



Addis Ababa University

College of Development Studies

Center for Regional and Local Development Studies

MA in Regional and Local Development Studies (RLDS)

**The Race to the Bottom in Labor Standards: A Critical Perspective on the
Flow of Foreign Direct Investment in the Ethiopian Textile and Apparel
Industrial Parks**

**A Thesis Submitted to Addis Ababa University, School of Graduate Studies, College of
Development Studies in Partial Fulfillment of The Requirements for the Degree of Masters
in Regional and Local Development Studies (RLDS)**

Prepared by: Gifawosen Markos

Advisor: Dr. Andualem Goshu

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Addis Ababa, Ethiopia

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BY: Gifawosen Markos

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Advisor

Signature Date

Declaration

I, Mr. **Gifawosen Markos** declare that this work entitled “*The Race to the Bottom in Labor Standards: A Critical Perspective on the Flow of Foreign Direct Investment in the Ethiopian Textile and Apparel Industrial Parks*” is the outcome of my effort and that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the Research Advisor. This study has not been submitted for any degree in this University or any other University.

By: Gifawosen Markos

Signature_____

Date_____

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Lists of Acronyms

BLIP- Bole-Lemi Industrial Park

CETU- Confederation of Ethiopian Trade Unions

EIC- Ethiopian Investment Commission

EPZs- Export Processing Zones

GTP I: Growth and Transformation Plan I

GTP II: Growth and Transformation Plan II

HIP-Hawassa Industrial Park

ICFTU- International Confederation of Free Trade Unions

IFETLGWU- Industrial Federation of Ethiopian Textile, Leather and Garment Workers Trade Union

IPDC- Industrial Park Development Corporation

MNCs: Multi-National Corporations

MoLSA: Ministry of Labor and Social Affairs

UN: United Nations

UNCTAD: The United Nations Conference on Trade and Development

WRC: Workers Rights Consortium

Abstract

In an attempt to attract Foreign Direct Investment and gain access to the western markets, developing countries most often compete with each other. Due to this competition, nations put downward pressure on wages and working conditions leading to a phenomenon called the race to the bottom. This research aims to explore the effect of labor standards in the flow of FDI in the textile and apparel industries in Ethiopia with a particular focus on the Bole-Lemi Industrial Park and a flagship Hawassa Industrial Park. The study employed a qualitative research design. For the practical investigation of the research questions, data were collected from both primary (through a Key informant semi-structured interview) and secondary sources and analyzed through the theoretical lens of the race-to-the-bottom thesis. The research has found out that the core labour standards are being violated in the Hawassa and Bole-Lemi industrial parks where by none of the industries in the parks have the basic labor Unions and the workers are not able to exercise their rights of collective bargaining and the right to strike. Concerning conditions at work, it is found out that the workers are laboring under poor conditions, among other things, an unpaid or forced over times, off –the clock jobs and verbal abuses as well as offered poor quality food. Moreover, although it is believed to be in accordance with the workers productivity, Ethiopian workers are being paid a meager wage of \$26 per month in the industrial parks. With this, they are the least paid workers compared to any of the countries producing textile and apparel for the international market. This study identified that the the low implementation of national labor laws, the impotence of top level trade unions and absence of minimum wage policy in the country has subjected the workers to grave exploitation in a way that does not represent their human dignity. This, in turn, is paving the way for profit seeking companies to invest in the country and causing a race to the bottom in labor standards in the Ethiopian textile industries. As a result of these dynamics, poor jobs are becoming the rule of the game in the country. In the end, the research has suggested that the state must strive to reconcile the effort to attract investment with the standard of jobs generated in its industrial parks through setting a wage structure that could still preserve the country's competitive advantage while practically applying labor regulations in the industrial parks.

Key Words: Ethiopia, the race to the bottom, labour standards, textile and apparel industries, Foreign Direct Investment

Chapter One

1. Introduction

1.1. Background of the study

In the age of neoliberalism, it is very common to see those powerful global institutions like the World Bank (WB) and the International Monetary Fund (IMF) promoting Foreign Direct Investment (FDI) and describing it as an opportunity for developing countries to achieve their aims of economic growth and development (Gothoskar, 1986). According to Kevin (2015), the supporters of globalization maintain the argument that globalization brings positive change to the lives of workers in developing countries in the form of employment opportunity leading to higher incomes. Yet, the critics of neoliberal globalization reject the claim of economic benefit to the workers, particularly women, resulting from economic globalization stating instead that it is pushing them into even more vulnerable situation than they were in before (ibid.).

In recent years, being one of the countries with a capital shortfall for investment, Ethiopia has been engaged in the search for foreign capital attraction, especially in labor-intensive industries. Intending to build an export-based economy and subsequently push the country towards industrialization, the government of Ethiopia has designed a five-year development strategy called Growth and Transformation Plan (GTP) for the second time in 2015, where the first plan has lasted from 2010/11 to 2014/15. Through identifying promising manufacturing sectors, particularly in the labor-intensive manufacturing, in which the countries have an enormous advantage, the plan targets driving the country into the path of industrialization and bring a structural transformation- in terms of employment and production- in the economy of the country (National Planning Commission, 2016). The major objective of the government of Ethiopia is to diversify its economy in a bid to raise foreign exchange, create jobs, and enhance the country's productivity (Mihretu and Llobet, 2017). According to Mihretu and Llobet, since the beginning of the first Growth and Transformation Plan (GTP I) in 2010, FDI flows into Ethiopia have grown at an average rate of nearly 50 percent per year, reaching \$2.2 billion in 2015 and \$3.6 billion in 2017. Commercial agriculture, manufacturing, leather, and textiles sectors remain major areas of the international capital interest in the country (ibid.). A recent report by the

UNCTAD also shows that even if there is a contraction in the investment flow into Ethiopia, the country is the second highest receiver of FDI in the continent next to Egypt with \$3.3 billion in 2018 (UN, 2019). The same report suggests that Ethiopia's newly built industrial parks are expected to help the country register FDI inflows exceeding \$5 billion as early as 2019, but the inflows to Ethiopia contracted by a fourth to \$2.5 billion (UN, 2020). According to this report, FDI was adversely affected by instability in certain parts of the country, including regions with industrial parks. Yet Ethiopia remained the biggest FDI recipient in East Africa.

Historically, in many countries around the world, industrialization was commenced by focusing on labor-intensive industries, typically the textile and apparel industry (Fukunishi and Yamagata, 2014). According to Gereffi and Frederick (2010), this sector has been a springboard for national development and is often conceived as the starter industry for countries engaged in export-oriented industrialization. Thus, in line with the growth and development experience of most countries in the world, Ethiopia has identified this sector as the most crucial sector to start as an expedition towards industrialization. While increasing the contribution of the industrial sector in the economy is one of the most pressing concerns of the Ethiopian government, employment creation also remains the center of attention.

Accordingly, in the middle of a massively growing number of youth populations, the textile and apparel manufacturing sector has been selected to lead the move towards industrialization (National Planning Commission, 2015). In recent years, firms from India, Bangladesh, China, Pakistan, and Turkey, which are looking for an alternative base for their textile and apparel production have been flowing into the country (Mihretu and Llobet, 2017). Moreover, international Fashion brands like H&M, Guess, J. Crew, and Naturalizer are now finding potential in Ethiopia in this sector and started sourcing textile and apparel products from this new center in the global value chain (Gelb et al., 2017).

Essentially, among other things, the need for lowering production costs and maximizing profit has been the driving force behind the global restructuring of the textile and apparel industries. Asia, particularly China and Bangladesh, has long been an attractive destination for the industries in this sector. But, nowadays, the textile and apparel manufacturers are shifting their production overseas, especially in African countries, due to increased labor costs and tightening labor regulations (Yost and Shields, 2017). Strengthening this argument, ILO (2020) has argued

that Low wages have been a structural issue for workers of the garment sector in Ethiopia, and are often cited as a key driver behind the development of the Ethiopian garment sector and its industrial parks, explaining the recent shift from Asian factories towards the Horn of Africa. In the sense of this rising concern, Ethiopia is recently ranked as one of the top five countries known for significant violations of the freedom of association by the International Labor Organisation (ILO, 2012). In addition, the ITUC has voiced concern over the absence of a collective bargaining process and exploitative pay for the workers of the textile and apparel industries (Birhanu, 2018) and has called on the State to safeguard the rights and dignity of the workers (Eskedar, 2018). Moreover, ILO (2020) has clearly demonstrated some key factors affecting Ethiopian workers in the Industrial parks including low wages, high cost of living, female workers personal safety, lack of freedom of association, collective bargaining and grievance mechanisms, and workers' occupational health among others. As a result of such developments in the industrial parks, workers mostly respond by quitting their jobs although there are very limited formal job opportunities in the country.¹

In fact, as briefly explained in the first paragraph of this introduction, it is a widely told story that Foreign Direct Investment (FDI) generates a development opportunity for the receiving countries. However, there is an equally critical strand that argues that FDI flows into countries where labor standards are low and result in the exploitation of the already poor. According to Harvey (2005), having an inherent drive for profit accumulation, capital aims at exploiting the opportunities by taking the advantage of the situation of the poor nations in the developing world. In line with such concerns, this research has critically examined the role of labor standards as a determinant factor in explaining the FDI's rapid rise in the textile and apparel sector in Ethiopia. Conceptually, through such critical examination of issues, the study has attempted to provide a picture of where the trade-offs between FDI and Labor standards are most apparent in the textile and apparel industries in Ethiopia and provided a better empirical foundation for an improved policy framework in this particular area.

¹ See <https://www.france24.com/en/20200204-angry-workers-spurn-ethiopia-s-industrial-revolution> for more information on workers' turnover in the Industrial Parks of Ethiopia.

1.2. Statement of the Problem

The neoclassical growth model states that for countries to improve the living standards of their people they need to engage in the industrialization process. This model, among other things, hails the impact of globalization and the mobility of capital as a driving force towards economic growth in the developing countries of the world. Many countries in the developing parts of the world have accepted this prescription and made market-friendly reforms to attract foreign private investment. In their quest for integration in the global production network, employment being a major concern along with industrialization, the developing countries compete to attract foreign direct investment, particularly in the labor-intensive manufacturing sector. In the last few decades, the textile and apparel industry is in fact an important industry for most countries, particularly in Asia, in providing employment opportunities for millions of people and integrating them into the global value chains (Yost and Shields, 2017).

The ongoing effort in Ethiopia is part of this global trajectory. The government has designed an aggressive plan to transform the agriculture-dominated economy into an industry-led economy (National Planning Commission, 2015). The Growth and Transformation Plan and the Laws facilitating the construction and expansion of Export Processing Zones (EPZs) in the form of Industrial Parks- which offers special incentives to attract FDI- are among the moves made by the government to ensure the deep integration of the country in the global competition for capital attraction. The government of Ethiopia justifies Industrial Zones by claiming that they will bring foreign investment, promote export-led industrialization, and create jobs for the ever-increasing youth population in the country. This development in the country can be linked to the increasing acceptance of globalization and neoliberal policy prescriptions. Apparently, this approach is being taken as a suitable strategy to find a niche in the global economy.

In recent years, it appears that the flow of foreign capital, particularly in the textile and apparel industries, is increasing and most of the leading global textile and apparel manufacturers commenced their production in this country. There is also an ongoing comparison claiming Ethiopia becoming a new China of the 1980s due to the high interest of investors in the sector to invest in the country (Gelb, et al, 2017). This kind of claim is being supported by reports, (Berg et al, 2015 and Berg et al, 2017) which show Ethiopia gaining greater attention among global textile and apparel industries as the next potential destination for their plants.

Although there has been a great complement which hails Ethiopia's engagement in the global production network through FDI and the growth prospect of the country, critical arguments against the quality of jobs being created by the industries in the textile and apparel sector are being circulated through different media outlets and international organizations. Complementing such critics, there is an underlining assumption which states that the globalization of textile and garment industries is taking place in the context of increasing flexibilization of labor (Mezzadri, 2012). Against this backdrop, it is fair to be curious regarding what within the Ethiopian labor system is allowing the country to be one of the most attractive destinations for the global textile and apparel industries. Thus, owing to the growing importance of the country as a sourcing and production location for textile and apparel goods, it is important to investigate and reveal the emerging concerns on labor practices in the textile factories and their role in attracting FDI into the country for the local and the international community at large.

From the perspective of the level of attention given, it could be understood that the growth of FDI and the expansion of the textile industries has attracted more media attention while researches on labour conditions are quite few, yet growing. There are some academic works that are critical of the ongoing labor practices in the Ethiopian Industrial Parks including: Rediet Sisay (2020). "*Multinational Corporations' Obligation for the Right to Fair Wages: the Case of Industrial Parks in Ethiopia*"- which largely focuses on investigating wages from the labor rights perspective- and Mitta (2019). "*Labor Rights, Working Conditions, and Workers' Power in the Emerging Textile and Apparel Industries in Ethiopia: The Case of Hawassa Industrial Park*"- mainly attempted to look at the workers' power resources available to balance the industrial relations in the HIP. However, these researches were not exploring the existing trade-offs between labor standards and the flow of FDI. Moreover, critical examinations on the ongoing flow FDI has been quite less in the country. Thus, by arguing that Ethiopia is defining what the bottom is in 'the race to the bottom' for labor standards², this research has attempted to bridge the gap in the body of literature and knowledge by bringing a critical perspective into the fore of the debate regarding the factors driving the flow of FDI in the textile and apparel industries in this country.

² A labour standard in this particular study refers to wages, working conditions, and labor protection rules.

1.3. The objective of the Study

The general objective of this study is to explore the effect of labor standards in the flow of FDI in the textile and apparel industries in Ethiopia. Apart from the aforementioned general objective, the study is guided by the following specific objectives:

- A. Examining factors related to working conditions and labor right protections that have a paramount role in attracting FDI in the textile and apparel sector in Ethiopia;
- B. Investigating the role of trade union activities, wages, and wage-setting system in the sector in promoting the expansion of the textile and apparel industries in the country;
- C. Assessing the relevance of the low industrial working experience in increasing the manufacturers interests to invest in the industrial parks in Ethiopia;
- D. Exploring how the country sets the bottom by disregarding labor protection rules and their implementation for the purpose of attracting foreign capital in the sector and;
- E. Analyzing the view of the workers regarding how beneficial the incoming investments is for the workers in the sector.

1.4. Research Questions

With the help of primary data collected from various sources and content analyses of secondary data through the lens of the theoretical framework discussed in Chapter 2, the study has addressed the following research question: *How do the labor standards in the Ethiopian textile and apparel industries affect the flow of Foreign Direct Investment in the sector?*

To facilitate the process of answering the main research question, the study has focused on the following sub-questions:

1. What are the factors related to labor standards which has been making Ethiopia an important sourcing destination for the global textile and apparel industries?
2. How do the trade union activities, wages levels, and the wage-setting system in the sector encourage the expansion of the textile and apparel industries in the country?
3. What role does the workers' lack of industrial experience play in promoting investors' interest in establishing a factory in Ethiopia?
4. What role have the current labor protection regimes played in the the influx of FDI into the sector? and;

5. How do the workers describe the benefits they are able to gain from the incoming investment in the sector?

1.5. Scope of the Study

This research is thematically confined to studying the effect of labor standards in determining the flow of FDI in the textile and apparel sector in Ethiopia. To this end, the research has collected data from diverse groups that have a direct stake in the research topic under discussion. Twelve interviewees have been made with purposively selected interviewees to collect the needed data to answer the research questions that are mentioned in the preceding section. Besides, in terms of the case selection, the research has focused on the Hawassa and Bole Lemi Industrial Parks which are the first and the largest industrial parks respectively.

1.6. Limitation of the Study

The research has made every attempt to gather data from a variety of sources. However, due to the lack of availability and at times, the lack of desire to participate in interviews, the study was not able to extensively include the manufacturer's views on the research subject under discussion, thus only one interview was made with an employer. This, in essence, left a significant gap in the attempt to consider different kinds of views and thoughts of employers on the existing working conditions and the respect for labour rights in the industrial parks. Furthermore, the interviewed General Manager in one of the industries in the BLIP was also not happy to provide detail information to the questions and has only provided a general view on the existing situations in the industrial park. Besides, additional data collection instruments including observation and Focus Group Discussions, which could have been very useful for the capturing of the required data, were not used either because of the sensitivity of the problem or the lack of access to the workplaces of the employees of the industrial parks. As a consequence, analysis is limited to the use of data obtained from semi-structured interviews on its own.

1.7. Significance of the Study

A study of this type has a lot of importance in contributing to the body of literature and knowledge in development studies and providing an alternative perspective to how people conceive the link between FDI and economic development. Apart from its scholastic importance, the study will create awareness and provide insight into the government of the country to have a

second thought about the negative results of attracting FDI through depressing labor standards. It will also raise the awareness of workers and trade unionists concerning the exploitative situation in which they are being made to invest their labor. Last but not the least; the study will also be important in exposing the effect of global competition for capital on the labor standards in the labor-intensive industries in Ethiopia.

1.8. Structure of the Study

This research has six chapters. The first chapter is introductory and it could help the reader to grasp the purposes of the research. The second chapter focuses on the conceptual framework and some of the empirical findings around the world in the area of the topic under discussion. The third chapter illustrates the methodology employed to study the research question and outlines the different methods used in the research. The fourth chapter is dedicated to discussing the main findings of the research by making use of the conceptual framework covered in chapter two of the study. Finally, the research makes concluding remarks by outlining the major findings of the research and points out some recommendations for future researcher engagement.

Chapter Two

2. Theoretical Framework and Literature Review

2.1. Definitions of Terms and Concepts

The following terms and concepts are mainly common in labor studies. The meanings conveyed or given to them are largely taken from the definition given by the ILO and the Ethiopian Labor Proclamation Number 1156/19. The following words and phrases therefore have the following meaning, unless the context otherwise requires:

Employer: means a person or an undertaking who employs one or more natural persons in accordance with Article 4 of the Ethiopian Labor Proclamation.

Worker: means a person who has an employment relationship with an employer in accordance with Article 4 Ethiopian Labor Proclamation.

Trade Union: means an association formed by workers. A trade union may be established in an under taking where the number of workers is ten or more; provided, however, that the number of members of the union shall not be less than ten.

Federation: means an organization established by more than one trade unions or employers' associations. Trade unions may jointly form Trade Union federation and federations may jointly form Trade Union confederations as well.

Confederation: means an organization established by more than one trade union federations or employer's federations.

Collective bargaining: means a negotiation process between employers and workers organizations or their representatives concerning conditions of work in order to reach at collective agreement or the renewal or modifications there of.

Collective Agreement: means an agreement on conditions of work concluded in writing between representatives of one or more trade unions and one or more employers or representatives or agents of employers associations.

Strike: means the slow-down of work by any number of workers in reducing their normal output on their normal rate of work or the temporary cessation of work by any number of workers acting in concert in order to persuade their employer to accept certain labour conditions in connection with a labour dispute or to influence the outcome of the dispute.

Condition of work: means the entire field of labour relations between workers and employers including hours of work, wage, leave, payments due to dismissal, workers health and safety, compensation to victims of employment injury, dismissal because of redundancy, grievance procedure and any other similar matters.

