution by Age

Age group	Total	% of employees
21-25	6	0.75
26-30	29	3.59
31-25	34	4.20
36-40	278	34.36
41-45	259	32.01
46-50	182	22.50
51-55	18	2.22
56-60	3	0.37
Total	809	100%

Source: Adei Abeba Share Company profile 2007

*Note: only union members' data was taken

The union believed that if the company is privatized to other owners, there was a fear that employees would suffer as other companies privatized in the industry. The labor union leaders justified their fear by the aging pattern of its members in the company. According to the labor union leaders, the early retirement procedure will be applied if the company is privatized to private owners.

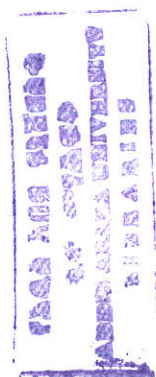
Table: 6 Human Resource by Service year of employees' distribution

Service year Range	Total Employees	% of employees from the total
≤2	3	0.37
3≤5	11	1.36
6≤10	98	12.11
11≤15	4	0.49
16≤20	379	46.85
21≤25	172	21.26
26≤30	101	12.48
31≤35	25	3.09
36≤40	12	1.48
41≤45	4	0.49
Total	809	100%

Source: Adei Abeba Share Company profile 2007

*Note: only union members' data was taken

As can be seen from table 5 and 6 above, 57.1 % of employees satisfied the age of early retirement and 34.36 % would satisfy the age requirement within 4 years. Besides 85.65 % of the members satisfy the service requirement for early retirement. As per the leaders of the union, if the



company is sold for other owners the union has a fear that more than 50% of its members will be retired with low pension benefit to support their lives. Above all the union had a fear that employees would lose their jobs since most of its members were not professionals. The human resource department of the company, as can be seen from the table below categorized the educational level of its members.

Table: 7 Human Resources by Education Level

Educational level	Number of workers	% of employees
Read and write	223	27.56
Grade 1- 8	282	34.86
9-12	202	24.97
Semi-professional	93	11.50
professional	9	1.11
Total	809	100

Source: Adei Abeba Share Company profile 2007

*Note: only union members' data was taken

From the above table 87.39 % of employees had below 12 grade education level. According to the labor union leaders, this created a threat that with the advent of any technological change many employees would lose their job.

To cope up with this threat the union decided to buy the company. The objective of the union was to retire the 'unfit' employees but making them owner of the share company. But the bidding process was under process when this study was conducted and nothing could be said on the result of the process.

5. Future Activities and Projects

The labor union has developed the following projects and plans for future implementation:

Table: 8 Future Plans of Adei Abeba Yarn Share Company Basic Labor Union

The project	Objective of the Project	Estimated Cost in birr
Construction of Market Center Building	Generate the income of the union to support the union's activity	20 million
Dairy Agro processing Operation	To expand the operation of union investment	3 million
Husbandry and Fruit Plantation Expansion	To generate income for employees living with HIV	500,000
Buy Adei Abeba Share Company from Ethiopian Privatization Agency	To make employees owners of the company and build their financial capacity	45 million



The union was planning to raise the investment capital for these investments by investing in share with other investors and using internal finance.

3.2 The Labor Union and Members

As per the 2005 legislation of Adei Abeba Share Company; Basic Labor Union was established having the objectives of protecting the rights and benefits of employees and represent them in collective bargaining. The opinion of labor union members was analyzed to give insight on the coexistence of the union and its members.

When this study was conducted, in Adei Abeba Share Company, there were 809 employees eligible to be member of the union, and all were members of the labor union.

1. Objectives of members to join the union

The study identified the objective of employees to join the union pertains mainly to protect themselves from work place problems such as losing their Job.

Table: 9 Objectives of members to join the union

Reasons to join labor union	Number of Respondents	% of Respondents
To protect them selves from work place problems	37	90.24
To get advice from the union	23	56.09
Unionization makes strong	9	21.95
Total	41	100

From the total respondents, 90.24% (37) said they joined the labor union to protect themselves from workplace problems such as losing their jobs. In addition to this 23 (56.09%) replied they joined to get advice from the union. At the end 9 or 21.95% of respondents said, they joined the union by believing unionization makes strong. This shows most labor union members joined the union to protect themselves from workplace problems.

2. Employees' knowledge on the benefits

Union members were asked whether they were informed about the benefits gained from the labor Union, 70.73% (29) of all respondents replied they were not communicated about the benefits that they could have from the union. 29.27% (12) of respondent replied that they were informed

the benefits, and from this 7 said the benefits were not enough. They explained that the benefits are not enough since the union failed to solve the problem faced by each employee.