Wages: means the regular payment to which a worker is entitled in return for the performance of the work that he performs under a contract of employment. The Ethiopian labour Proclamation 1156/19 does not consider the following payments as wages: Over-time pay, bonus, and other incentives paid for additional work results.

International labor Standards: subjects covered by international labour standards includes, but not limited to, Freedom of association collective bargaining, wages, working time, occupational health and safety, forced labor, tripartite consultation, employment security and equality of opportunity and treatment.

2.2. Overview

The sections below provide a brief explanation of the major issues that are being covered in labor studies to contextualize the linkage between the global flow of FDI and labor standards. Accordingly, it discusses globalization and the developing countries of the world, the shift in the production location of textile and apparel industries, the characteristics of the labor force in the EPZs around the world, and the impact of globalization in the labor movement.

2.2.1. Globalization and the Developing Countries

“Forces and processes associated with globalization fundamentally shape the world we live in”.

Clawson (2003:131)

Globalization has led to an increased level of *economic* integration among countries of the world. In one of his important contribution in the field of globalization, ‘*Making Globalization Work*’, Joseph Stiglitz (2007) states that more than three fourth of the world population is living in the

developing parts of the world, marked by low income and high levels of poverty as well as high unemployment and low education. According to him, for those countries, globalization presents both unprecedented risks and opportunities. Stiglitz further asserts that “making globalization work in ways that enrich the whole world requires making it work for the people in those countries” (ibid.).

According to conventional wisdom, the integration of the developing world to the global economy is claimed to be an opportunity for them to catch-up with more advanced and developed economies of the world (Kaplinsky, 2006).³Kaplinsky states that the argument for such a position is that globalization has led many low-income economies to specialize in labor-intensive products resulting in an enhancement of incomes of the previously unemployed, most of whom were relatively unskilled (ibid.: 49-50). Development is also identified with industrialization across the theoretical and ideological divide (Arrighi, 2005) and is seen as a reward for participation in the global economy (McMichael, 2005). In the 1980s, the World Trade Organization (WTO) has also offered a more comprehensive explanation to cement the importance of globalization as a driving motor of development through the rule of the market guided by a privileged role of the Transnational Corporations (TNCs) ((McMichael, 2005). When it comes to the developing countries of the world, that are lagging from their developed counterparts, this notion assumes that it is their potential integration into the global economy that believed to facilitate an economic or structural transformation through the restructuring of national economies from agricultural dominated activities to industrial activities (Arkebe, 2015).

However, there is no magic solution or a simple prescription to argue for this notion (Stiglitz, 2007). One of the critiques of the notion of the conventional wisdom which assumes globalization as an opportunity for countries in the developing countries is Benjamin Selwyn (2017). In his Marxian critics of the advent of globalization, he challenges the core claims of the anti-poverty consensus which accepts global integration (through; foreign investment, trade, and export-oriented production) as a way for poverty reduction and the swiftest route to human development (Selwyn, 2017). Selwyn states that the emergence of the Global Value Chain (GVC) in the academia coupled with its expansion into the policy actions by the mainstream

³See Kaplinsky (2006: 26-54). In this section he asserts that the policies of the World Bank, the IMF and the WTO echo the belief that poverty could be reduced with the wider integration of the developing countries in the globalized economy and, in so doing, push them ever deeper into the global economy.

International Organizations ranging from the World Bank (WB) to the World Trade Organization (WTO) has given a strong base for this claims. However, according to him, encouraging the development of and participation in the global network of production as a road to more jobs and sustainable growth for the economies, by representing it as a form of upgrading only shows the one side of the coin of capitalist competition in the era of globalization (ibid.). The promotion of such policies rather has to do with “strict” labor-management and super-exploitation of the laboring class, predominantly women of the developing countries, and the accumulation of value created within these chains to be captured by the transnational corporations (ibid.).

Munck, (2002:6) in his book entitled ‘*Globalization and Labour: The New ‘Great Transformation’*’ also provides the same verdict to Selwyn on the process of globalization. He argues that globalization is a process based on the proliferation of working-class people. Pointing to the ever-growing number of the global working-class population, he notes that “globalization has not just occurred because capital suddenly became more mobile, but it also responds to subsume more and more workers under the capital/wage-labor relation” (ibid.). Yet another damning assessment of the integration of the developing countries in the global production network is given by John Smith (2016) in his work entitled “*Imperialism in the Twenty-First Century: Globalization, Super exploitation, and Capitalism’s Final Crisis*”. Smith states that the process of globalization and the respective relation it produced is part of an evolution of social relation, namely the relation of exploitation between capital and labor (Smith, 2016). He asserts that the practice of offshoring and outsourcing through FDI into the developing countries and the resulting South-North export of manufactured goods is so much of the globalization of production that has to do with the evolution of the aforementioned social relation (ibid.).

Overall, globalization has led to the international division of labor and change in the industrial trajectory of the developing countries, and this change, in turn, led to what is termed as the ‘global commodity chain’ (Mezzadri, 2008). But, the expansion of accumulation strategy driven by this process has resulted in the super-exploitation of workers in the global south (Selwyn, 2017). The section below, therefore, explains this trend by focusing on the textile and apparel value chains, which is the center of this study.

2.2.2. The Global Shift of the Textile and Apparel Industries

The textile and apparel industries are among the leading industries with a true sense of globalization, both in terms of the actors involved in the production and distribution as well as the complexity of the supply chains in the sector (Su, Gargeya and Richter, 2005). Its chain has been global since the 1970s and the geography of apparel production and trade has been highly dynamic (Mihretu and Llobet, 2017). As part of the restructuring process in the developed countries of the world, the industry has undergone several production migrations from one country to another since the late 1950s (Gereffi and Mamedovic, 2003). In this process, traditional textile manufacturing industries that are located in the developed countries of the world, the United States, and Europe have shifted their production centers to different parts of the world, predominantly Asia. By the mid-1990s, the shift of production from the core to the periphery had resulted in substantial trade deficits in almost all developed countries, except Italy (Smakman, 2003).

Gereffi and Mamedovic (2003) explains the three waves of the shifts in the relocations of production centers in the global textile and apparel industries. The first wave of textile and apparel industries migration was from North America and Western Europe to Japan in the 1950s and early 1960s, when western textile and clothing production was displaced by a sharp rise in imports from Japan. The second shift was from Japan to Hong Kong, Taiwan Province of China, and the Republic of Korea. These three countries were the dominant exporters of textile and clothing in the 1970s and early 1980s. The third wave of migration occurred in the late 1980s and the 1990s from the Asian 'Big Three' (Hong Kong SAR, Taiwan Province of China, and the Republic of Korea) to other developing economies. In this period, particularly in the 1980s, production moved mostly to mainland China as well as to several Southeast Asian countries including; Indonesia, Thailand, Malaysia, Philippines, and Sri Lanka. The global shift in the center of textile and apparel production in the 1990s was to South Asian and Latin American countries. According to Gereffi and Mamedovic, two major trends have occurred in the wave of migration of textile and apparel production centers in the 1990s; the first is the shift within Asia which caused a significant decline in the share of the so-called 'big three' first by China and followed by Southeast Asia and South Asia. The second was the growth in the share of non-Asian countries in the sector, particularly from central Americana, notably Mexico, and the Caribbean (ibid.).

Why did these shifts occur? According to Azmeh and Nadvi (2014) and Fukunishi and Yamagata (2014), the choice of locations in different parts of the world by the industries in the sector reflects various factors that include production costs, mainly wage, and comparative trade preferences among others. Drawing on the neo-classical economic assumption, Gereffi and Memedovic (2003) state that most labor-intensive productions that do not require enormous capital and skilled labor in sectors like the textile and apparel production are locating in countries with the lowest wages. According to them, the sequential relocation of textile and apparel production from the United States and Western Europe to Japan, the Asian ‘big three’ and China, “when each new tier of entrants had significantly lower wage rates than its predecessor”, demonstrate the reason why firms transfer those labor-intensive industries in the sector. It is this rationale that dictated the industrial relocation over the past six decades (Ruan and Zhang, 2014). Ruan and Zhang note that it is the gradual loss of comparative advantage in factor prices, mainly wages, has made labor-intensive industries move to develop countries with lower factor costs (ibid.).

Comparative trade preference, particularly the quota system, that put in place during different times in the international trade has been the other factor in the relocation of the textile and apparel industries across the developing countries (Appelbaum et al., 2005). These are the Multifiber Arrangement (MFA) of 1974, which established limits on different categories of textile and apparel imports to the United States, the EU⁴, Canada, and Norway through a series of bilateral agreements between trading partners, and the 1994 World Trade Organization (WTO) Agreement on Textiles and Clothing (ATC), which designed a transitional process to ultimately end the quotas on textiles and apparel trade over ten years until 2005 (ibid.).

The 10-year transitional program has been applied in four stages under the agreement, to allow those countries affected by the MFA to make adjustments to a new “free trade” environment upon its final phase-out (Wang et al., 2008). However, even if the MFA was originally designed to protect the textile industries in the developed countries of the world, it ironically has had a massive effect of scattering trade all over the globe (Appelbaum et al., 2005). When a country’s quotas for particular items of textile and apparel products were reached, retailers and manufacturers simply looked for factories in other (lower-cost) places that mainly specialized in

⁴See Dicken (2007:260-261) and Kaplinsky (2006: 125-128) for more detail explanation on the impact of MFA on the world textile and apparel trade.

sewing imported textile components and re-export the finished products, such as Bangladesh, Sri Lanka, and Vietnam (Gereffi and Frederick, 2010). This reconfiguration has begun when exports from South Korea, Hong Kong, Taiwan, and later China reached their allowed levels of maximum export under the quota system which then essentially facilitated sub-contracting of the assembly process to low-wage developing countries throughout the Asian Pacific region and elsewhere that had unused export quotas (Gereffi, 1999 cited in Gereffi and Frederick, 2010). Thus, it was this process that caused a global hunt for new sources of supply (Appelbaum et al., 2005: 4). Furthermore, while the initial stage was to sub-contract assembly activities in the process of hunting for new sources of supply, at the latter stage the most labor-intensive production activity in the sector was shifted out, often to the EPZs in the least developed countries (LCDs), eventually leading to a division of labor where production as a whole was relocated (Smakman, 2003).

In the post-agreement on Textiles and Clothing (ATC) era, it was widely anticipated that countries such as China and India, which were previously constrained by quotas, would outplay the countries that took advantage of quotas due to the MFA in the textile and apparel trade (Wang et al., 2008). But, following the termination of the quota regime in 2005, the situation has not been so clear-cut. As countries like Bangladesh and Cambodia were able to increase the ready-made garment (RMG) exports to the developed countries of the world, some others like Kenya and Pakistan, and Madagascar negative growth (Fukunishi and Yamagata, 2014). The removal of quotas further made retailers and other buyers free to source textiles and apparel in any amount from any country, subject only to a system of tariffs and a narrow set of transitional safeguards that expired at the end of 2008 (Gereffi and Frederick, 2010). This caused a massive fluidity in the global geography of apparel production and trade, and the restructuring of firm strategies seeking to rearrange their production and sourcing networks to accommodate new economic and political realities in the post-2005 period (ibid.). The continuation of these growth trends after the end of the quota system verifies that not all but many low-income exporters were competitive without the benefit of the quota system (Fukunishi and Yamagata, 2014). However, given their relatively low productivity and, above all, their ineffective transportation, their success must have been based on low wages (ibid.).

The other issue worth mentioning in the transformation of the global textile and apparel industry is the emergence of large Asian suppliers as critical players in the organizational restructuring of production and trade. The shift in production sites to low-income countries came about primarily through FDI (Fukunishi and Yamagata, 2014). In the 1990s, firms from Korea, Hong Kong, and Taiwan made a tremendous amount of shift through such investments, and in the 2000s, the Chinese Indian, and Southeast Asian firms made the same investment in low-income countries (ibid.). As Azmeh and Nadvi (2014) explained it;

Many Asian manufacturers in the sector, who were initially integrated as first-tier suppliers in global value chains (GVCs) co-ordinated by 'Western' lead firms, are now taking on significant chain co-ordination functions in their own right, often becoming 'co-leads' (...) they orchestrate the flows of goods, components, capital, labor, and information throughout the circuits of the chain. They are also pivotal in that they can have a transformative impact, rapidly shifting the balance of production and sourcing arrangements from country to country(...) Geographically, these leading multinational garment manufacturers have built extensively dispersed and functionally integrated value chains that are spread predominantly in Asia but also extend to Africa, the Middle East, and Central America.

Overall, this process enabled the manufacturers in the sector to swiftly relocate manufacturing activities across a rapidly changing map of locations in the developing countries with a lower cost of production and countries that benefit from preferential access to key consumer markets, especially the US and the EU (ibid.).

2.2.3. Characteristics of the Labor Force in the EPZs of Developing Countries

"It is by now considered a stylized fact that industrialization in the context of globalization is as much female-led as it is export-led"

(Smith, 2016: 124).

The inherent foundation for the generation and concentration of the global wealth is the "vast, gendered, and super-exploited" global laboring class (Selwyn, 2017). During the era of

neoliberal globalization, the gender composition of this class has changed significantly in a way that brought most of the women into a paid labor force (Rahman, 2011). Rahman notes that the large-scale feminization of paid work had its origin during the emergence of the textile and clothing industry in the world. But, in its modern form, it becomes a hot issue since the late 1950s and 1960s when the emerging Japanese and East Asian textiles and apparel firms overwhelmingly engaged in the recruitment of young rural women to their plants which latter continued in the Asian, Latin American and African countries in the 1980s and 1990s (ibid.). Overall, since the commencement of the practice of EPZs in the early days of the 1960s, what has been a common feature across time and space is that “women have constituted the core of the labor force within the EPZs” (Murayama and Yokota, 2008, Dicken, 2007, and Smith, 2016).

In the age of intense competition for survival, the major strategy followed in the labor-intensive production system has been the ‘primitive’ exploitation of the laboring class, that is ‘the extraction of maximum possible labor at minimum possible cost’ (Kabeer and Mahmud, 2004). Kabeer and Mahmud state that it is the women who, therefore, offer the employers the kind of ‘low-cost and compliant labor force’ that helps them to achieve a competitive advantage in the global market (ibid.). For example, Rosen (2002) asserts that the industrialization of Japan and Korea, which began with light industry, especially the textile and apparel industries, could never have been accomplished and become so competitive internationally without the young and unmarried girls of low wage that are brought from peasant villages across their countries.

The preference of investors for female labor is particularly marked in EPZs, where “women make up the majority of workers in the vast majority of zones, reaching up to 90 percent in some of them” (Smith, 2016). As Ehrenreich and Fuentes (1984) put it, “the governments advertise their women, sell them, and keep them in line for the multinational”. The reasons for the preference of low-cost female labor to produce labor-intensive export goods are several. Apparently, “it is an article of faith with employers that women can do, or will do, the monotonous, painstaking work” in the labor-intensive industrial production system (Ehrenreich and Fuentes, 1984). According to Selwyn (2017), a higher percentage of women workers in a globally integrated system of production has essentially to do with their supposed ‘nimble fingers’- thus, their capability to work long hours executing a relatively complex task under severe management- and their lack of political activism in the industrial relations. Smith (2016) also mentions the fact that many studies citing the alleged “cheapness, flexibility, docility and

dexterity of female labor” as a major reason for the preference of young female workers in the export-oriented industrial production systems. In summarizing the advantage women workers can offer to the employers, Ali (2001) describes that:

“Women accept inferior conditions of work and pay, including long hours and unpleasant and often unhealthy or hazardous factory conditions. Women also typically do not unionize or engage in other forms of collective bargaining to improve conditions. They also do not ask for permanent contracts and are, thus, easier to hire and fire at will according to external demand conditions. Moreover, changes in the life cycle such as marriage and childbirth can be used as proximate causes to terminate women's employment”.

The other, yet most assertive, the reason for the preference of women’s in the labor-intensive light manufacturing industries, such as textile and apparel, is much related to the “lower price-tag” attached to their body (Mezzadri, 2016 cited in Selwyn, 2017). In explaining the relation between gender and export-led growth in the case of East Asian (NICs) countries, Seguino (1997) states that the women’s wage is often lower than men’s and therefore, the higher the females are employed the lower the unit labor cost would be for the manufacturers. Thus, since the labor-intensive commodities have tended to be homogenous, the price remains an important determinant of demand, and those manufacturers with the lower unit labor costs are likely to get an advantage in the market vis-à-vis those producing at higher unit labor cost (ibid.).

So, why are women perceived to be cheaper, more flexible, and less prone to offer resistance than men? Citing Maria Meis (1986), Smith (2016) states that women’s in the developing countries are not seen as ‘workers’, but housewives, and all work they do is apparently seen as supplementary work and their income is perceived as a supplementary income to the family. Women are also seen as highly flexible as they worked only a few years before they left to get married and are easy to displace when the industries downsize or move to other places (Rosen, 2002). Moreover, the reason for offering less resistance to the employers is much attached to the perception that women being not union-minded and lacking leadership qualities (Gothoskar, 1986: 1490). For all of these and other related reasons women workers were understood to be more easily exploited and suitable for this type of employment (Rahman, 2011).

Besides, it is not only the global workforce becoming more female, but also labor is more feminized as employers use gender division, and the perceived advantages they offer to impose those inferior conditions- low wage, long hours of work, temporary employment, etc.- on all the workers including men (Standing, 1999 cited in Smith, 2016). Therefore, subsequently, all the workers which are employed under the feminized conditions become subject to a high rate of exploitation (Selwyn, 2017). Overall, the typical pattern of EPZs in the developing countries is characterized by the prevalence of young women employment (Glick and Roubaud, 2006) with poor working conditions and very limited rights to exercise (Selwyn, 2017).

2.2.4. Globalization and Labor Movements

The history of trade unions all over the world is a history of the struggle for greater social justice, both in the societies and at the workplaces (Desset, 2013). According to Desset, in most cases of industrial relations, as individual workers were economically weak and possess minimal bargaining power they were subjected to exploitation and their lives and working conditions became so poor over time. Thus, being at the core of industrial relations, trade unionism is a phenomenon of the capitalist society, whereby trade unions seek to remove the power imbalance between the buyers-employers- and individual sellers-employees-of the labor power (Ahammad et al., 2017). Desset (2013) also asserts that trade unionism is a response to such circumstances which forced the workers to protect themselves from extreme exploitations in the form of low pay, long working hours, and appalling working conditions in the workplaces.

Trade Unions are, therefore, organizations of workers that- through its leadership- engage in collective bargaining and social dialogue to resist workers' exploitation and the violation of basic human rights of their members (Ahammad et al., 2017). On behalf of their members, they engage in negotiation related to wages, work rules, complaint procedures, rules that are governing hiring, firing, and the promotion of workers, benefits, workplace safety, and policies that govern industrial relations. Thus, intending to protect workers' interests, trade unions provide a platform for workers' collective action and are an integral part of the relationship between the employers and the employees (ibid.).

Against this backdrop, the challenges faced by labor movements in the contemporary global economy are profound and long-standing (Serrano et al., 2011). With the advent of globalization, production processes have undergone a profound transformation in terms of location and

organization (Morin, 2005). According to Serrano et al. (2011) the process in the global economy, in turn, made it difficult to labor movements to counter the power of transnational corporations.

Concerning globalization and labor standards, Serrano et al. (2011) further indicate that due to the growing corporate power, the geographical fragmentation of centers of production, and the hegemony of neoliberal market policies, workers in the present global economy are getting increasingly insecure. The process has resulted in undermining of labor rights of workers in both the developed and developing countries of the world with a pattern of intense labor exploitation in the global south and the growth of insecurity in the industrialized labor markets of the global north through creating dynamics for a “race to the bottom” or a “harmonizing down of labor standards” (ibid.). Moreover, according to Serrano et al., it caused downward pressure on labor standards through undermining the traditional state-based labor standard regulations.

Concerning the concept of “race to the bottom”, Ross (2004) used the term “global scanning” to convey the process by which the transnational corporations systematically searched the globe for the most favorable locations on which to place their production facilities and to target their sales efforts. According to him, the process of global scanning is designed as firms strive for survival under the competitive condition of the contemporary era. Their effort to “scan” the globe for investment possibilities is largely made by a rational assignment of locating the availability of resources and ruthless pursuit of the exact combination of local policies, labor conditions, proximity, and transport considerations, etc. for any commodity or part, they produce (ibid.). Learning from this global trajectory, as Ross (2004) states, trade unions and labor-rights activists have long argued that transnational companies seek out the locations where trade unions are weakest, labor rights are least enforced, workers are most repressed, and, accordingly, labor is cheapest by labeling the process as a “race to the bottom”. But, with the intent of attracting investments, politicians antiseptically call this “local cost of production”. Overall, the bottom line is that investors largely favor locations that are cheaper or that afford workers fewer rights in industrial relations (Ross, 2004).

Consequently, in the pursuit of attracting FDI, a host government in developing countries provides a variety of favorable investment incentives to transnational companies. With their desperation to drawing FDIs and keeping the existing ones, they make an ever-increasing

concession in response to the global capital demand (Traub-Merz and Jauch, 2006). In doing so, they establish EPZs that are aimed at providing a legal framework for a special sort of subsidized production for export whereby the governments table a package of incentives that ranges from the exclusion of labor laws to lowering of environmental standards (ibid.). Under these conditions, trade unions in developing countries are put into innumerable odds whereby they found very little space for trade unionism in addition to the challenge of dealing with an employer-backed by the law and administration of the state (Ahammad et al., 2017).

The textile and apparel production sector is among the leading manufacturing investment whereby the trade unions find themselves in an extremely difficult situation in their quest to protect workers' rights and improve their working conditions (Traub-Merz and Jauch, 2006). The sector has gone through a different geographical shift of production centers and among others the highly uneven geography of labor costs, and the increasing ability of manufacturers to take advantage of such differences driven most of the location shifts that happened in the sector (Dicken, 2007). Even though there are various reasons out there for the relocation of production centers, the industries have been shifting dramatically to low wage and less regulated locations (Ross, 2004). Generally, as Mehari (2015) states, the overall trend towards unionization of workers and the role of unions has been on the decline due to changes in production and regulatory regimes dictated by global economic order and intense global competition.

In conclusion, the following conceptual framework is generally built on the basis of the above notions and theories. The totality of factors which lead to the race to the bottom in labor standards are drafted according to their implications with lines and arrows. The causes, processes, and consequences of the interactions of different factors are also outlined in the following diagram.

2.3. Theoretical Framework: The Race to the Bottom (RTB)

While various concerns have been expressed over the potential impact of increasing globalization and the movement of capital across borders, many of them center on the possibility of a race to the bottom in which countries seek to attract FDI by removing policies and regulations that, although potentially socially desirable, are viewed as unattractive and deterrence effect to the flow of the international capital (Davies and Vadlamannati, 2013). This worry on the impact of globalization is being expressed in the area of taxation, environmental regulation, and labor standards among others (ibid.). This research has focused on one of these arena, the

linkage between labor standards and the flow of FDI. Accordingly, the conceptual framework outlined here provides a due emphasis on the race to the bottom thesis from the perspective of labor standards.

The link between globalization and labor market dynamics is an important one, especially in the case of labor abundant developing countries that are experiencing a general shortage of productive jobs (Mehmet, 2006). In this regard, a common and growing critique of globalization is that it leads to a race to the bottom. *Specifically, it is being said that multinationals invest in countries with lower regulatory standards, and developing countries themselves engage in activities that lead to competitively undercut each other's standards to attract foreign capital* (Olney, 2013). The major assumption of the concept of “race to the bottom” is that the reduction in employment protections and labor standards leads to an increase in Foreign Direct Investment and these changes are virtually common on the relatively mobile types of FDIs (ibid.).

Olney (2013) further explains that a reduction in labor market standards will increase the flow of FDI. The association which he brings into this analysis is that as employment protection rules become less strict, the cost of operating or production falls, and thus multinationals will shift production activities to those countries which facilitate less stringent labor standards on FDI. Furthermore, the response of multinationals to employment protection rules likely depends on the type of FDI. Relatively mobile industries, vertical FDI, which are motivated by the desire to take the advantage of low foreign factor prices are more likely to respond to such changes in labor market standards and can be relocated to less expensive locations relatively easily. The proposition of the race to the bottom additionally suggests that countries that are competitively engaged in the attraction of FDI in a certain sector are more likely to engage in undercutting labor standards of their own to attract foreign investment (ibid.).

Davies and Vadlamannati (2013) also state that labor standards such as the right to collective bargaining results in higher labor costs. All else equal, according to them, mobile investments would likely prefer a location with weaker standards and lower costs of production. The fact is that, according to Mehmet (2006), global competition generates pressure to lower wages and labor standards across the world. Basically, profit-seeking firms seek to escape from collective bargaining and relocate their plants to lower-cost locations in which there is no collective

bargaining and other labor rights. This, in turn, results in labor to be subject to exploitation, which is an underpayment of wages, in the developing countries of the world (ibid.).

Hence, one of the vertical investments with high mobility and easy to relocate from one center to another center of production is the textile and apparel industry. According to Junya and Petter (2005), the textile and apparel industries are among the fastest-growing industries, employing millions of people around the world. However, the industry is known for its notoriously exploitative nature. In those countries where the industry is largely operating, particularly in Asia where millions of people are employed in the sector, the workers are voicing their frustration with the inhuman suppression of their rights by employers (ibid.). As per the analysis of Junya and Petter (2005), these workers, globally comprised of over 70-80% women, face lifelong hardship at the bottom of the global garment production chain to clothe the world in numerous brands and designs. Thus, understanding the race to the bottom requires that governments, trade unions, and labor advocates of the global South face the reality that they are competing amongst themselves in their efforts to attract trade and investment. In this process of the race to the bottom, developing countries adopt neo-liberal policies to attract FDI and therefore trade-off citizen's rights to investors or capitalists to be able to get the highest profit by paying the minimum for all costs, taxes, labor wages, and welfare while carrying out practices harmful to the environment (ibid.).

While reminding that the overall impact of economic openness depends on how each country is integrated into the global economy, Mosley and Uno (2007) discuss the negative impact of FDI on labor rights. They note that Multi-National Corporations (MNCs) decisions on subcontracting and outsourcing are mainly influenced by the costs of production. In this context, a nation's ability to produce a good at the lowest possible cost is central to increasing its export share and winning the race for foreign capital. Analogous to this is that collective labor rights play an important role in production costs, given the empirical linkage between unions and collective bargaining on one hand and wage benefits on the other. According to Mosley and Uno, firms can reduce workers' demands and better nonwage benefits by restricting collective labor rights and governments can further serve the capitalists' interest by not providing or not enforcing the rights of the workers. Many developing countries were adopting such strategies to meet the demands of the capitalist for lower-cost production by establishing Export Processing Zones (EPZs). These

kinds of setups enable the zones to specialize in the manufacturing of certain goods for export and jobs in these areas are most often low skilled and labor-intensive while the suppression of labor rights remains high (ibid.).

Mosley and Uno (2007) further note that FDI involved in labor-intensive manufacturing sectors, for example, the apparel sector, is much concerned with labor costs. In these industries, labor costs are a large portion of firms' overall expenditure and this, in turn, provides a greater incentive for the repression of labor rights in the sector. In such industries, they point out that, exist is also easier as firms may move repeatedly seeking out those locations with lower labor costs and less stringent labor regulatory regimes. However, the situation is different in the capital-intensive sectors which require a skilled laborforce for their production. According to them, labor costs are a relatively small portion of the firm's overall costs in the capital-intensive sectors, and manufacturers need to attract skilled labor. As capital-intensive sectors entail larger sunk costs, it is more difficult for them to threaten exit due to the existing labor practices in the country. Thus, as the sectoral composition of a country's FDI changes over time, FDI impact on labor rights will also tend to change (ibid.).

Generally, the race to the bottom thesis on labor standards argues that globalization and the competition for hypermobile capital in less capital endowed countries put pressure on the states to repeal social welfare regimes and other fetters on profit maximization within their borders (Silver, 2003). Furthermore, it states that low-labor standard countries have the potential to make countries a haven for foreign investors (Rodrik, 1996). Friedman et al. (1992) also suggest that foreign investors tend to locate where union representation is weaker. This, then, results in the exploitation of labor in developing countries having an adverse effect on wages and the levels and conditions of employment (Mehmet, 2006). Overall, according to Mehmet, capital wins, labor loses in a zero-sum framework. Thus, through the lens of the thesis, the race to the bottom, this research attempts to analyze the connection between labor standards and the current flow of FDI in the textile and apparel sector in Ethiopia.

2.4. Empirical Literature

This chapter aims to provide a snapshot of empirical evidence and findings on the race-to-the-bottom labor standards in the textile and apparel industry. In doing so, the section brings together numerous studies to reveal the practices of reducing labor standards in many parts of the

developing world, particularly in East Asian countries, to attract FDI in the textile and clothing industries.

In their study entitled “The Race to the Bottom: Exploitation of Workers in the Global Garment Industry”, Junya and Petter (2005) has revealed that workers of the global South were working and living in poor conditions and earning a starting wage in the bottom of the global value chains of the textile and apparel productions. According to this study, the workers are made to labor for long hours to earn extra payments and on top of that, they were not allowed to form Unions that could enable them to stand for their rights in the workplaces. Through a union-busting practice, the manufacturers and the government together facilitate the exploitative practices in the sector. In this study, the authors argued that in most of the Asian countries specializing in the production of textile products, the workers are not paid properly and not socially protected.

Another study conducted by Anita Chan (2003) entitled “A “Race to the Bottom”: Globalisation and China’s labor standards” revealed that in the competition to attract labor-intensive industries, among others the textile companies, china has set the “floor” for the world’s workers. Anita has noted that by lowering the labor standards, China was able to become a world leader in receiving foreign direct investment and it is poised to be the winner in its competition with other competitors, as it continues to suck in the capital in search of cheap labor. According to this study, the practice China has opted to follow has brought a race to the bottom in labor standards, where workers were not able to enjoy the fruits of growth because their employers and governments hold on to the competitive advantage of cheap labor.

Another interesting piece of work in this area was written by Mark Anner (2015) entitled “Stopping the Race to the Bottom: Challenges for Workers’ Rights in Supply Chains in Asia”. In this study, Anner argued that Asia has long been a focal point on issues regarding development, trade, workers’ rights, and the race to the bottom or climb to the top debate. He states that the economic success achieved by Japan and the East-Asian Tigers signaled that it was possible for poor and underdeveloped countries to successfully develop through export-oriented growth. However, as many smaller countries in Asia were competing with each other to get access to the market of the developed world, few were able to replicate the success stories of Japan and the Asian Tigres. Citing the work of Chan (2003), Anner noted that China has long been setting the bottom in the race to the bottom. But, today, the debate over which country defines the bottom in

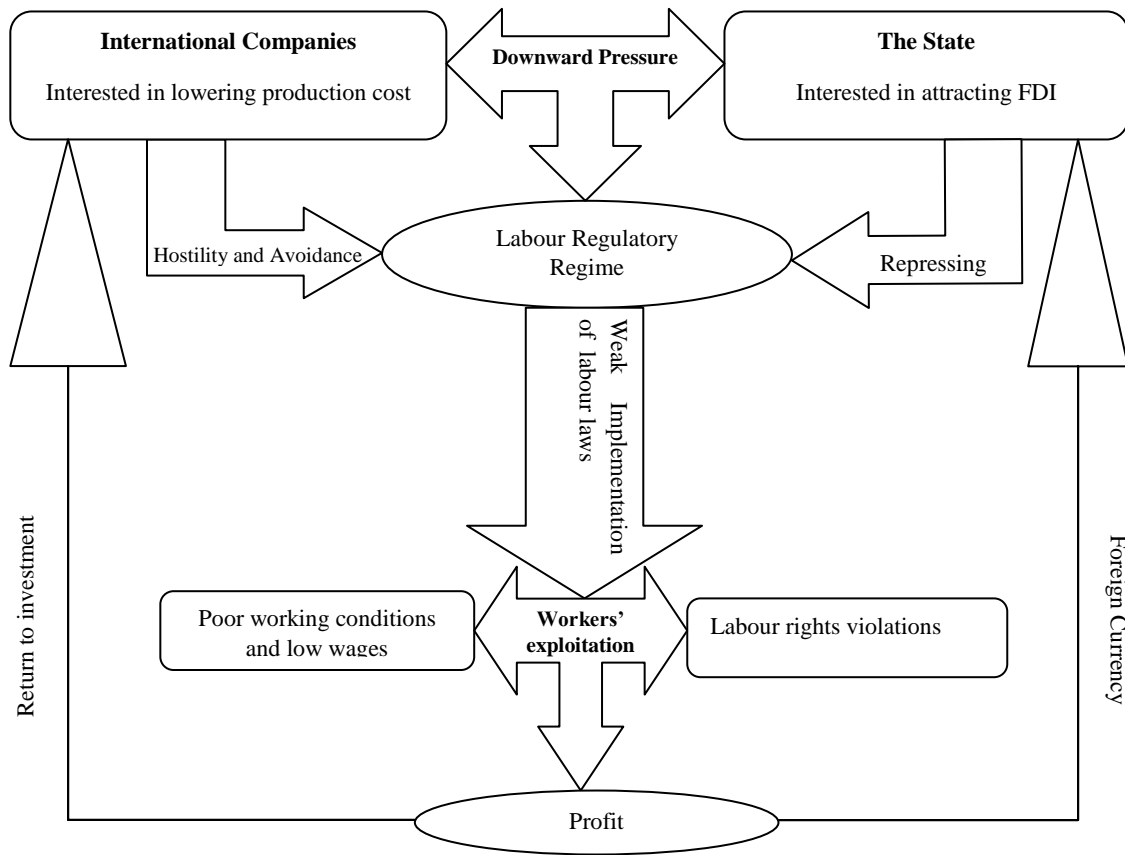
terms of wages and working conditions includes Bangladesh, Cambodia, Pakistan, Myanmar, Sri Lanka, Indonesia, and Vietnam. Apparently, Bangladesh for a while has occupied a new bottom with the lowest wage rated among major apparel exporters in the garment export sector. According to Anner, after the incidence of the Rana Plaza collapse, wages and labor standards were upgraded in Bangladesh and this has led to the search for a new bottom in the global apparel value chains. Thus, it is at this moment that Ethiopia is catching the eye of many buyers and produces in the textile and apparel value chains and getting to set a new historical bottom in the production of textile and apparel goods.

In their study entitled “Made in Ethiopia: The Potential for Social Upgrading in the Ethiopian Textile Industry”, Kristina Feldt and Judith Klein (2016) has revealed that there is an ongoing fear of the race-to-the-bottom in the Ethiopian textile and apparel industries as the incoming investors are inexperienced and would be submissive of lower price products from the lead firms sourcing from the country. According to their finding, in the Asian textile industry when manufacturers increased productivity, the buyers pressed prices further down and that is the race to the bottom that happened in Bangladesh. Kristina and Judith argue that there is still a risk of seeing another race to the bottom in Ethiopia as the manufacturers would not be able to invest in the social upgrading of their workers due to the pressure from sourcing companies at the top of the global production value chains. Proving such claims has been the report made by the Workers Rights Consortium (2018) which states that garment workers in their supplier factories were experiencing numerous labor abuses ranging from poor working conditions to being paid appalling wages in the textile and apparel sector in the country. In the study entitled ““Ethiopia is a North Star”: Grim Conditions and Miserable Wages Guide Apparel Brands in their Race to the Bottom”, the WRC states that Ethiopia is growing as a target destination as global brands continue their constant search for low-cost production environments. However, the finding states, salaries in Ethiopia, by a large margin, are smaller than those in any other major exporting country and grim working conditions in the factories stand in opposition to the standards that the manufacturers claim to maintain in their supply chains.

Thus, based on these empirical findings, this study has attempted to look at the ongoing development and relationships between lowering labor standards and the flow of FDI in the textile and apparel sector in Ethiopia. Moreover, the study made an effort to bring more

empirical evidence that proves the existence of the race to the bottom in labor standards and would serve as a reference for future investigations in the study area.

Figure- 4.1: Illustration of the concept of “Race to the Bottom” in labor Standards.



Source: researcher’s own illustration based on the data obtained from secondary and primary data.

Chapter Three

3. Research Methodology

This section explains the choice of the research methodology used to collect the required data and to respond to research questions. It, therefore, outlines the research approach, the research design, the data source and data collection tools, the target groups and sample selection process, the data storage and transcription method, the data coding and the analysis strategy. Finally, this section highlights the ethical issues that are considered in the process of data collection and interpretation of study data and discuss the limitation that the researcher has encountered in the course of writing the thesis.

3.1. Research Approach

The research approach is a plan and procedure to conduct a specific study and it includes the steps from a broader philosophical world view of the research to a detailed method of data collection, analysis, and interpretation (Creswell, 2014). According to Creswell, there are three approaches to conducting empirical research. These are; Qualitative, Quantitative, and Mixed research approaches. On the one hand, a qualitative approach to research often attributes to exploring and understanding the subjective meaning individuals or groups attribute to a social or human problem. On the other hand, a quantitative approach to research resembles testing objective theories by examining the relationship among variables. In a move toward integrating the strength of the aforementioned approaches to research, a mixed research approach involves the usage of both approaches having an assumption that the integration of the two approaches could give a more complete understanding of the research problem in question.

Given the nature of the research problem being considered for investigation and the very objective of the study, this research has employed a qualitative approach to research. Concerning the nature of the research, this study aspires to investigate the individuals' understanding and the meaning they construct about the research problem in question, thus, the connection between labor standards and the flow of FDI in the textile and apparel industries in Ethiopia.

Although one can employ an objective approach to study the linkage between the two variables, the very aim of the research invites the researcher towards employing a subjective approach and collecting the opinion and personal understanding of the interviewees.

This approach, in turn, invites the researcher to collect empirical data from the field through direct communication to people who have a wealth of information about the topic and allowing them to express their judgment on the issue being examined. In general, it is essentially a qualitative approach that will enable the researcher to conduct an in-depth study based on empirical data from the field. To this end, the research has incorporated a wide range of perceptions from different actors in a way that enables the study to produce a holistic view of the issue being examined.

3.2. Research Design

Every academic research follows a certain type of research design to accomplish the envisaged study. In relation to this Yin (2003) noted that choice of the research design depends on the research problem and its circumstances. Accordingly, to address the research problem stated in the introductory section, this study has employed a case study research design.