Even if the majority of the labor union members said they are not informed about the benefits gained from the labor union, the legislation of the union explains the benefits the union members could get which includes

- ❖ Sponsoring funeral ceremony
- ❖ Low interest credit service

This shows the union failure to communicate its members about the benefits the union members could drive.

3. Employees' Knowledge on Collective Bargaining

The labor proclamation of the Federal Democratic Republic of Ethiopia number 377/2003 defined collective bargaining as 'A negotiation made between employers and workers of the organizations or their representatives concerning conditions of work or collective agreement or renewal and modification of collective agreement.' Collective Bargaining is conducted every year in the Adei Abeba Share Company.

The members were asked whether they were communicated about the result of the collective bargaining agreement, 80.48% (33) of respondents said they were not communicated about the result of collective Bargaining.

This information is related with the production members mentioning the labor union failure to ask for their rights of getting accident protection and safety materials from the company as a main weakness. However, in the collective agreement made in 2005 the safety agreement was significantly changed from the previous agreements.

The 2002 collective bargaining is compared with the 2005 on safety of workers Collective bargaining agreement 2002 article 59 numbers 2, 'Working uniform, accident protection and



safety materials are not considered as salary or any other benefits , but the company must supply them to keep the safety of workers at work place' Article number 3 'The company must supply the safety materials to the workers, and in case of failure the workers will get the monetary value of the materials ' In number 7 of this article, the explanation the safety materials and jobs that were eligible for it is mentioned in detail. The 2005 collective bargaining article 59 remains the same but one number was included as number 8 and read as 'By consulting the union, the company can reduce the budget of the safety materials and transport service depending on the financial capacity of the organization.' This shows the union failed to communicate its members about the collective bargaining agreements mentioned above.

4. Employee participation

From the total respondents 75.61% (31) of the union members said they actively participate in the activities of the union. Their participation is mainly on the annual meeting, conferences on HIV. This shows that employees actively present themselves in the unions meetings and other programs.

5. Financial contribution of employee to their Basic labor union

In Adei Abeba Share Company employees contribute 1% of their net salary every month as a member of the union. Employees were asked whether the contribution is expensive or cheap in relation to their salary and benefits they get from the labor union.

Table: 10 Opinions on Financial Contribution of Members to Unions

	Expensive		Cheap		No Response
	Number	% age	Number	% age	
In relation to salary	15	36.58	25	60.98	1
In relation to Benefits	27	65.85	14	34.15	0

From this, we can conclude the majority of union member valued their contribution was more than the benefits they get from the union.

6. Union members' priority

The members of the union were also selected the priorities they need their labor union should focus on.

Table: 11 Rank of Union members' priority

Rank	Unions members priority	Number	Percentage
1	Help in the grievance procedure of employees	16	39.02
2	Work on Job security	13	31.71
3	Protect the company from being privatized	9	21.95
4	Salary increment	3	7.32



The above mentioned focus areas were the top ranked duties that employees wanted their union to work on more. This shows employees had high need of support for grievance handling procedure from the union. 65.85% (27) of the respondents say that the union is not working well on the above-mentioned demands of employees. This shows most of members were not getting what they expected from their union.

7. Strength and weakness of the union

In identifying strength and weakness, the respondents listed more than one strengths and weakness of the union. The administrative and the production union staffs responses are summarized as follows:

Administrative Department

Strength

- The union is strong in executing its own mission and vision
- The union is strong in supporting HIV victims of its members
- The union issued certificate of ownership of property to its members to assure the union members are the owners of the union's business holdings

Weakness

- The union is weak in helping early retired employees in the process of securing their pension.
- The union focused on business activities than involving the problems faced by each member.
- The labor union management dominated the decisions made in the union.
- The labor union didn't audit its financial status for long period of time

Production Department

Strength

- Issued certificate of ownership of union's property (share) to its members
- Supported to HIV victims of its members

Weakness

- Failed to help employees in early retirement process
- Failed to secure the safety of employees' from the company i.e. when the company stopped safety or accident protection materials supply.
- The union failed to negotiate on the increase of salary and benefits of employees.
- The union did not take any action when the company stopped transport service to employees.
- The union leaders create a 'strong relationship' with the management instead of protecting employees' right.



This shows production staffs members were deprived of many rights and benefits, which is viewed as weakness and the issuance of certificate of ownership (shares) to its members on the investment holdings of the union is the strong side of the labor union mentioned.

3.3 Challenges Faced by Adei Abeba Share Company Basic Labor Union

Even if the union was involved in many activities to attain in long and short run visions, the union faced challenges. Through interview and document reviews the following main challenges were identified.