Creswell (2007) has argued that a case study research design is a qualitative approach to research which allows the researcher to explore a case or cases (multiple) through detailed data collection involving multiple sources of information. The distinctive need for case studies arises out of the desire to understand a complex social phenomenon (Yin,2014). Most often than not, researches employing such design usually make a detailed investigation of a particular event or issues (O'Brien and Williams, 2016).

It is obviously also a useful design when a problem or phenomenon is not very well known. Therefore, in order to provide insight into the issue which has previously not been studied and involves research that will provide an initial indication of what is happening on the ground. In addition, case study design is chosen specifically to narrow a wide area of research into one or more instances that can be easily explored. Yin (2014) therefore addresses two variants of study designs in the case studies-single-case design and multi-case design. This study adopted a multiple-case design to address the research issue at HIP and BLIP. The selection of these IPs has the following reasons: first, the HIP is the largest industrial park solely focusing on the

production of textile goods while the BLIP is the first industrial park in the country, second, these two parks are most often been in the media attention for their abuse of workers rights and poor working conditions.

3.3. Method of Data Collection and Data Type

3.3.1. Sources and Type of Data

Blaikie (2000) argues that the critical stage in any research is the process of selecting the people, events, or items from which the data will be collected. To come up with a sensible conclusion on the research question that has been examined in this study, the research has employed both primary and secondary sources of information. Accordingly, the primary data is collected from the major stakeholders in the textile and apparel industries; the government, trade unions, and the workers in the textile and apparel industries. From the government side, primary data is collected from the Ministry of Labor and Social Affairs (MoLSA), Industrial Park Development Corporation, and the Ethiopian Investment Commission (EIC). These interviews are particularly made to find out the role and position of the government concerning either providing employment protection to the workers in the textile and apparel industries or creating an investment-friendly environment for the incoming manufacturers in the sector. Moreover, primary data has also been collected from national trade unions including the Confederation of Ethiopian Trade Unions (CETU) and Industrial Federation for Textile, Garment, and Leather Workers Trade Unions (IFTGLWTU). In addition to these interviewees, to integrate the view of the workers in the factories, the research has to collected data from the workers in two of the most rapidly expanding industrial zones in the country namely: the Bole Lemi Industrial Park and Hawassa Industrial Park. Finally, primary data is also collected from an expert in the field to triangulate the information collected from, on the one hand, the government offices and, on the other hand, the workers and trade unions.

Apart from the primary data, the study has used secondary data from various sources such as books, academic journals and researches, newspapers, and published materials from different organizations to complement the raw data collected from the primary sources.

3.3.2. Data Collection Instruments

Qualitative research often employs semi-structured interviews to get in-depth information about the topic of interest. The major advantage of a semi-structured interview is that it enables a range of experiences to be documented, voices to be heard, representations to be made, and interpretations to be extracted (Smith, 2001). Besides it also gives the researcher room for probes and the respondents to explain more about the issue as it is not limited to a set of predetermined questions and answers.

To this end, semi-structured interview guidelines were prepared for each target group to collect qualitative data from the aforementioned sources. Besides, other types of data collection instruments including observation and focus group discussion were not employed due to the sensitivity of the issue under examination.

3.4. Method of Sampling

Berg (2001) argues that the reason for using samples in research is to conclude some larger population from a smaller one. According to him, social science researchers often examine situations relying upon a non-probability sampling strategy. This method offers researchers the benefits of not requiring the full list of target population about which the research is focusing and the ability to access otherwise highly sensitive or difficult to research target populations (ibid.). Thus, due to the difficulty of addressing a high number of research target populations and the sensitivity of the issue that is examined under this study, this research has employed a non-probability sampling strategy. Accordingly, convenience, purposive, and snowballing sampling methods were used to identify the potential participants of the research.

The purposive or judgmental sampling method is used to select key informants from the MoLSA, Ethiopian Investment Commission, the Industrial Park Development Corporation, CETU, and IFTGLWTU. These interviewees were having either a specific connection with the textile and garment industries or have been vested with the responsibility of enhancing harmonious industrial relations in the industrial parks under investigation. Thus, the key informants were those interviewees with key possessions concerning the research topic. Judgmental sampling is also used to select an expert having a research engagement in the area of industrial relations in the context of the developing world. Accordingly, this study has

interviewed a graduate from Addis Ababa University, Center for African and Oriental Studies and currently working as a Senior Expert: Investors Support and Follow-up at the IPDC.

Through this method, six interviewees- one from each of the aforementioned sources- were selected to collect the necessary data for the research. The convenient and snowballing sampling method, on the other hand, is used to select employees in the textile and apparel industries in Ethiopia. Consequently, three workers from each industrial park, BLIP, and HIP, have been interviewed to collect the necessary information about the condition of labor standards in the textile and apparel industries. This interview was basically an offsite workers' interview.

Concerning the selection of the workers, the researcher has selected the first interviewee through his network, thus, a convenience sampling method. According to Berg (2001), this category of sample selection relies on available subjects who are close at hand or easily accessible for the researcher. The major reason for using this sampling method was due to the sensitivity of the research topic that is examined and the need for the security of the research participants. Through this networked selection of the first interviewees, the researcher has employed a snowballing method to identify additional two interviewees from each industrial park. This method is often used when it is difficult to identify additional samples for the research (Blaikie, 2000).

Table 1: Introducing participants of the research (Interviewees)⁵

Unit of Analysis	Target area	Anonymous characters	Gen.	Sampling Techniques	No	Job Position
Government Office	MoLSA	MoLSA 1	F	Purposive	1	Laws and International Affairs Officer
	EIC	EIC 1	F	Purposive	1	Investment Promotion Team Leader
	IPDC	IPDC 1	M	Purposive	1	Customer Relation Officer
Trade Unions	CETU	CETU 1	M	Purposive	1	Head of CETU Legal Office
	IFTGLWTU	IFTGLWTU1	M	Purposive	1	Union organizing team leader
Workers	BLIP	BLIP 1	M	Convenient and Snowballing	3	Operator
		BLIP 2	M			
		BLIP 3	M			
	HIP	HIP 1	M	Convenient and Snowballing	3	Operator
		HIP 2	M			
		HIP 3	M			
Employer	BLIP	EMPLOYER 1	M	Purposive	2	General Managers of companies operating in the BLIP
Expert in the field	IPDC	Expert 1	M	Purposive	1	Customer Relation officer at IPDC and has publication on IPs.

Generally, a total of twelve (13) interviews were made to collect the necessary primary data for the research. In qualitative research, more than 10 interviews are deemed to be enough as the information that will be collected is bulky and additional interviews would cause data saturation.

3.5. Data Recording and Transcription

An important part of qualitative research is the process of recording and transcribing the data collected from the fieldwork. Thus, for a good analysis, the researcher needs to capture the actual

⁵ The research has used anonymous naming for the security and confidentiality of the participants of the research. In addition, it also used these anonymous names in the analysis section of the research.

words of the person being interviewed (Gray, 2004). Taking notes while interviewing is the most common way of capturing interview information. But, interviews can be also recorded by using different recording materials. However, recording the interviews essentially requires the informed consent of the interviewee and prior request by the interviewer. Accordingly, the researcher has captured the interview information both through note-taking and recording of the voice of the interviewees. Thus, among the 13 interviews made in this research eleven of them were recorded while three interviews (an interview with a trade unionist from the IFTGLWTU and with the General managers of a factory operating in the BLIP) were not recorded due to the refusal of the interviewee to allow the interviews to be recorded.

Besides, the interview was conducted through the local language, Amharic. The guideline was prepared in the English language, but for understanding and collecting the best possible information, the interview was held in a local language.

Regarding the transcription, the researcher made use MAXQDA, a software package for qualitative and mixed methods research. Accordingly, the audio voices were uploaded in the software to transcribe the information provided by different interviewees. In the condition where the interview was not recorded, a transcribed document is uploaded into the software to code the interview documents.

3.6. Data coding

According to Creswell (2007), coding is a process of organizing the materials into segments. Creswell argues that coding involves taking text data from sentences or paragraphs or any other sources of information and labeling those categories with a certain theme. Moreover, it includes explicating the story from the interconnection of the categories made under the coded data. Thus, as per the rules, this research has attempted to code the data from various sources under the themes preselected during the transcription process. The selection of the themes in which the data is classified is based on an attempt by the researcher to address the research questions referred to in the introductory section of the study. Sample coded data is also attached to this research.

3.7. Method of Data Analysis

Qualitative researches often make use of contextual analysis of the events or conditions and their relationships (Yin, 1984). As is mentioned in the prior sections, this research uses semi-structured interviews to collect the necessary data from the participants of the research. Thus, the data collected from the different sources were qualitative and this, in turn, requires content or thematic analysis to examine the topic in question. Content analysis is defined as a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use (Berg, 2011). Accordingly, as the data from the interviews were bulky, to make use of the information, the researcher has identified major themes of discussion in the research and categorizes the data from diverse sources into these particular themes of discussion. For the themes selected for discussion and analysis, the research has employed a coding mechanism using the aforementioned qualitative data coding software called MAXQDA. For analysis, the researcher used key quotations from each interviewee to integrate the understandings and opinions of the participants in the research.

Besides, the research has examined the thematically coded data through the analytical guidance of the theory called “the race to the bottom”. Overall, the study has employed an exploratory analysis to examine the research topic in question.

3.8. Data Triangulation

The use of several lines of view from various sources of knowledge in a research analysis is typically called triangulation (Lune and Berg. 2017). This study has also made use of data triangulation to incorporate the information obtained from primary and secondary sources of information. Apparently, integrating a variety of lines of view of the same problem allows researchers to obtain a clearer and more substantive image of the problem being examined. Apart from the triangulation of primary and secondary data, it is also important to triangulate data from different primary sources. As a result, attempts have been made to reinforce the points put forward in the research using the triangulation approach.

3.9. Ethical Issues

There are certain ethical standards that every research needs to follow. The ethical standards have to be applied from the very stage of collecting data to the analysis of the data collected from the field. During the collection of data, the researcher has attempted to inform the very aim of the

research and the type of data required from the interviewees. Data from the interviewees will only be collected upon the full consent of the participants of the research. After the completion of the collection of data, the information was kept confidential and been only used for the research topic in question.

Besides, during the analysis of the data, the privacy and anonymity of the interviewees have been given due emphasis. This is particularly because the researchers need to give attention to the security of the participants who provide information concerning such sensitive issues (Creswell, 2007). Moreover, the researcher has also made the utmost effort to avoid bias in the analysis of the data collected from the field and secondary sources of data.

Finally, it is also important to get the necessary supportive letter from the institution where the researcher is affiliated to. Thus, the researcher has collected the letter of support from Addis Ababa University, College of Development Studies, Center for regional and Local Development Studies, which confirms his credibility and legitimacy.

Chapter Four

4. Analysis, Discussion and Result

4.1. Introduction

In recent years, the Government of Ethiopia has designed an ambitious growth and transformation plan that has led to a major improvement in the country's fortunes as a destination country for foreign direct investment (FDI). The turning point for FDI inflows came when the country began implementing the first Growth and Transformation Plan (GTP I-2010-2015). According to UNICTAD's (2018) World Investment Report, particularly from 2012 onwards, the country's investment flow has increased by an average of 50 percent per year, reaching a peak of \$4.1 billion in 2017. This major investment flow has made Ethiopia the largest recipient country of FDI in East Africa and the fifth-largest recipient in Africa, alongside Egypt, South Africa, the Congo, and Morocco. In this regard, the development of public-owned industrial parks across the country has played an instrumental role in attracting export-oriented foreign investment and linking the country to global production networks.

While Ethiopia's efforts deserve praise from the perspective of enhancing the growth of its economy, the country's policy and practices for attracting FDI have caused a great deal of discontent. Concisely, the country's ambitious development goals are hurting its citizens who work in the factories of the industrial parks. It is a common trend in the global economy that investors who want to source or produce various types of labor-intensive products are particularly driven by low wages and the cost of production. Given this, it may make sense for this country to provide various incentive packages to win the competition for the mobile global capital. The worrying trend, however, is the level of disregard and attention paid by the government to the labor standards in the Industrial Parks of the country.

Concerning this, among the most important investment types, the country currently attracting is the high flying capital in the textile and apparel industry. The country has been catching the eyes of both the buyers and producers of the global fashion industry. Although there has been a remarkable growth in the textile and apparel investment and jobs created in the sector, Ethiopia has taken a low road to competitive advantage to secure the flow of investment. Among other

things, the country has offered its citizens as a commodity to the global capital and this has been opening the door for the international companies to reap the benefits through super exploitation and repression of the (mostly women) workers.

The Bole-Lemi Industrial Park (BLIP) and the Hawassa Industrial Park (HIP) are among the many export processing zones that the country has built to promote an export-based economy. While the former is the first public-owned industrial park specializing in the production of garment and leather products, the latter is a flagship project that focuses solely on hosting the textile and apparel manufacturing industries. At present, these parks have created jobs for more than 40,000 employees (CEPHEUS, 2019). But employees working in these parks are the lowest paid in the world and have been denied their internationally and constitutionally guaranteed rights (Mitta, 2019, Barrett and Baumann-Pauly, 2019, and WRC, 2018).

Generally, this study states that the effects of such low labor standards are causing the race to the bottom in the Ethiopian textile and apparel industries. Furthermore, it notes that extremely low labor standards help to explain the rapid growth in the flow of FDI in the textile and apparel sector in Ethiopia. The sections below, therefore, will elucidate the conditions of core labor standards in the Hawassa and Bole-Lemi industrial Park and explain how the country has been setting the bottom in order to attract foreign investment in the sector.

4.2. Conditions of Labour Standards in the Hawassa and Bole Lemi Industrial Parks

There are deeper root causes to the decent work deficit in the textile and apparel value chains, many of which begin at the top of global supply chains as a result of pricing squeeze –what lead firms to pay suppliers- and a production cycle squeeze-how much time lead firms to give to suppliers to make their products (Anner, 2019). Apart from this, developing countries' intense competition for global capital causes nations to lower labor standards to their lowest practices. Owing to such pressure from the global brands and opportunities provided by the capital-starved developing countries, the global producers have continued to make their flight from one low-cost production location to another. Over the last few years, Ethiopia is emerging as a coveted destination and making fast progress into being the next sweatshop of the world fashion industry. This trajectory has been largely being seen in the lack of social clauses in the trade agreements the country has been doing and the global companies' failure to abide by internationally

recognized labor standards.⁶ Owing to such developments, there has been increasing scrutiny over conditions in the supply chain of global brands sourcing and producing their products in Ethiopia. This section, therefore, presents the results of interviews made with workers from the BLIP and HIP and other stakeholders on the current labor condition in the industrial parks.

4.2.1. Working Conditions of the Labour in the Industrial Parks

The study has found put that there are various indicators showing the prevalence of labor violations in the industrial parks. Among the major violations being indicated by the interviews have been the problems related to off-the-clock work, unpaid overtime works, health issues related to food poisoning, lack of contractual agreements, and verbal abuses. These practices in the parks are a clear infringement of the international labor standards, buyer's code of conduct for the suppliers, and they are against the Ethiopian Labour law.

- ❖ One of the most important principles of labor standards on employment relations is a working time arrangement. According to the Ethiopian labor Proclamation number 1156/2019; Art 61 (2) and the ILO working time principles, the normal hours of work shall not exceed 8 hours a day or 48 hours a week. However, the workplace reality of the employees in the industrial parks is different. Regarding this, an interviewee from the Hawassa Industrial park has said that “we are working off –the clock in most of the time. This might be for 30 minutes or one hour. Generally, we were compensated, but when we were not told it is an overtime job, we would not get paid for it.” (HIP 1). Cementing the argument of this interviewee, a worker from the BLIP has said that “we stay in the factory until 7:00 PM in the evening when there are targets that we have to achieve” (BLIP 2). The points put forward by the workers are also founded on research undertaken by the Workers Rights Consortium (2018), which reports that workers do substantial unpaid labor – either overtime or off-the-clock work during breaks or before shifts.
- ❖ The second labor standard-but related to the first- issue which has been under abuse is the overtime work and compensations attached to it. As the interview results from employees in the industrial parks show, the workers were forced to work for involuntary overtime work and there are significant anomalies in the compensation for overtime work. Regarding this, the Ethiopian Labour proclamation 1156/2019 (Art. 67 (1)) states that the

⁶ See the international labor standards in the definition of terms and concepts.

workers may not be compelled to work overtime. However, in a clear violation of the country's labor law, companies force the employees to work overtime without their consent. According to one of the interviews in the Bole-Lemi Industrial Park:

“Until recently, over-time work has not been obligatory. Now a day we were being ordered to work overtime without our consent. We were also expected to work on the days that the calendar was shut down. Recently, we were working from 7:30 a.m. to 6:00 p.m. and they told us that it is mandatory to work like this. We asked about the employees who are pregnant and are not able to work until 6:00 p.m. then they would not feel safe when they return home at 8:00 p.m. But they replied that those employees willing to work had to do their job, and others could quit the company” (BLIP 1, 2020).

- ❖ Another interviewee from the HIP has also said that “we work over-time duties without our consent” (HIP 2, 2020). The same conclusion is also reached in a study conducted by WRC (2018) which states that Ethiopian legislation and applicable codes of conduct demand that overtime work is carried out voluntarily, but all employees interviewed at the studied BLIP factory repeatedly testified of their inability to refuse overtime work. The findings, therefore, indicate that there are significant violations of the law and the code of conduct preventing forced overtime. Apart from the forced over-time duties, the workers are also sometimes made to work over-times without payments. Regarding this, HIP 1 (2020) has said that “although we are being paid for overtime work, there are irregularities in the payments”. This kind of labor practice was also reported by WRC (2018) which states that the workers in the Hawassa Industrial Park perform significant unpaid labor which is mainly manifested through an uncompensated overtime hour.
- ❖ The third problem related to the working conditions under which there was a significant violation of labor standards in the factories established within the industrial parks was the lack of job contracts and the lack of compliance by employers with the contractual agreements. Stating the situation about the employment contract, BLIP 2 (2018), who has been working in the factory for over three years, has argued that “the company did not

give me the contract paper. They just accepted my application for the job as I have a prior experience in another textile company”. The same interviewee has stated that “if they want to fire a worker they just do it. There is no way we can complain about it”. What makes the labor practice worse in the industrial parks has been the arbitrary decision taken by the employers. In this regard, a BLIP worker also reported that contractual arrangements meant nothing and that employers could take whatever action they wanted to take. She argued that “our company is being sold to another owner and at the moment the current owner is just firing the workers without reasons” (BLIP 1, 2020). This kind of practice is also common in the HIP. HIP 2 (2020) reveals “that the workers are being given an employment contract which states the duty and responsibility of the workers”. But, she continues, “the employers just simply fire the workers even with a contract. If someone raises a question regarding the wage, they fire them claiming that they are creating troubles in the workplace”.

The workers with whom the WRC (2018) made an interview have revealed that the employers did not provide them with any labor contract, written or verbal, or appropriate substitute document. Basically, the failure to provide the workers with an employment contract is in a clear contradiction with the laws stated in the Ethiopian labor proclamation. In Article 4 (1), the Proclamation affirms that “a contract of employment shall be deemed formed where a natural person agrees directly or indirectly to perform work for and under the authority of an employer for a definite or indefinite period or piece of work in consideration for a wage”. Moreover, sub-section 3 of the same article reveals that the contract of employment shall specify the type of employment and the place of work, the rate of pay, the method of calculation, the method and the period of payment, and the length of the contract. However, employees are working in the factories without a guarantee that serves as proof of agreements reached between the two parties.

Apart from the breach of the country's labor law, the inability of the companies to provide employees with a contract of employment has a parallel effect on the working conditions of workers. Essentially, it leads to a high degree of fear on the part of employees regarding their job security (WRC, 2018). Overall, the prevalent practice of a highly informal hiring process without the issuing of any written formal contracts and

letters of appointment as well as non-compliance with signed agreements is another significant explanation for the miserable condition of the workforce in the industrial parks.

- ❖ The fourth issue which requires attention is the abuses the workers are facing in the factories of the industrial parks of the country. In Article 12 (4), the Ethiopian Labour Proclamation states that employers have the duty “to respect the worker's human dignity”. In contrast to this, there is a common trend in Ethiopian textile and apparel industrial parks that workers are treated far less than what they deserve as human beings. Explaining about the treatment by the managers of the factory in the HIP, a worker from the Hawassa Industrial Park has argued that “the higher level managers including the production managers often insult and shout at the workers. They sometimes use words which degrade the workers' dignity including a “trash” (HIP 2, 2020). In the finding on the abuses the workers are facing in the BLIP, WRC (2018) stated that managers and supervisors regularly shout at them as a means of pressuring them to increase their pace of work.

However, the managers of the factories operating in the BLIP has different views than the workers. In their view, the workers have a poor mindset and they are so lazy. According to one of the factory manager in the BLIP,

“It is wrong to listen and echo the views of the workers alone. The major problem regarding the textile industry in Ethiopia is the workers mindset and poor working culture. You could see how last they are from their body language. Their efficiency is three or four times less than the workers in China or other East-Asian countries. So, by evaluating their productivity level, the employers are obliged to take a unilateral decisions to fire the workers” (Employer 1, 2021).

Although the employers views are just and legible, the aforementioned indicators are the least of prime examples that show the poor and dismal working conditions in the country's emerging textile and apparel industrial parks. In addition to the above indicators, numerous research results also indicate that it is a common occurrence for a worker to collapse unconsciously at his or her

job, possibly due to a mixture of overwork, lack of rest, and failure to eat two meals a day (WRC, 2018, Barrett and Baumann-Pauly, 2019 and Mitta, 2019). Overall, the grim working conditions in the Bole-Lemi and Hawassa industrial parks typical showcase for the country's drive towards becoming the world's next textile and apparel industry sweatshop.

4.2.2. Labour Rights Conditions in the Industrial Parks

The experience of EPZs around the world, especially in the countries of East Asia, has shown that many workers in the global value chains have their most basic rights to organize, to bargain collectively, to strike, have been restricted or even entirely denied. In this respect, existing labor practices in Ethiopia are proving to be no different. Although the industrial zones are in their infancy and the incorporation of Ethiopia into the global textile and apparel value chains has just begun, the conditions for labor rights in the industrial parks of the country suggest greater violations.

In the sphere of labor regulatory regimes, Ethiopia is one of the countries which have signed the ILOs declaration which provides workers with basic rights at the workplace. The country has ratified several related ILO conventions, including the fundamental conventions; the Convention on Freedom of Association and the Protection of the Right to Organize, No. 87 (1948); and the Convention on the Right to Organize and Collective Bargaining, No. 98, (1949). As the country that has signed the conventions, Ethiopia has the responsibility to support, promote, and realize the rights and values established in the convention. Moreover, Ethiopia has enshrined labor rights in the national constitution. Among others, Art. 42 of the constitution state that the workers in factories and services have the right to join associations to enhance their working conditions and their economic well-being. Furthermore, the article states that this right includes the right to join trade unions and other associations to bargain collectively with employers or other organizations which have a bearing on their interests.

In addition to these legal backgrounds, which provide an institutional framework for workers to exercise their rights at work, the country has also issued a Labor Proclamation (Proclamation No. 1156/2019-recently amended labor law) which thoroughly addresses the rules regulating employment relations between workers and their employers. In parts beginning with Article 113, the proclamation intensively addresses the rights of workers, including the freedom to join labor

unions, collective bargaining, and the right to strike. Unlike many other EPZs around the world, particularly in the East-Asian countries, the Ethiopian government, under Article 28 of the Industrial Park Proclamation no. 886/2005, also asserts the applicability of the Labor Proclamation of the country to industrial parks (Mitta, 2019). However, labor practices in the country's industrial parks have been working totally against the rights and principles set out in the conventions that the country has ratified, the constitutional enactments, and the labor proclamation of the country.

Regarding the labor rights conditions in the factories operating within the HIP and BLIP, the workers have argued that they were being denied any rights they deserve as workers in the factories of the industrial park. Concerning this, a worker from the BLIP has said that “there is nothing called workers’ rights in our workplace” (BLIP 1, 2020). Confirming the similarity in the labor practices across the industrial parks, an interviewee from HIP has also said that “It is hard to claim that employees have any rights when working in the factory” (HIP 2, 2020).

The following section, therefore, addresses the conditions of labor rights in industrial parks with a special emphasis on the right to organize unions, the right to collective bargaining, and the right to strike in the industrial parks under discussion.

I. The Right to Form Associations

The lack of respect for labor rights in the Ethiopian Industrial Parks has often been attributed to the absence of workers' unions in the workplace. Essentially, the ability of textile and apparel workers to improve conditions will depend on the availability of organized labor and the corresponding collective bargaining agreements they could be able to make with their employers. However, the employees in the textile and apparel industries in Ethiopia are among the organized workers in the country. Regarding the availability of the workers’ associations in the factories of the HIP, the participant of the study has said that:

“We do not have that here. There were workers representatives selected from each production line, but the representatives have no role other than trying to forward our complaints to the higher-level managers. Currently, the representatives are not active and some of them have already left the company” (HIP 1, 2020).

In agreement with the workers from the Hawassa Industrial Park, an interviewee from BLIP has said that “there is no workers’ Association in our company. Previously, we had a workers committee selected from different production lines but some have already left the company while others are fired. Apart from that, even if the committee members were asking questions, they (employers) just collect our complaints but, do not respond to them” (BLIP 3, 2020). From this quotation, it could be drawn that the worker's representatives are particularly selected to disguise the absence of labor associations in the factories. In actual fact, the so-called worker's representatives have neither the power nor does the legal status to represent the workers in matters that affect the employment relations at the workplace. Asked about the existing labor rights conditions in the industrial parks, a trade unionist from the IFTGLWU has said that:

“There has been no trade union in the industrial parks. We are still unable to get into the parks and organize the workers. We attempted to organize employees in one of the companies in the Bole Lemi Industrial Park, but soon it failed. Basic trade unions are also failed to function in other industrial parks, including the Dukem Industrial Park. We had eleven basic trade unions in Dukem, but at the moment they are not working because of the employer's hostility to working with them. The issue in industrial parks is that the state has its interest and the industrial park is special as well. Owing to its uniqueness, we have not been able to design ways to organize employees in the factories. Apparently, employees have an interest in joining unions, but the government and employers are not willing to allow them to join workers' unions” (IFTGLWU 1, 2020).

By confirming the non-existence of labor associations in the industrial parks, a trade unionist from the Confederation of Ethiopian Trade Unions has also said that “generally, investment in the textile and apparel productions is booming. But, the point is that does the way the government has been trying to promote such investments follow international standards?” (CETU 1, 2020). He added “it is true that the incentive packages offered to the investors have been attracting investment but, from the perspective of labor rights and general labor standards there have been violations. As per the interviewee, even basic

labor rights such as freedom of association are not respected by companies working in industrial parks (ibid.).

Regarding the situation in the industrial parks, an interviewee from the Ministry of Labour and Social Affairs (MoLSA) has argued that:

“If we look at the enforcement of core labor rights in particular the right to form an association, it is difficult even to find organized workers in the industrial parks. If you ask me why this happened, it is mainly because of awareness problems. It is not just in the industrial parks where this is happening. If we look at the national union density, it is close to zero percent. The right to unionization is specifically laid down in labor law. It is also specifically enshrined in the country's constitution. There is really no problem with the law. But as far as unionization is concerned, we find it almost null” (MoLSA 1, 2020).

As it could be drawn from the above discussion, the industrial parks studied in this research are union-free since the start of their operation and the ongoing practice does not favor the prospect of labor unionization any time soon. The problem of unionization in the parks has been caused by four different but interrelated factors. These include factors such as hostility of the employers towards trade unionization, lack of awareness about the labor rights on the side of the workers (mainly due to limited experience and knowledge about the industrial working culture), lack of support and supervision from a concerned government body, and the inability of the top-level unions to organize the unorganized workers in the industrial parks.

A. The Hostility of the Employers towards Trade Unionization

According to Mark Anner (2015), Sourcing decisions are certainly the result of a variety of factors. He points out that international firms that mostly work in GVC prefer to avoid countries with strong unions to prevent threats to their supply chain. Apart from their avoidance of countries with strong trade unions, they often try to have control over the labor. In this regard, Ethiopia has been providing international companies with an environment whereby they could be able to operate without restriction. In the current status, the workers in the Ethiopian industrial parks are experiencing a strong resentment on labor unionization from the companies operating

in the parks. Concerning the hostility of the employers towards trade unionization in the parks an interviewed trade unionist from IFTGLWU has said that “we tried to organize the workers in one of the companies operating in the BLIP and we expected the employers to be our stakeholders when we organize them, but they fire the members of labor unions for various reasons. They make use of an article in the labor proclamation which allows the employer to fire the workers who are deemed to be disruptive of the activities” (IFTGLWU 1, 2020). Corroborating to the idea of the trade unionist, an interviewee from the Industrial Parks Development Corporation has said that:

“The country has signed most of the international labor rights laws but their actual implementation is very low. In particular, the implementation of labor laws has been very weak in industrial parks. The workers are entitled to form their associations without any interference from their employers but the employers are systematically firing the workers which can voice the concerns of the workers” (IPDC 1, 2020).

Apart from taking direct action against attempts at unionization and threats of dismissing workers who are capable of expressing the interests of employees,⁷ employers are often engaging in systemic forms of organizing workers by their own will. This practice is specifically intended to try to regulate the actions of employees and to demonstrate that they are compliant with the international standards of ethical manufacturing demanded by global sourcing companies. Concerning such activities, the CETU interviewee argued that a company called Shints Textile had organized its workers under a symbolic labor union. The organization has laid down the rules of fair international trade in textiles at the workplace. Besides, as if they had a trade union office, they placed a name in a particular door. However, the trade union is inactive and deliberately structured not to engage in the practices of the labor union (CETU 1, 2020).

However, according to the MoLSA interviewee, the hostility of employers to the labor unions stems fundamentally from their fear that organized workers could attack production facilities and disrupt production processes. The interviewee said, "Foreign companies are profit-oriented and come here on the premise that the country has cheap labor. As they focus on their profits, we

⁷ See Mitta, G.M (2019:57) for more details.

often see resistance from them to workers unionization, and they fear that if workers organize themselves they could strike their factories" (MoLSA 1, 2020). Overall, these metrics are prime examples where employers have not allowed employees to join a union and can regulate labor relations unilaterally in industrial parks. In turn, this allows them to lower labor standards as they wish, including working conditions and the remuneration of workers.

B. Lack of class Consciousness

The second factor mentioned by the interviewees as a reason for the absence of workers' unions in the industrial parks was the lack of class knowledge on the part of the workers. According to Mitta (2019), the capacity of workers to step up and lead a factory-based resistance has also been hampered by a lack of awareness and a severely limited class consciousness, which remains the key to building collective labor resistance in the industrial park. However, the same researcher argues it was because of their limited industrial experience that workers in the Ethiopian industrial parks lack the valuable exposure to capitalist relations of production that would enable them to increase their class consciousness (ibid.). In line with this statement; the interviewee from the IPDC has said that:

“The workers do not have enough awareness to have the courage to form their associations. They were mostly from the rural sides of the country with little or no know-how about their rights. Moreover, they are not as educated. They also do not have an understanding of the manufacturing sector. They do not know their rights and duties very well. Because of all these reasons, there has been no push from the side of the workers to form workers associations” (IPDC 1, 2020).

Maintaining the point set out in the above-mentioned quote, the expert who participated in the study noted that if an effort was made by companies to abide by the rules of international labor rights, it might be due to the pressure from the buyers, but not the workers (Expert 1, 2020). The interviewee has added that as the workers do not have the knowledge and understanding about the rights to form associations, the rights of collective bargaining, and the right to strike, they were not under pressure to respect the labor rights. According to him, more than 90 percent of the workers in the industrial park are women, with agricultural sector backgrounds and they lack

an understanding of industrial jobs. According to him “the respect for the labor rights are not being demanded by the workers in the industrial parks” (ibid.). Thus, as it could be understood from this discussion the agricultural background of the workers coupled with the low level of education of the workers reduces the workers' class consciousness and, thereby, subject them to abuses and exploitations by their employers in the industrial parks. This in turn provides a favorable atmosphere for multinational companies that are actively looking for locations that are indispensable to their inner drive to make profits and to accumulate wealth. In addition to this section, further analysis has been carried out in Section 4.4, which deals with workers' knowledge and industrial abuse in the Ethiopian industrial parks.

C. Minimal Support and Supervision by the MoLSA

According to Anner (2015), all major apparel-exporting countries offer some form of labor control to investors. He also notes that the State creates a permissive environment through its inaction, either because of a lack of capacity or because of a lack of willingness to punish employers who do not respect labor rights. In the case of the Ethiopian industrial parks, this statement is also valid. As the sections above briefly mentioned, employers have been hostile to trade unionism, while workers still lack the much-needed consciousness to participate in the establishment of basic trade unions at the factory level. In both cases, the government agency that has the power to control the country's employment relationships has the responsibility to intervene and address the problems faced in the country's industrial parks. This could be either by punishing employers who are hostile against trade unionism or by raising consciousness among workers in the industrial parks of their fundamental rights and responsibilities as workers in the industrial park factories.

However, there has been reluctance from the MoLSA in promoting labor unionization in the industrial parks. According to the interviewed officer from the MoLSA:

Almost 90% of the workers' unions in Ethiopia are not organized based on the assumptions laid down by the ILO. There needs to be a wide-ranging awareness creation on this. Current assumptions in the country will only disturb production and industrial harmony. As a result, employers are very reluctant to allow the unionization of workers, and often they take

action against workers who attempt to form workers' unions in their factories. When taking such steps, it is very difficult to put them before the law as they deliberately prevent unionizations, for example by changing the working positions of the employees. Overall, the reason why this occurs is due to the problem in the conception of why the workers are unionizing and forming associations (MoLSA 1, 2020).

It can be inferred from the quotation above that there is a pessimistic perception of labor unions in the country. This could be partly due to the presence of such problems, but a description could also be developed as deterrence against the establishment of labor unions in the country. Apparently, the Ministry, as the government body responsible for raising awareness of issues such as trade unionization, should have played its part in generating the appropriate understanding of the subject under discussion. However, the already established understanding of trade unions means that it is difficult for them to participate in the creation of awareness and promotion of trade unionization in industrial parks. Concerning this when asked if any people or organizations were trying to raise awareness and boost workers' knowledge of labor rights, the BLIP workers interviewed said that “there is no one doing such things in the park” (BLIP 1, 2020). Furthermore, the state responsible agencies are also failing to make enough supervision and monitoring activities on the workplace conditions of the employees in the industrial parks. As stated by the interviewed workers from the Hawassa Industrial park, there have not been enough inspections being made on the labor practices in the industrial parks (HIP 3, 2020). Overall, the inactivity of the Office of Labour and Social Affairs as government representatives has also been an additional factor in the absence of trade unions for employees in the industrial parks.

D. The Impotence of Top Level Trade Unions

The apparel and textile sector is mostly known for the least levels of workers unionization. This has been demonstrated in the experience of East-Asian countries. The Ethiopian case is also similar in this regard. As the workers lack the necessary consciousness and industrial experience to form unions, top-level unions, therefore, have to enhance their awareness and push for workers unionization. The New York University Stern Center has made an investigation on the

existing labor conditions in the HIP and has revealed that the top-level unions in the country have virtually played no role in either organizing or advocating for better working conditions in the factories of the industrial park (Barrett and Buamann-Pauly, 2019). The report further notes that Ethiopian law, ideally, guarantees freedom of association, but the country has a weak trade union movement that has not helped organize workers in the industrial park. Perhaps, it may not only be the impotence of the top-level unions that has been causing a problem to the effort of the unions to organize the workers. Rather, there could also be a role played by the state to weaken their activities. As the WRC (2018) study asserted the political environment in the country has made the journalist, NGOs, and trade unions not function freely and this has left the workers in the industrial parks with few choices to turn to help. In section 4.5 of this chapter, additional discussions on the role and current status of top-level unions have been addressed.

II. The right to Organize and Collective Bargaining

Among the most essential rights of workers in the workplace is the right to collective bargaining. In essence, this right allows employees the ability to manage working conditions and employment relations in their working environment. Yet the ability of employees to participate in such a process essentially depends on the availability of employee organizations, thus, the presence of basic trade unions at the factory level. In explaining the concept of collective bargaining, the Ethiopian Labour Proclamation no. 1156/2019 (Article 125 (2)) states that “Collective bargaining” means a negotiation process between employers and workers organizations or their representatives concerning conditions of work to reach a collective agreement or the renewal or modifications thereof”. From this article, it could be drawn that any form of negotiation between the workers and their employers could be done through legally elected representatives of the union. In Article 127 (1a), the Proclamation further states that “where there is a Trade Union, the leaders of the trade union or members who are authorized in accordance to the bylaw of the union to negotiate and sign a collective agreement”. In essence, it is clear to comprehend that the absence of organized labor means that workers are unable to enter into any form of the collective agreement with their employers on working conditions in their workplace. Concerning the situation at the HIP and BLIP factories, a CETU trade unionist has argued that:

“In our country, the presence of an organized labor union is a prerequisite for protecting basic labor rights and get a response to the complaints that workers have. This is clearly stated in Labor Proclamation No. 1156/2019 and the National Constitution. Only when there are trade unions will the right to make collective agreements be upheld too. But, in every company operating in the BLIP, workers face a daunting challenge to their right to form labor unions. When we look at the Hawassa Industrial Park, there is still no trade union as well” (CETU 1, 2020).

Thus the absence of trade unions in industrial parks means that employers can control labor relations entirely and be able to set working conditions to their benefit without collective agreements. This in effect, decreases labor standards in parks and could push global firms to compete in Ethiopia at the bottom of labor standards.

III. The Right to Strike

Article 158 and 159 of the Ethiopian Labor Proclamation specify the requirements for strike action and the conditions to be met (Federal Negarit Gazeta, 2019). The legislation has stringent protocols which makes it very difficult to attempt strikes. However, while strikes are not "legal" from the perspective of the Ethiopian labor law, there has been a growing trend in which workers go on strike to make their employers consider their concerns. In the HIP, small-scale work stoppages and wildcat strikes were common (Barrett and Buamann-Pauly, 2019). An interviewee from the HIP has said that “the workers get into strikes whenever they feel frustrated with the treatment of workers in the company. The company sometimes does not pay our salary on-time. When this happens, the workers strike by stopping working and staying outside of the factory” (HIP 3, 2020). There have also been strike events in the BLIP, which for the last two years have not been the case. According to an interviewee from the BLIP:

“The workers are making strikes; in particular, on the matter of the wages, they were paid. When the employees engage in strike actions, the managers add 50 Birr to the workers’ salaries, and those willing to accept that would keep working while the others leave the company. Yet there has

been nothing like that in the last two years. Even though the cost of living in a sharp rise, no one has been trying to strike about the salary paid by the company” (BLIP 1, 2020).