1. The Financial Weakness of the Organization

Adei Abeba Share Company had been operating in loss for more than ten years. This weakened the financial position of the company. The loss operation of the company is shown below:

Table12: Income and Sale plan Performance of Adei Abeba Share Company

Year	2004/2005	2005/2006	2006/2007
Net loss in birr	(11,673,877.46)	(11,760,891.47)	(8,095,825)
Sales performance in birr compared to its plans	21.9%	22.4%	25.3%

Source: Annual financial report of Adei Abeba share company

The company is weak not only in its financial performance but the company usually performs much less than its annual sale plans. Table 12 shows the financial weakness of the company, which posed challenge on the activities of the labor union.

A. Impact on Safety and Transport service

The labor proclamation 377/2003 part seven chapter one on occupational safety, health and working environment, one of the obligations of an employer is to provide workers with protective equipment, clothing and other materials and instruct them of its use. However, the company failed to supply safety materials to employees due to high financial shortage.

According to labor union leaders, the labor union lost its power in securing the rights and benefits of employees that they must had from the company. The union leaders explained that they agreed to the actions of the company so as not to lose the company itself for the safety materials. Further, they explained that, this would support as internal revenue in supporting the financial crises of the company. Nevertheless, employees' were complaining for the absence of safety materials supply from the company.

Under the collective bargaining of 2004/05 article 45, the company is obliged to give transport service to its employees. However, the company totally stopped both the safety and transport service, which saved a cost of 2,000,000 birr per annum on average.

B. Impact on Salary

The union leaders said, increments of salary for employees is totally unthinkable in the company since the 2004/2005 collective bargaining agreement article 70 number 3 states 'Salary increment shall be declared at the end of each budget year after declaring bonus and when the net profit of the company will not be less than the three month gross salary of total employee'. From this, salary increment in the company is possible when the company gets profit.

However, employees mentioned the union failure to protect their rights in safety, transport service and salary increment as a main weakness of the union mainly by production department members.

2. Employee Old age ,Many years of Service and Low Qualification

As can be seen from table 5 and 6, most members of the labor union are old aged with many years of service and above all low qualification or educational background. Due to the above factors, the company management applied the 20/45 early retirement procedure on most employees. This created the retirement of employees with minimum pension benefits. Hence, the union was planning to buy the company and retire the 'unfit' employees with ownership benefits.



3. The Unstable Management of the Company

The top management of the company had been changed more than 4 times in the 3 years from 2004/2005 – 2006/2007. Hence, these posed a challenge to union by creating new management to negotiate. The union was forced to convince each new management about the agreements made with the preceding management .For instance during this study the union was dealing with the management on the 800m2 areas of land given to the labor union by the previous management.



CHAPTER FOUR

Summary of Major Findings and Recommendations

4.1 Summary of major Findings

The labor union activity

- The activities of Adei Abeba Share Company Labor Union targeted on building long-term capacity and benefits of employees as explained by labor union leaders..
- As per the labor union leaders, the labor union prefers to involve in investment activities to benefit employees than getting it through collective bargaining.
- Based on the information from interview and questionnaire, Decrease in the members of the union did not collapse the union's activity.
- Adei Abeba share company labor union is an exemplary union in its long run plans for other Labor unions in the same situation

The labor union and members

- From the weakness stated by the labor union members it can be concluded that the labor union failed to give focus for the members' short-term problems and priorities.
- More than 70% of union members said the union failed to communicate its plans, benefits and collective bargaining document to its members.
- Labor union members join labor union for egocentric purpose or to maximize personal benefits since more than 90% of union members join the union to protect themselves from workplace problems

Challenges

- The main challenge of the union emanates from the
- ❖ Financial performance of the company; that is due to continuous loss of net income which amount to 8,000.000.
- ❖ Educational background and aging demography of its members since more than 50% of its members are below 12 grade level of education..

4.2 Recommendation

- The labor union should continue to plan and execute plans in creating income security for its members in long term.
- The labor union should communicate its plans and activities to its members, the general assembly and the labor council.
- The union should be participative and disclose its objectives and benefits gained from the union. The union should also communicate the result of collective bargaining results to its members. This will create more innovative decisions in the activities of the union and support from its members.
- All the labor union management wings should be active such as in auditing the finance of the union.
- The labor union should be active in supporting its members in their current problems such as in the process of 20/45 early retirement, financial problems and grievance procedure.
- Either the union should fully or partly finance employees' safety materials and transport services.



- Labor union education should be given to employees to create awareness on peaceful industrial relations.