The strike activities in the BLIP have been also confirmed by the interviewed officer from the IPDC. According to him, the workers were engaging in strike activities including the use of sabotages at the workplace and full-scale work stoppage. But, this trend has been declined or non-existent over the last two years (IPDC 1, 2020). The absence of strikes could not be attributed to the absence of grievances from employees in the industrial park. Perhaps this may be due to the strong security protection provided to the industrial park factories. The HIP is guarded by the regional police force and members of the federal police to protect any attempt by employees to disrupt the production processes of the industrial park factories, according to the research findings by Mitta (2019). Furthermore, he added that the presence of security forces in and around the industrial park suggests that workers are at risk if they take any industrial action that would enable them to express their grievances about working conditions in the industrial park. Corroborating to this argument, an interviewee from BLIP has said that:

“A couple of years ago, the workers were collectively striking against the late payment of wages in our company. Meanwhile, the police force surrounded us and the industrial park's Labor and Social Relations officer informed us that we should only be able to ask while we were working, but not by completely stopping our jobs” (BLIP 2, 2020).

Generally speaking, this condition suggests that not only were the workers in the industrial parks denied their fundamental rights, but also threatened not to seek rights at all. As shown by the International Trade Union Confederation, Ethiopia is one of the countries involved in systemic violations of the collective voices of workers, including the freedom to join unions, collective bargaining, and strikes, placing fundamental rights at risk (ITUC, 2018).

In conclusion, the denial of basic labor rights, the absence of collective agreements governing working conditions, and security risks to industrial strikes in parks attract and enable multinational profit-driven companies to move their facilities to Ethiopia to the bottom of labor standards in their non-stop race. In essence, the lack of respect for basic labor rights creates an

environment in which the international profit-driven companies operate without restraint in their pursuit of accumulating capital.

4.3. Meager Wages in the Ethiopian Industrial Parks

“The wages workers in Ethiopia are getting to sew clothes for PVH and H&M makes Bangladesh look like Luxembourg”(Kyritsis and Nova, 2019)

In light-manufacturing industries, human labor is the key component of the production cost. As a result, the wage rate is a significant determinant of the company's decision to invest in a specific area. Therefore, since the textile and apparel industry is extremely labor-intensive, the historical development of the world apparel market shows that countries with relatively lower wage rates have always been the world's leading supplier of apparel goods (Yunus and Yamagata, 2012). So, looking at the current trajectory in the FDI's race to the bottom of labor standards in Ethiopia, among other indicators, the meager wage the workers are being made to labor with has been making the country one of the most favorable destinations for the labor-intensive industries whose mobility is largely depending in the search for cheap labor around the world.

Indeed, capital-starved countries often compete with each other by lowering labor standards in their effort to attract FDI to their economies. In this regard, in the last few years, Ethiopia has been attracting and is still sucking capital in search of cheap labor. Although a lot of incentive packages have been put forward to attract mobile capital to labor-intensive industries especially the textile and apparel industries, the most important attraction for buyers and producers in the sector is the blatantly lower wages paid to workers in the nation. Today, the debate over which country determines the bottom line in terms of wages and working conditions involves Bangladesh, Cambodia, Pakistan, Myanmar, Sri Lanka, Indonesia, and Vietnam (Anner, 2015). According to Anner, Bangladesh appeared to be occupying the current bottom for a long period with wages of 39 US dollars per month which makes the wage in the country the lowest among the major exporters of apparel. But, after the Rana Plaza incident in 2013, wages in Bangladesh have raised the minimum wage being paid to its workers (ibid.). Currently, Bangladeshi workers earn a minimum wage of US \$98 per month.

However, the incidence of Raza Plaza and the resulting rise in workers' salaries in Bangladesh have brought another marker in the history of highly mobile capital in the textile and apparel market. As a result of rising labor costs, larger manufacturing firms in the sector have begun seeking opportunities outside Asia (Berg et al., 2017: 11). According to the finding by Mihretu and Llobet (2017), this kind of motivation was clearly illustrated by the PVH's quest for a new sourcing hub in Africa following a substantial rise in labor costs in the East Asian countries.⁸ The same study stated that in the effort to attract investments in the sector the Ethiopian government was aggressive in promoting the country's labor abundance advantage and lower wage costs relative to any other competitor in the textile and apparel production market (ibid:19-20). Owing to this, soon after Bangladesh increased its monthly wages, some buyers said they were considering moving production to Ethiopia, where wages were only US\$21 per month (Anner, 2015).

Apparently, Ethiopia has set wages to the historically lower standards compare to any contenders for the investment in the sector. It is also confirmed by various research findings (WRC, 2018, Mitta, 2019, and Barrett and Buamann-Pauly, 2019) that the employees in the country's industrial parks are the least paid workers in any of the countries that produce textiles and apparel in the world.

The data collected from the employees interviewed in the Bole-Lemi and Hawassa industrial park also verify the aforementioned findings. According to the BLIP workers, the employees in the operator's position often paid an average basic salary close to US\$26 per month. As for the salaries paid to her in the textile factory, one of the interviewed workers in this park said "I have been working in this company for over three years, but my basic salary is still 900 Birr (USD 26) per month" (BLIP 1, 2020). In a rage against the low level of wage being paid to her in the textile factory another interviewee from the same industrial park has argued that:

"The wage we were being paid does not much of our workload. We go out from our home at 6:00 a.m and stay in the factory for the whole day until 5:00 p.m to be paid only 800 Birr (US\$24) per month. The workload is too much. We only get rest time during the lunch break. After work, we should

⁸ PVH is the owner of well-known brands, such as Tommy Hilfiger and Calvin Klein. PVH's decision to attract suppliers to move production to HIP was a significant game-changer for Ethiopia.

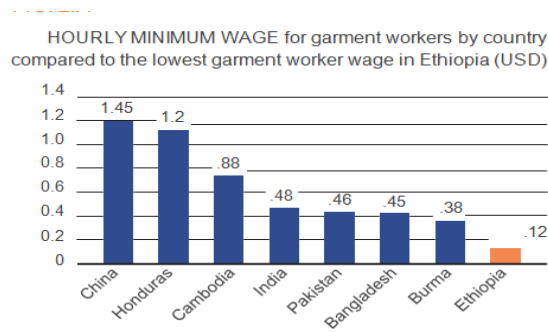
be waiting for a taxi for so long to return home. It takes almost all of our time. It could be 7:00 PM or more when I arrive at my home” (BLIP 2, 2020).

In the HIP, the wage that workers are paid to work with is no different. The New York University Stern Center has researched this industrial park and has stated that the government's desire to attract foreign investment has led to the promotion of the lowest minimum wage in any garment producing country, which is set at US\$26 per month (Barrett and Buamann-Pauly, 2019). Corroborating to the report developed by the NYU, the interviewed worker from this industrial park has stated that:

“The wage being paid is not a living wage. It is not enough at all. It would not be enough if I were living alone. As I am living with my family, I might not feel how low the wage I am being paid is, but for those who are living in a rental house, the salary is well below what would enable them to fulfill their basic needs for a month” (HIP 1, 2020).

Moreover, in agreement with the above quotation, another interviewee from the HIP has said that “The salary is too low to afford housing rent and other living expenses in the city. Personally, I am living with another colleague to save some money for my living expenses. If it were not for returning to my place again, I would not be working for this amount of salary” (HIP 2, 2020). These findings, therefore, demonstrate how low the wages of workers in the Ethiopian industrial parks are and also shed light on why foreign textile and clothing buyers and producers are so interested in investing in the country. Below are the findings of the WRC (2018) which provide a detailed comparison of wages in countries that are largely engaged in textile and apparel production.

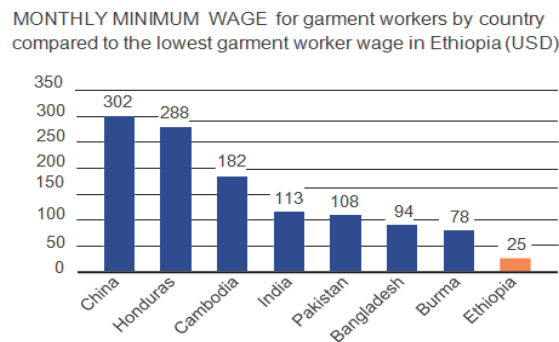
Figure 4.2: Hourly Minimum Wage for Garment Workers by Country



Source: NYU Stern Center report 2019

The above figure provides a clear picture of how low Ethiopian workers are paid compared to fellow workers in the garment industries around the world. While Ethiopian workers are being paid \$0.12 per hour, workers in Bangladesh and China are being paid \$0.45 and \$1.45. Thus, such a huge amount of variations in the wage pay structure plays a crucial role in the MNCs decision to invest in Ethiopia.

Figure 4.3: Monthly Minimum Wage for Garment Workers by Country



Source: NYU Stern Center report 2019

As it can be drawn from the above figures, it is the rock-bottom labor cost that has been recently attracting international buyers and producers to invest their capital in Ethiopia. With such a miserable level of wages, the factories in the Ethiopian industrial parks are paying their employees far less than what they would be paying in other low cost producing countries. Besides, the engagement of global brands including H&M, Tommy Hilfiger, and Calvin Klien in the garment business in Ethiopia proves the fact that the race to the bottom in labor standards is also mainly driven by the sourcing companies which often pretends to care for workers rights and well being, but relentlessly chases for low-cost locations to make super profits in their business. By referring to the findings of the WRC (2018), Kyritsis and Nova (2019) mentioned

that Bangladesh has long been known for the insane wages of its textile industry, 46 cents per hour, but the wage-earning Ethiopian workers are getting to sew clothes for global brands, like PVH and H&M, making Bangladesh look like Luxembourg. According to them the WRC investigated workers' wages in various factories in Ethiopia producing for global brands, including PVH and H&M, and found salaries as low as 12 cents per hour. With this amount of wages, Ethiopian employees are defining the bottom of the pay stubs for workers in the textile and clothing industries around the world.

Yet, the investors have different view on the reason why the Ethiopian workers are low paid in the factoris of the textile and industrial parks. According to the interviewed General manager of the company operating within the BLIP:

At the core of low level of salaries being paid to Ethiopian workers is their productivity and efficiency. The owners of the companies came here with the objective of making profit. The more the workers are productive the more the owners would pay. But, at the current state, Ethiopian workers are not quite as productive as the workers in East-Asia. This is the epicenter of the problem with wages in the industrial parks” (Employer 1, 2021).

According to this interviewee, one has to ask the basic question “why Ethiopians are not being paid a better wage compared to expats?” (ibid.). He adds that it is simply because the workers coming from East Asia are by far more productive than the Ethiopian workers. He claims that productivity is determined by three main factors: the first is the technology used to manufacture clothing goods, the second is the technical ability of the staff, which is often referred to as their hard skill, and the third is the company's human resource management method. According to the interviewee, the lack of hard skills among workers in the industries has been a major impediment to increasing company productivity.

Despite the fact that wages have a direct relationship with productivity, increased labor conditions will increase workers' productivity and economic output on their own. Fair wages and working conditions, for example, can contribute to improved productivity among employees. It is also naive to believe that employees would be able to increase their efficiency if they were unable to meet any, if not all, of their basic needs. This, therefore, brings an unending debate

regarding which should come first, productivity or an increase in the workers compensation for their labor. But, for the sake of this study I would like to share the conviction of ILO which states that better working conditions can help countries become more competitive by recruiting a more qualified workforce and increasing workplace productivity (ILO, 2016).

Essentially, profit-driven foreign buyers and producers do not spend their money out of the blue. Rather, they make decisions after a careful review of costs and benefits. There are indeed several factors leading, on the one hand, to the decision of foreign companies to invest in Ethiopia and on the other hand, to such a low level of salaries in the country's industrial parks. These include the availability of reserve labor forces vulnerable to exploitation; the lack of formal job opportunities; and the lack of minimum wages for private-sector workers. The first two aspects are very closely interrelated and can be seen together but the topic of the minimum wage needs more focus. For this reason, the sections below aim to briefly explore how these variables led to lower wages and thus heightened the race to the bottom in the country's labor standards.

A. Availability Reserve Labour Army and Lack of formal jobs in the Market

Ethiopia is one of the poorest countries in the world. With a population of well over 100 million and an unemployment rate of about 17 percent (2016 statistics), global firms doing business in Ethiopia have at their disposal a large population of potential workers who are particularly vulnerable to exploitation (WRC, 2018). According to Mitta (2019), the availability of a large pull of reserve labor army and the low level of skills required to work in the textile and apparel industries gives employers greater leverage over the wages being paid to the workers in the industrial parks. Moreover, he argues that the lack of wage employment in the country positions employees in a precarious economic situation (ibid.). As result employees have no other choice but to accept the wages that their employers offer them. In alignment with the above statements, and an interviewed worker from the BLIP has said that:

“The wage is being paid for us not enough at all. The employees work there due to the lack of other alternative jobs in the market. I am working there for the same reason. I work there not because it is a good job. It is for the sake of covering some expenses that are needed for my basic needs. We need to pay for the house rent and we need money for shopping. We also need money to raise our kids. This all requires money and the salary

we get paid is never enough for these. So, when you have no alternative, this job is better than staying at home. On my side, going to the workplace gives me a better feeling than staying at home although what is being paid is not worth it. Staying at home brings anxiety. That is why this job is better than nothing” (BLIP 2, 2020).

From this quotation, it could be understood that Ethiopian workers have a narrow job opportunity and are left with limited options other than working in the textile and apparel factories. This, in turn, means the workers have very little bargaining power to demand better pay. Thus, the vast number of people searching for employment and lack of enough jobs in the market is pushing down wages and working conditions in the industrial parks. This, in turn, causing the workers to be exploited by companies who can pay them the minimum available wages.

B. Lack of Minimum Wage to the Workers in the Private Sector

Such low wages in the industrial parks of Ethiopia has resulted from the lack of minimum wage for private-sector workers (WRC, 2018).⁹ Due to this, the worker's wage rates are determined only by employment contracts. Apart from that, with the absence of collective bargaining in the industrial parks, the employers can unilaterally decide the lowest wage floor at which the workers are willing to work (ibid.).

In recent years, there has been a great deal of understanding among government officials and government institutions regarding the significance of a minimum wage to protect workers in the private sector. Referring to the report of the NYU Stern Center, the former head of the Ethiopian Investment Commission (EIC), Abebe Ababayehu, argued that “it is time for the government to set a minimum wage, among others, to protect the interests of workers.”¹⁰ Besides, in an interview with Walta, a local media, and communications firm, Minister of Labor and Social

⁹ According to Markos (2020), it is the government's fear of disincentivizing investors and its favor of attracting investment that has contributed to the prevention of national minimum wage policies and violations of labor law.

¹⁰ See: Abdur Rahman (2019). Ethiopia needs minimum wage law to protect workers – Investment chief. Africanews. Retrived from: <https://www.africanews.com/2019/05/24/ethiopia-needs-minimum-wage-law-to-protect-workers-investment-chief/>.

Affairs Ergoge Tesfaye (Ph.D.) argued that "the government is well aware of the difficulties faced by employees in industrial parks and is working towards a harmonized national minimum wage for workers in the private sector." She added that "the Government of Ethiopia has been working with ILO experts to set the minimum wage." According to her, "Ethiopia does not have a reference point for setting the minimum wage and further studies were required before the policy structure was developed."¹¹

An interviewed trade unionist from the CETU has argued that their office has been calling for a minimum wage for private-sector workers over the last 15 years and it has not been realized for so long due to the government's reluctance (CETU 1, 2020). He added that they were standing firm for the inclusion of a minimum wage in the recently revised Labor Proclamation 1156/2019, only to succeed with the introduction of a wage board that decides on a minimum wage for workers in the private sector. But, on the other hand, the interviewed General Manager of one of the company operating within the BLIP has argued that "setting a minimum wage does not work in a country where there are many unemployed youth which are looking for jobs" (Employer 1, 2021). Moreover, the participant in this study from the Ministry of Labour and Social Affairs does not either seem to be convinced or in agreement with the ongoing attempt to establish a minimum wage for private-sector employees. In her statement on whether a minimum wage should be installed to protect the workers in the industrial parks of the country, the interviewee has said that:

"Basically, setting the minimum wage has a lot of risks especially in countries like Ethiopia which are striving to bring economic growth and development [...]. The question of what kind of minimum wage could we set and how much should it require a lot of investigation. For that matter, the board might vote against setting a minimum wage after having made their own investigation by taking into account the overall situation of the country. We never know what the outcome is going to be. We may not have to rush to set a minimum wage by claiming that the wage in Ethiopia is very low and other countries have already set their minimum wage. What

¹¹ See: <https://www.youtube.com/watch?v=vtjltlbPgVw> for the interview made with the the minister of the MoLSA.

has to be seen is whether our economy can afford the setting of a minimum wage to the private sector workers” (MoLSA 1, 2020).

From the quotation referenced above, it could be understood that there is still resentment on the part of the government to set a minimum wage for private-sector employees with a view to its possible effect on fending-off the investment flows in labor-intensive industries in the country. Although time will tell what would be the decision of the wage board, in the current state, the absence of minimum wage is the greatest possible factor that has been causing the continuation of the race to the bottom in labor standards in the Ethiopian textile and apparel industrial parks.

4.4. Workers’ Class Consciousness and Industrial Exploitation

In the race to the bottom, capital, forever pursuing better investment conditions, looks after locations where there were weak labor movements and little consciousness of industrial relations. It is important to understand, in this regard, that labor movements and collective labor actions could arise from workers who develop the necessary class consciousness. In turn, this class consciousness also evolves from workers who have the experience and understanding of industrial work and the social inequality with which they are made to endure. Thus, a low level of workers’ class consciousness means there would be low-level collective labor movements. Studies on East Asian developmental states also confirm that the absence of class consciousness was an important factor behind the weakness of labor movements in their early stage of industrialization (Vincent and Jostien, 2019).

In the Ethiopian context, it could take some time for workers to recognize a form of collective consciousness, especially class consciousness, to pursue their demands. In the current state, the newly emerging industrial working-class population in the industrial parks is far short of developing a class consciousness that could allow them to fight against social injustice together (Mitta, 2019). The interview conducted in both industrial parks also confirms that workers are unable to collectively pursue their interests and develop the capacity to influence employer decisions. As it is plainly illustrated in section 4.2, the employees' knowledge of labor rights has been very limited and, due to this, the employers are under no pressure to negotiate with workers on any of the conditions in the workplace. In this regard, it is very important to intersect the gender aspect of the jobs in the sector and the level of workers' class consciousness and agency

to collectively voice their interest in the existing employment relations. The feminization of the labor force in the textile and apparel industry is associated with a variety of factors. Essentially, women are perceived to be highly productive, they are passive and have the docility to work under pressure, have low bargaining power, and are low-cost labor (Flora, 2014 and Anwary, 2017). As Merk (2009) also states, since the overwhelming majority of workers are women, socially and culturally constructed views of gender instantly play a role in influencing labor relations in the textile and apparel sector. According to him, there is a perception that young women workers from rural areas are perceived to be obedient and less likely to protest under harsh working conditions. In explaining the situation in Bangladesh, Ismail, Mathbor and Semenza (2013) has argued that it is apparent that the Bangladeshi Ready Made Garment factories have poor working conditions, low wages, heavy workloads and a lack of job benefit. Employers can also easily exploit women by denying their labor rights. They further asserted that women workers receive sweatshop wage that are insufficient to meet fundamental human needs, such as food, shelter and medicine. Overall, the industry is working under higher labor flexibility and female workers are highly suited for this job than male workers.