Recommendation for further study

The following topics are recommended for further study

- Labor union leadership and management system
- The future trends of labor unions in Ethiopia
- Employees' attitude towards industrial relations

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Appendix 1

Addis Ababa University

Faculty of Business and Economics

MBA program

Questionnaire to be filled by Adei Abeba share company basic labor union members

Dear respondent this questionnaire is developed for academic purpose only. Any of the responses and opinions you give will not be exposed to any of the third party. The purpose of this questionnaire is to make academic oriented analysis on the labor unions and to contribute input for the better functioning of labor unions in enterprises.

Note: Don't write your name

The answers can be given in written format or by making tick mark (✓) in the box as required.

Numbers can be written where ranking is required.

Thank you for your collaboration.

Background information

1. Sex

Male female

Total work experience _____

How long have you been working with your present firm _____ years

Work department _____

Job position _____

Your Job grade _____

For how many Years have you been member of labor union? For _____ years

2. Are you a member of the labor union currently?

Yes No

3. If your answer is yes for question number 1 Have you joined the union voluntarily?

Yes No

4. If no what forces you to join the labor union?

5. First read the following alternatives and choose the variable (s) that makes you join the labor union. Choosing more than two alternatives is possible.

To avoid personal problems in the work environment: dismissal and friction.

To obtain individual benefits such as promotion

For personal information and advice

For physiological reasons such as prestige

- For the workers in my firm, my team and occupation
- Being organized makes powerful, unity is strength
- Out of social duty, because one ought to be a member is accepted thing
- Out of idealism, for better society and happier world
- Influence from parents
- Influence from fellow workers influence from supervisor
- Influence from friends
- If any other explain _____
- _____
- _____

6. Have you ever quit your membership before?

- Yes no

7. If yes why do quit your membership and why do you rejoin now?

8. Are you fully informed about the function and benefits of unions?

- Yes no

9. Have you ever been participated in the general assembly of labor unions and elections?

- Yes no

10. How many times have you participated in the general assembly?

All the time (write the number of participation) _____

Some times (write the number of years) _____

11. Were the elections and meetings democratic?

Yes No

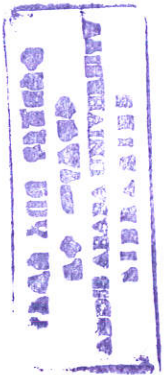
12. Are you dissatisfied by your current job?

Yes No

13. Do you think the problem will be solved by the labor union

Yes No

14. If your answer is 'No' for the above question, explain the reason



15. Does the labor union inform you the out come of collective bargaining?

Yes No

16. Do you think the membership fee is high with respect to your income?

Yes no

17. Do you think the membership fee is high with respect to the benefit you drive from being membership?

Yes no

18. From the following alternatives, which of them should be given priority in the union? Rank your top priority as 1st and second priority 2nd and so on. Write under each item why the item is your priority.

- Handling grievances
- Giving feedback to employees
- Adding fringe benefits
- Having say in the union
- Increment in salary
- protecting from privatizing the organization
- Protecting the employees from early retirement
- Job security
- Protect labor rights after privatization
- If you have other priority explain

19. Write the strength and weakness of the labor union

Appendix 2

Interview Questions

Preliminary analysis

1. What is the History of labor confederations, federations and basic labor unions?
2. What are the Policies rules principles, plans missions, vision of CETU and its members?
3. What are the basic relationship among basic unions, industrial confederation and federations?
4. What are the conditions and challenges of basic labor unions?

Interview with Adei Abeba share company basic labor union leaders

1. What is the history of the labor union?
2. What are the main activities of the labor union?
3. What are the challenges faced and coping mechanisms?

20. Evaluate the overall performances, weakness and strength of the labor union in your organization _____

Appendix 3

The Confederation of Ethiopian Trade Unions (CETU)

The Confederation of Ethiopian Trade Union (CETU) was reinstated in 1997. The Confederation has incorporated nine Industrial Federations, namely:

1. National Federation of farm, Plantation Fishery and Agro-Industry Trade Union
2. The Ethiopian Industrial Federation of Construction, Wood, Metal, Cement Trade Unions
3. Transport and Communications Workers trade Unions Industrial Federation
4. Federation of Commerce, Technique and Printing Industry Trade Union
5. Industrial Federation of Textile Leather and Garment Workers Trade Unions
6. Federation of Food, Beverages Tobacco and Allied Trade Unions
7. National Industrial Federation of Energy, Chemical and Mine Trade Unions
8. National Federation of Tourism and General Service Workers
9. Industrial Federation of Banking & Insurance Trade Unions of Ethiopia



Declaration

I here by assert that this study entitled "LABOR UNION ACTIVITIES AND ITS CHALLENGES IN ADEI ABEBA YARN SHARE COMPANY" is my own original work and has not been presented by any body; for any degree or diploma in any other university and all materials used for the project work have been duly acknowledged.

MESAY BARENEW
Name of candidate


signature

June 2008
date