According to interviewed experts, more than 90% of the workers in the Ethiopian industrial parks were women which are migrated from rural areas and these workers are visibly lacking the knowledge and experience of the industrial job (Expert 1, 2020). Due to this, they lack the understanding of viewing themselves in the shell of a working class. Moreover, they do not comprehend the idea of class antagonism. Corroborating to this argument a worker from the HIP has noted that:

“There are many workers which are not able to speak the national language and some others fear if they could be fired. There are also some workers which argue that they are here to make money and want to work as they were ordered by the company. Overall, although the workers feel the injustice, there is a problem of togetherness. Due to this the workers often try to individually contact the production managers or the human resource personnel” (HIP 1, 2020).

Another interviewee from the HIP has also confirmed that the “workers often go to the human resource department on individual basis whenever they have complaints” (HIP 3, 2020). Thus, as

could be understood from the interviews made with the workers in both of the industrial parks, the workers often prefer to speak with higher-level managers on an individual basis. Regarding this, a worker from the BLIP has said that “in the first place, Ethiopians have big problems. They always try to fight for personal benefits than the collective benefit of the workers. There is no one who tries to organize the workers. Apart from trying to secure their personal interest, none of the workers fight for collective interest (BLIP 2, 2020). What is clear in such situations is that individual voices cannot overcome the underlying social injustices at the workplace. Moreover, they cannot be addressed. This can be seen clearly from the words uttered by one of the interviewees who noted that "the lack of response to the questions has been discouraging workers from raising their complaints again" (HIP 3, 2020). Essentially, it can be very difficult for a single worker to speak to management about a workplace problem and to resolve their difficulty individually, assuming they even have the confidence to raise the issue (ETI, 2010). In contrary to this, unions work on the principle that if all workers speak with the same voice, their concerns are more likely to be addressed (ibid.). Yet, this is lacking in the industrial parks.

Overall, at the factory level, it is the existence of labor’s active workplace resistance that can influence the employers’ decision and enable them to attain their interest in the employment relationship. With such active workplace resistances are lacking due to limited workers consciousness at the grassroots level it is, therefore, the availability of a genuine workers’ union at the top level which is important in creating awareness and raising the class consciousness of the workers. For this to happen the top-level unions must engage in institution-building whereby they can carry out what is expected from them. Unions have long served as settings of working-class communities’ struggle against social injustice. But, does that work in the context of the current labor Unions in Ethiopia? The section below provides an explanation for this.

4.5. Trade Unionism in Ethiopia: A Favorable Milieu for Foreign Investment

The history of trade unions all over the world is a history of the struggle for greater social justice, both in the societies and at the workplaces (Desset, 2013). According to Desset, in most cases of industrial relations, as individual workers were economically weak and possess minimal bargaining power they were subjected to exploitation and their lives and working conditions became so poor over time. Thus, being at the core of industrial relations and representatives of

the working-class population, trade unions are expected to play the role of filling the gap of the power imbalance between the employers and employees in the employment relations (Ahammad et al., 2017:1). Apart from that, Unions can also play an important role in organizing the unorganized working class and publicizing workers' concerns when there are deviations in between actual practices and labor regulation regimes. Essentially, they can bring these concerns to the government as well as the international community at large.

Given the huge mission, they are expected to carry out it is, therefore, logical to ask a question; are the Ethiopian top-level trade unions fulfilling their duties and responsibilities in a way that solves the social injustice the workers in the industrial park are made to live with or are they lacking any influence and perpetuating the race to the bottom in labor standards? According to various research findings (Samuel, 2018, Vincent and Jostein, 2019, and Mitta, 2019), the Ethiopian trade unions are weak and are unable to influence the existing labor practices in the industrial parks of the country. In their research work entitled “*Labour Challenges in Ethiopia’s Textile and Leather Industries: No Voice, No Loyalty, No Exit?*”, Vincent and Jostein (2019) noted that the institutions (trade unions) that could potentially channel worker voice into improvements in wages or working conditions are basically lacking the influence and power in the textile industries in Ethiopia. In conformity with this research finding, Mitta (2019) has also stated that there is a general limitation in the top-level unions in Ethiopia to go beyond their bureaucratic existence and presenting themselves as a movement in the society.

Such findings are also supported by the interviewed officer from the IPDC who argued that “the problem is that there has been no pressure from the CETU for the implementation of internationally recognized labor rights. They do researches but they were not seen working on their findings” (IPDC 1, 2020). A trade unionist from the IFTLGWU also agrees on the general weakness of the federation to fulfill their expected responsibilities. The trade unionist has argued that:

“We are not really, strong enough. But, it is not our problem. We only have four staff and it is very difficult for these numbers of people to address and cover all the problems of the workers in the country. The federation does not have enough financial capacity and this is because of

the low number of organized workers in the sector. Organizing the workers, in turn, became more difficult due to the lack of will from the employers and the state. This has been directly weakening out capacity financially, materially, and logistically. The union was not entirely free from the control of the government. There have been some people within the federation which were working as an agent of the state. However, the current leadership is working hard to improve the situation (IFTLGWU 1, 2020).

From the above quotation, it could be drawn that the top levels unions have various problems to deal with. Among others, they have low union density and weak financial capacity, they were also under pressure from the government not to undertake their duties, and they were also not entirely independent as the state intervenes in their internal affairs. Regarding their financial capacity the same interviewee has argued that “If there are no donors out there, there would be no trade unions in the country” (ibid.). Given all these problems it is difficult for the top-level unions to organizing the unorganized workers at the grassroots level and build their capacity in their struggle for social justice. What has become a trend, however, is that the CETU and IFTLGWU, which are forming the national level unions, are apparently known for their leap service while chronically lacking the power as well as will to work for the benefit of the laboring class. One most important example of this could be an interview made with Angesom GebreYohannes who has been the Head of Education, Training & International Relations at the IFTLGWU. In his interview with Addis Fortune, a local newspaper, he explained that “the Federation is in the process of forming associations for the employees of the industrial park” (Hailemariam, 2018). Moreover, in an interview made with the WRC (2018), CETU has reported that it is doing significant new organizing of workers. However, there has been no progress or effort made by the confederation or federation to organize the unorganized workers of the industrial parks. Basically, two years after these interviews have been made there has been no single union of workers in the textile and apparel industrial parks in the country. Regarding the question of attempts to organize workers at the grassroots level, and interviewed trade unionist from IFTLGWU has argued that “

“We were not able to use formal ways of organizing the workers in the industrial parks due to the lack of will from the employers and the

government. Currently, we are planning to use informal ways to organize workers in industrial parks. This could be done by creating “Cell” leaders in each of the factories in the industrial parks and trying to use those Cells to expand the membership in the factories. We included this arrangement in our five-year strategic plan. Forming these cells would help the demand for trade unionism to come out from the workers themselves” (IFTLGWU 1, 2020).

Although the trade unionist from the IFTLGWU argues that the doors are closed for formal ways of organizing the workers in the industrial parks, a trade unionist at the CETU has argued that “there is still an option to use formal ways of organizing the workers in the industrial parks. However, there is a fear that organizing labor could cause conflicts in the workplace and provoke the workers. So, the better option is trying to strengthening the social dialogue and solve the problems that arise in the parks” (CETU 1, 2020).

In the present situation, the Confederation appears to be co-opted and dominated by the government as they are well along the policy path that the country's government is currently pursuing to attract foreign investment into the country. This could be noted from their priority strategy in their struggle to ensure the protection of labor rights and workers' well-being. From the interview made with the CETU official, it can be drawn that a tripartite social dialogue has been chosen by the Confederation as a priority mechanism to bring about an improvement in the current labor conditions in the industrial park. Concerning the current strategy of the top-level unions in their struggle against unjust labor practices in the industrial parks, the interviewed CETU official has said that:

“The strategy we opted for now is social dialogue. If this strategy does not work, we will be forced to use some other options [...] but, we are checking the progress of the social dialogue. We are trying to manage the overall national situations and solve the problems peacefully [...] currently; we have the interest to keep on the social dialogue we have started before taking some other actions” (ibid.).

It is evident from the interviews with the trade unionists, in particular the CETU, that there is a dilemma as to whether to favor the creation of job opportunities or the respect of labor rights at the infant stage of the development of the industrial park in the country. According to the interviewee own words:

The government knows what will be the consequence of using a cheap labor label to attract investment. Yet, it is difficult to argue against the rationale of the government. If we bring investments into the country, they would create job opportunities for lots of workers. Although this is right, if the job subjects the workers to exploitation, it brings slavery into our country [...] CETU does not entertain such development in the country. The government also knows what we stand for. Yet, considering the need for foreign currency and the job opportunity it has been bringing, we opted for a peaceful struggle in the form of social dialogue (ibid.).

The nation is indeed obliged to create job prospects for a rising number of young people. Employment should not, however, be one that degrades the dignity of workers. This is what should be the essence and the reason for the very existence of labor unions. But what could generally be drawn from the interviews conducted in this study is that the confederation (CETU) and the federation (IFTGLWU) are toothless unions of employees. For all their impotence and unwillingness to act, they were lacking the capacity to protect and defend the workers from the exploitation they were experiencing in the factories of the industrial parks. In effect, this makes sourcing and production site decisions easier for multinational firms, since the potential for disruption to their activities in the supply chain will be limited. Therefore, the ongoing shift in the sourcing center to Ethiopia, *not coincidentally*, has much to do with the unavailability of powerful trade unions that are capable of presenting a major challenge to their exploitative practices in industrial parks.

4.6. Organized labor and Industrial Peace: Friends or Foes?

At the heart of the sustainable industrial policy is the development of productive industrial relations to mediate between the conflicting interests of workers and capital (ETI, 2010). For this to happen, the existence of labor unions remains crucial. However, there is a mixed view about

the significance of labor unions in industrial relations. Although some see trade unions as critical players in bringing industrial peace and productivity, others are cynical and see trade unions as risky and distorting employment relationships. Essentially, the resulting feeling often depends on who the actor is and what the actor's mission normally constitutes.

Concerning this, according to the findings of field research, there was no positive attitude on the part of the state towards the trade unions. Currently, the dominant view from the side of the state is that the unions are obsessively one-sided and non-collaborative. In the interview with the officer from the MoLSA, the participant has stated that:

It depends on what kind of aims the workers organize and form associations. If it is just for the sake of putting pressure on the employers and accusation, we do not believe that this will bring a peaceful employment relation in the industries. [...] The ILO proclamation deals with employers and employees working together for common benefits. If any one of them forms associations to secure their interest alone, that would not help the development of industrial peace. [...] Yet, the mentality in our country is that they form associations mainly to engage in conflictual relations with their employers and secure their benefits alone. On top of that, the employers are also do not want the workers to be organized. When we look at organizations where the workers have their associations, workplace conflicts are very common (MOLSA I, 2020).

The State has an eroded sentiment against unionized workers, as can be understood from the above quote, and is also pessimistic about the effect of future workers' unionization on the industrial peace in the parks. This essentially stems from the very objective of the country. Ethiopia embraced the industrialists to achieve the national goal of generating employment through the development of industrial parks. At present, through a narrow specialization in labor-intensive manufacturing, the country is competing to be part of the global production network. Basically, the success of this policy depends on the capacity of the country to attract investment in its industrial parks. Thus, the state's attempts to shake off the constraints that bring a setback to the attempt by industrialists to dictate industrial relations will not be shocking. Yet, it intensifies the international companies' race to the bottom in labor standards. Aside from the

government's perception of unions as enemies of industrial peace, the root of the issue is that employers do not see the importance of having unionized employees, (Feldt and Klien, 2016). According to this research result, most producers in the Ethiopian textile industry consider labor unions to be "troublemakers" and do not see the advantages of organizing their workers. However, as there have been no properly organized workers' unions in the parks as of today, there is no real indication that organized workers would be a threat to the activities of the textile and apparel industrial parks. However, understandably, the availability of workers' unions will place upward pressure on working conditions and wages in industrial parks, and this will have a direct effect on producers' profitability. Overall, because of this, there is an effort by producers to depict unions as enemies rather than allies to bring industrial peace to the workplaces.

In contrary to the assumption discussed above, the ETI (2010) states that Unions offer a communication channel between employees and employers that helps create trust and engagement among the workforce and ensures that issues can be easily and reasonably identified and resolved. Corroborating to this asked if organized labor is a threat to industrial peace, the interviewed trade unionist from the CETU has argued that unions are sources of a peaceful relationship between the employees and employers. In his own words, he stated that:

“In principle; an organized labor force is very productive and able to build a peaceful relationship with its employers. But on the employers' side, there is a shared perception of how they could be profitable. They know that gains will be made from the labor of the workers. Unless they were seeking to influence unionization with this initial idea, organized labor would, in theory, be an essential asset for a peaceful relationship between the labor and employers. It would improve the productivity of the workers. For this to happen, the workers should be organized and engage in a dialogue with their employers. Employers, however, assume that they are capable to force the employees to do their jobs and, consequently, minimize production costs (CETU 1, 2020).

It can be taken from the above quote that organized labor can be a friend of industrial peace. Basically, employers and workers can work together to improve the working conditions of the workers, and the business benefits alike from higher workers' productivity. However, generally,

in the sense of the Ethiopian industrial parks, there is suspicion on the part of the state and the employers that unions are disruptive and not an ally of industrial peace. The poor attitude of these industrial actors towards organized labor, therefore, discourages the unionization of workers. The absence of workers' unions, in particular, makes workers completely anonymous in workplace relations and leaves them with no chance of favorable decisions. The consequence of this is a lack of bargaining between employees and their employers causing downward pressure on wages and allows producers to control the conditions in which workers are laboring.

4.7. Ethiopia: Setting the Bottom in Labor Standards

Early in the age of global capitalism, Raymond Vernon used the word "global scanning" to convey the process by which large multinational corporations systematically searched the globe for the most favorable locations for their manufacturing facilities (Vernon, 1979 cited in Ross, 2004). According to Ross, while labor rights advocates have long claimed that investors and corporations are looking for places where unions are weakest, labor protection is least maintained, employees are most repressed, and thus labor is cheapest, political leaders around the world are rationalizing the phenomenon by labeling it as a "local cost of production" in an attempt to draw foreign capital (*ibid.*). Meanwhile, the world's textile and apparel production has been shifting aggressively towards low-wage countries, particularly to East Asian countries over the last half a century.

For the most part, the shift in the production centers has been towards less regulated export processing zones developed for the production of labor-intensive goods. This race to the bottom has motivated governments to deny key workers rights to provide ideal conditions for investors including a compliant and disciplined workforce (Frost, 2003). According to Frost, various governments have designed policies that prevent workers in export processing zones from organizing or bargaining collectively with their employers. This, in turn, has made the zones union-free and subjected the workers to unlimited abuses and exploitations.

In essence, the ongoing trajectory in the flow of FDI in the apparel industries in Ethiopia is the continuity of such kind of race in the global companies' site selection for the production of labor-intensive goods. It appears that the country is becoming an attractive destination for global buyers and producers who are scanning for sourcing and production location where union

activities are weaker, labor protection rules are least upheld and labor cost is much cheaper. As is the case in most of the East Asian countries, the Ethiopian government has been engaged in a cutthroat competition to attract FDI in the textile and apparel sector, which is deemed to be a priority sector to leap-frog into the industrialization process (Mitta, 2019). The government has identified the sector as a priority industry because of its capacity to absorb a large number of low-skilled job seekers, the relatively low cost of setting up clothing factories, and the continued high demand for low-cost apparel worldwide (Barrett and Baumann-Pauly, 2019). Nonetheless, this competition, in turn, forcing the country to compromise on labor rights and working conditions while providing various incentive packages to the incoming investments. According to this research finding, there are two key indicators that illustrate that the country has been engaged in lowering labor standards to the advantage of increasing investment inflows in its industrial parks. These are weak monitoring and enforcement of national labor regulatory regimes and turning blind on labor rights abuses and exploitation. The section below, therefore, discusses these elements one by one.

A. Weak Enforcement of Labour Laws

Ethiopia has not been willing to enact national labor laws within its industrial parks, even though the parks are theoretically eligible for its application. While it was not publicly proclaimed by the state, the government decided to actively resist the implementation of labor regulatory regimes in the industrial park, for fear of scaring off foreign investors. Asked whether labor laws are being enforced in industrial parks, an interviewee from the CETU claimed that "Ethiopian industrial parks are generally places where there is no respect for labor rights in a complete sense." In the parks, every right of employees starting with the right to form associations is being violated. Thus, the labor laws are not being implemented" (CETU 1, 2020). In agreement with this statement, a trade unionist from the IFTGLWU has also said that:

What is being written as a law is just a word, nothing more nothing less. Our question is what is written in the laws should be implemented on the ground. If there are rights laid down in the papers without actual implementation, we could not call them they are functional laws. Basically, the country has an industrial park proclamation, but it is not functional, it has signed the ILO core conventions, but it is not functional,

and there are articles in the national constitution discussing the labor rights, but it is not functional. We can call them laws if they are being underused. As laws are not fictional, they are the same as unread books on the shelves” (IFTGLWU 1, 2020).

From these responses, one can learn that there is a substantial gap in the implementation and enforcement of the labor laws in the industrial parks. According to the interviewees from the national trade unions, both the international and local labor regulatory regimes provide the workers with an institutional framework to exercise their rights. However, the practice at the grassroots level leaves no room for the workers to exercise those rights they were supposed to practice without any intervention. From one of the interviewee's own words “When you look at the practice, you can see that the government has a great deal of reservation to enforce the core labor standards. While, in the first place, we appreciate the Ethiopian move to ratify the core conventions, it is fair to ask why the country ratified the conventions in order not to enforce them” (CETU 1, 2020). Specifically addressing the problem in the industrial park another interviewed trade unionist has said that “the government in collaboration with the employers is trying to sabotage on the implementation of labor laws in the industrial park. This is what happened in the BLIP and some other places. The government agency responsible to administer the industrial park is well aware of the international and domestic labor laws but is not allowing its implementation” (IFTGLWU 1, 2020).

Asked how the Minister office assesses the current state of labor practice in the textile and apparel sectors in Ethiopia, particularly in the industrial parks, the interviewed official from the Ministry of Labour and Social Affairs has argued that there is a gap in the awareness of foreign firms regarding the domestic labor laws of the country. According to her:

“The major problem regarding the implementation of labor laws in Ethiopia is that the foreign firms want to implement the labor laws of their own country and on top of that they do not have an awareness and knowledge about the Ethiopian labor laws and that it should be implemented in the industrial parks (MOLSA 1, 2020)

However, in her honest assessment of the ongoing practice in Ethiopia, the interviewed officer has admitted that the state has been playing its role in lowering labor standards to attract FDI.

The interviewee has argued that for the sake of bringing an industrial discipline and creating an industrial working culture there needs to be strict management of the labor force in the industrial parks. The interviewee has stated that:

The lowering of labor standards might be a deliberate action by the state. If you compare the workers' productivity in the East Asian countries and Ethiopia, it is far apart. Unless the government tries to lax the labor standards, it would be difficult to create jobs. These days, many African countries have opened their doors to investment and at the same time, the industries can easily relocate their production sites. To stay competitive, Ethiopia should not be adamantly focusing on implementing the labor laws. As a country, we could stay strict to the labor laws whenever we develop the capacity to feed everyone. But, without such an environment the country cannot always stay loyal to the laws (MOLSA 1, 2020).

The above quotation conveys that Ethiopia could continue to curtail the application of labor laws into its industrial parks for the foreseeable future to increase the flow of FDI into its industrial parks. As stated by Mitta (2019), with this sort of tendency to discipline the laboring class, the state plays a crucial role by providing a stable environment for the manufacturers to control the workforce by applying downward pressure against the actual implementation of the labor regulations. This, in turn, fits well with the assumption of the race to the bottom thesis which states that with the employment protection rules become less strict and labor standards fall, foreign firms will be tempted to shift to that country as the cost of production would become very less (Olney, 2013).

In sum, in the Ethiopian textile and apparel industrial parks, the enforcement of the labor laws of the country has been chronically absent. This, in essence, determines the race to the bottom as the government seeks to compete for international capital by lowering labor standards, especially by restricting workers' unionization rights.

B. Turning a Blind Eye to Labour Rights violations and Exploitation

The other indicator showing that Ethiopia has been participating in the race to the bottom by lowering labor standards is the lack of practical action taken by the state to serious violations of labor rights and exploitations of the workers in its industrial parks. According to the participants

of this research, the government agencies responsible for follow-up the activities of the industrial parks have never attempted to solve the complaints related to labor practices in the park. Rather than carrying out their duties, they are often entangled in discouraging the workers not to complain about their situations. As one of the interviewees stated:

“For Example, the BLIP has an office for the Bureau of Labour and Social Affairs (BoLSA). But, this office has been favoring the employers and they make no supervision on the existing labor practices. Moreover, they do not do their jobs as if it is not their concern. Rather than trying to facilitate dialogue and collective bargaining, they push back the workers with complaints to go to the court if they want to go” (IPDC 1, 2020).

Angered by the failure of the Minister of Labor and Social Affairs to follow the labor practices in the textile industrial parks, an interviewed trade unionist from the IFTGLWU has argued that the Minister office has been powerless and needs reform if it has to bring changes in the current state of labor relation in the parks. In his own words, the unionist has said that “according to our understanding the MoLSA is an office that the government has not been able to reform for a long time. Although the office has been vested with lots of power to manage in the industrial relations in the country, it is acting like a toothless lion” (IFTGLWU 1, 2020). In addition to this, another interviewee has added that “the state prioritizes the attraction of investment and with the intention of not damaging those investments it opts to remain silent on labor right abuses (CETU 1, 2020). The reluctance of the state to act on the labor abuse case is, therefore, an explicit indication that the government is willing to compromise on the workers’ rights and conditions while giving manufacturers the required freedom to undertake their manufacturing activities without constraints.

Besides, as is well demonstrated in the previous sections, at \$26 a month, Ethiopian workers are the least paid compared to any of the countries producing textiles and apparel. Although the government recognizes how poor the working conditions of workers in industrial parks will be with such a level of wages, it has chosen to rationalize the lower labor costs provided by the country as its competitive advantage in the international market. As it could be seen in the promotion strategy of the Ethiopian Investment Commission (EIC), this amount of wage is being

offered as a “competitive wage” for the manufacturers in the industry.¹² In general, with such practices, the Ethiopian government has authorized manufacturers of the sector to control the conditions under which the labor force works in the industrial parks, thereby enabling them to enforce a wage level that does not represent the real cost of labor.

Apart from its failure to turn things around concerning labor rights violations and industrial exploitation, in the worst-case scenario, the government of Ethiopia still does not allow any labor-related NGOs or Civil Society actors to work in the country (WRC, 2018). These groups play a vital role in protecting workers' rights in other nations. According to the Workers Rights Consortium, among other tasks, NGOs serve as a crucial gateway to the outside world by tracking labor abuses, assisting workers in filing complaints, and cooperating with foreign brands, and helping to hold sourcing companies and suppliers accountable to the law and the related principles of international labor rights standards (ibid.). However, the restrictions placed on their operations have become a major obstacle to monitoring and supervision of labor rights in the parks and help create an atmosphere of complicity in which the manufacturers are assured that abuses are less likely to come to light.

4.8. FDI: Perpetuating Workers’ Dependency or Lifting-Up the Poor?

The essential paradox of capital Centered Development and practice is that it advocates the oppression and exploitation of laboring classes for the ostensible benefit of those laboring classes (Selwyn, 2017:100).

Most economists agree that FDI can make the world a more productive and prosperous environment. At the same time, there is a genuine concern that hyper-competition, motivated by efforts to attract investment, could put downward pressure on wages, workplace conditions, and labor rights, particularly in the labor-intensive industries. According to Tonelson (2002) specialization in such sectors provides a restricted spectrum of development and is intended to participate by cost-cutting competition in a "race to the bottom," resulting in wage decreases and degradation in the welfare of workers.

Ethiopia has been pursuing a manufacturing strategy focused on the attraction of FDI over the last decade or so. This strategy is primarily geared towards transforming the country's economy

¹² See <http://www.investethiopia.gov.et/index.php/investment-opportunities/strategic-sectors/textiles-and-garments.html> for more details on the investment promotion in the labour intensive industries in Ethiopia.

through a large-scale engagement into the global market for the manufacturing of labor-intensive products. To this end, the government has constructed EPZs in the form of industrial parks in different parts of the country. The textile and apparel industry has been one of the major industries chosen to execute this strategy. The policy is working well so far and the nation can draw the attention of well-known players in the global textile and apparel market.

While there has been a signal of large inflows of investment in the sector, the country has been under criticism for labor rights violations and the exploitation of employees in its infant industrial parks. This then leads to asking a question: has the export-focused FDI brought the workers out of their situation of poverty or is it perpetuating their dependence? From the development studies perspective, this research has attempted to approach the issue in question through the lens of human-centered development. Accordingly, based on the findings from empirical field research, it argues that the expansion of employment in the textile and apparel sector may make the very poor less poor, but it gives workers limited chance to make further progress into an income ladder that helps them with a minimum standard of living (Mitta, 2020). Thus, it does not provide a decent and stable standard of living and may not lift them from the poverty situation in its current status.

In line with this above argument, the interviewed workers both in the BLIP and HIP have argued that the employment opportunity being created by the textile and apparel industries has not been able to bring a better standard of living in their lives. According to an interviewee from the HIP “The wage being paid is not a living wage. It is not enough at all. It would not be enough if I were living alone. For those who are living in a rental house by themselves, the salary is well below what would enable them to fulfill their requirements for a month (HIP 1, 2020). In agreement with the worker from Hawassa Industrial Park, the interviewed operator in one of the factories at the Bole-Lemi Industrial park has said that:

“The salary does not really change my life. I want to leave this job and find some other job, but I am not well educated. I feel sorry for the educational status I have. Since I have no other choice, I keep working here, but not because the wage is enough to survive” (BLIP 1, 2020).

As it is discussed in section 4.3, the Ethiopian workers in the textile and apparel industrial parks have been made to labor in poor working conditions and starving wages. The wages of the workers are averagely estimated to be \$26 per month. This amount of wage per month means the employees are working for less than \$1 per day. According to the investigation made by the Workers Rights Consortium (2018), Bangladesh, a country with a cost of living comparable to that of Ethiopia has been known among the major clothing exporters for having notoriously the lowest salaries. The country has installed a minimum wage of US\$0.48 per hour, which has been decried as a "joke" and a "slap in the face" by union leaders in the country and has attracted mass worker opposition. However, the wage in Bangladesh is four times the current minimum pay to employees in the Ethiopian industrial parks (ibid.). With this amount of pay, the majority of the workers in the industrial park will undoubtedly fail to fulfill their minimum nutritional requirements and other basic needs.

For obvious reasons, the ongoing experience in the Ethiopian industrial parks increases the likelihood of a race to the bottom in labor standards. The competition in which the government has been battling to attract investment and the profit that employers want to retain will increase employment at subsistence wage levels with poor jobs being the rule of the game. This, in turn, deprives the workers of the fruit of economic growth. What can bring a change to this kind of situation is the type of investment policy the country is pursuing at the moment. As stated by the interviewed expert, Ethiopia has given little or no attention to the quality of jobs being created in the industrial parks of the country. In his own word, the interviewee has noted that:

Employment must bring a better standard of living to the workers, thus it should enhance their quality of life. But, if we look at the objective of the EIC, its major aims are generating foreign currency, creating jobs, and knowledge and skill transfer. There is no consideration or attention provided to the issue of what type of employment and what type of work environment is being created. The government agency (MoLSA) responsible for overseeing the condition of the workers has not fulfilled the obligation bestowed to it by the labor proclamation. This indicates that less attention is paid to the enforcement of labor regulatory schemes and the enhancement of the quality of life of industrial park workers (Expert 1, 2020).

The primary moral justification is given for the low wages that define the global textile industry is that the income, though very low, is considerably better than anything workers might expect to gain if they remained in their home villages or if they tried their luck in the informal economy (WRC, 2018). However, whether this claim constitutes a valid moral defense for paying people less than it takes is a matter of debate, the wages in the textile sector in Ethiopia are so poor that the argument does not even apply (ibid.). According to the expert who participated in this study, the wage being paid to the workers is not competitive even with what the workforce would get if they were involved in the informal economy. Concerning the current industrial park jobs, the interviewee has said that;

It is not a kind of job which has brought a good quality of life to the workers but in terms of employment, it has a good contribution. The wages being paid in the industrial sector are even below the standard wages workers could get in the informal economy. If we look at the construction sector, the workers are being employed at a daily rate of 300 Birr. It is also true for many other informal sector employees. So, it would be difficult to say that the job is lifting the workers' quality of life. (Expert 1, 2020).

Substantiating the argument in the above quotation is the finding of researchers at the University of Oxford and the University of Chicago which have found that in 2017, 77% of Ethiopian garment workers leave their jobs within a year to return to agricultural or informal employment (WRC, 2018). As claimed by this report, the major reason for such development in the garment industry is that a person who works in the informal economy could earn as much money as they did at the factory, often with fewer hours and better freedom. Thus, despite the fact that the low wages, poor working conditions, and the absence of labor rights protection might have appealed to some buyers and producers, the truth is very different (Uddin, 2019). According to Uddin, instead of being an obedient, inexpensive labor force that they may have thought would be recruited in Ethiopia, the international manufacturers have encountered workers who are dissatisfied with their salaries and living conditions and express their grievance by leaving their jobs. This, in turn, brings Ethiopia's industrial policy or strategy into the spotlight. In agreement with the above finding, the interviewed employer argued that “80% among the workers leaving

the industries reason out low wages as their major factor to quit their jobs while 20% states that they are leaving because of the poor working conditions (Employer 1, 2021).

But, according to him the workers mindset is what matters most. He states that:

“Due to their laziness some of the workers are saying that they could survive in the agricultural sector with lots of freedom than the factory jobs. However, there must be a generation willing to sacrifice their current interests aside for the sake of future generations. This is just what the Chinese did” (Employer 1, 2021).

It is true that every country has experienced the exploitation of workers in their earlier stage of economic growth and development. However, blatant exploitation of the labor force through such low compensation would not justify what happened in history. Essentially, the development effort of Ethiopia should focus on human change and improvement in the workers' well-being as well rather than a mere increment in the inflow of foreign capital into its economy. As argued by one of the interviewees “if the government continues to give its back to the human development aspect while prioritizing FDI, one can pose a question mark on the sustainability of the policy and the aspired development in the country. Development should be citizen-centered or at least it should balance the focus on investment with the human development” (IPDC 1, 2020).

Overall, Ethiopia should take an important lesson from the experience of the East-Asian countries, particularly from Bangladesh. In this country, although the textile and garment industries have been engaged in export production for almost more than four decades, the living standard of its workers has not been progressed well. Thus, Ethiopia should not strive to repeat the same mistake as Bangladesh did. In the current situation, workers producing for export do not benefit from the growing investment and exports in the country. The only benefit for workers as a class was the development of more wage jobs in the country. Therefore, the state must try to balance the attempt of attracting investment with the quality of employment being created in its industrial parks. This can be done by setting a wage structure that could still be able to maintain the country's comparative advantage in the international market and by practically applying the labor regulations in the industrial parks of the country. But, at the moment, the country has been subjecting the workforce to a real state of slavery. Being at the bottom of the ladder in the pay

for the workers in the global textile and garment value chain, Ethiopian workers are the least paid and least dignified workers in the world. Thus while preserving the environment in which capital will be able to meet its needs, Ethiopia must ensure that its citizens need better livelihoods, working conditions, and living wages are secured.

Chapter Five

5. Conclusion and Recommendation

5.1. Conclusion

Globalization has adversely impacted labor legislation in developing countries of the world. International companies, predominantly the labor-intensive industries, tend to manufacture in an environment that provides the least protection for labor and, where possible, they move production centers to exploit the resulting lower labor costs. They, therefore, engage in the race to the bottom in labor standards. In line with such perspective, the above research has made an effort to critically examining the role of labor standards in the recently growing inflow of Foreign Direct Investment in the Ethiopian industrial parks, with a particular focus on the textile and apparel industries.

To this end, the research has attempted to assess the existing labor practices and employment relations in the Hawassa and Bole-Lemi Industrial Parks and has made clear that there has been a grave violation of legally guaranteed labor rights of the workers in the industries and working conditions are generally below the internationally required standards. The research has found out that the core labor rights are being completely violated in the industrial parks with none of the factories operating within the HIP and BLIP have workers' associations that represents their employees in the employment relations. As a result of this, more than 35000 workers are being unilaterally managed by their employers without any representation and workplace voices. Apart from having no representation, the workers were being denied their rights for collective bargaining due to the absence of basic trade unions at the factory level. In this regard, the research has indicated that the right to collective bargaining is essentially stemming from the very existence of labor unions at the shop floor levels. Thus, the lack of labor unions in the industrial parks represents the absence of collective bargaining practices and agreements for the thousands of Ethiopian workers in the parks. Apart from this, although the workers in the industrial parks were exercising some wild cat strikes, the right to make legal strikes has not been allowed and has been subject to repression when it arises.

Concerning conditions at work, the research has found out that the workers are made to labor under unfavorable situations. Among other things, the employers are forcing the workers to work overtime duties and they were also making them stay off-the-clock to achieve the daily targets. Apart from this, there are also cases where the workers are not being given a formal employment contract. This, in turn, subjects the workers to a lack of job security in their employment relations. Moreover, as it is revealed by the research, there are instances where the employers were firing the workers without due process that meets the procedures in the labor proclamation of the country. Lack of respect and abuses are also other indicators of the poor labor conditions in the HIP and BLIP. However, the meager wage has been the most appalling feature of the working conditions of the Ethiopian workers in the industrial parks. The employees are working with a basic salary of \$26 per month in both of the industrial parks. With this, the research has argued that the Ethiopian workers are the least paid workers compared to any of the countries producing textile and apparel for the international market. Apart from this, the finding has also demonstrated that the availability of a massive reserve labor army and lack of formal employment opportunities coupled with the absence of minimum wage policy in the country has subjected the workers to grave exploitation in a way that does not represent their human dignity. Thus, the aforementioned factors have been the main labor related contributors to the international company's choice to source and produce textile and apparel products from their new sites in Ethiopia.

The research has also found that the race to the bottom in the international companies' search for low-cost production locations in Ethiopia is also facilitated by the worker's lack of class consciousness. According to this research finding, the mainly women employees who have an agricultural background lack industrial working experience and this made them barely understand the concept of class in employment relations. This, in turn, makes the employers not to have a serious resistance on their practices and labor exploitation in the industrial parks. Apart from the workers which are unable to pose any threat to the poor labor practices in the industrial parks, the top-level unions at the national level have also failed to throw their helping hand to the newly created working-class population which badly needs their contribution. The Unions are weak and powerless and they are being co-opted by the policy direction the state has designed to increase the number of employment even under such undignified conditions.

The other feature which indicates the race in the bottom in labor standards in the textile and apparel industrial parks has been the role the state has been playing in facilitating the interest of the international capital. As the country has been among the capital-starved developing countries of the world, intending to draw capital in the highly competitive world, the state has been putting downward pressure on the labor standards of the workers. Among the major indicators in this regard would be the consideration of organized labor as a threat to peaceful industrial relations. The consequence of this is a lack of bargaining between employees and their employers. This, in turn, is causing downward pressure on wages and allows producers to control the conditions in which workers are laboring. Overall, under the aforementioned environment, the research has argued that Ethiopia is setting the bottom in labor standards to attract foreign capital in its industrial parks. The country has been doing this in two basic ways; primary through weak enforcement of labor regulation-both internationally signed and locally designed- and secondly by turning blind eye to labor rights violations and exploitations of the workers in its industrial parks.

In conclusion, although one could appreciate the Ethiopian government effort to attract investment and create employment opportunities for the ever increasing youth population, the research has argued that the cost-cutting competition for foreign capital investment has been resulting in wage decreases and degradation in the welfare of workers in the Ethiopian textile and apparel industrial parks. Accordingly, the study states that poor jobs are becoming the rule of the game in the country. This, in turn, deprives the workers of enjoying the fruit of economic growth. Overall, the research has concluded that the major benefit to workers as a class has been the creation of more wage jobs in the country. The state must, therefore, strive to reconcile the effort to attract investment with the standard of jobs generated in its industrial parks. This can be achieved by maintaining a wage structure that could still preserve the country's competitive advantage on the international market and by practically applying labor regulations in the country's industrial parks.

5.2. Recommendations

In order to ensure the workers' or its citizens are benefiting from the ongoing growth trajectory, the Ethiopian government should be able to look at the existing real conditions of the workers in its industrial parks. Given the effect of globalization and the competition for mobile capital for

investment, the country might struggle to be indifferent to the need and interest of investors, but the country should look at the experience of fellow developing countries like Bangladesh and it has to strive to do better in terms of making sure that its workers were not enslaved or exploited by the profit seeking global Multi-National Corporations.

Thus, based on the findings this research the research makes the following recommendations.

- ❖ The state needs to try to balance investment efforts with the quality of employments being created in its industrial parks;
- ❖ The Government must ensure that both the State agents and the industrial park employers follow internationally signed labor proclamations and nationally guaranteed workers' rights;
- ❖ The workers has to get the required level of soft and hard skill trainings which could increase their productivity, thereby their wages;
- ❖ The concerned federal and regional government labor affairs offices should perform their tasks of monitoring working conditions at industrial park plants and ensure the employees perform their jobs in a favorable working atmosphere;
- ❖ The state must lay down a minimum wage policy for private sector employees to save them from the less fair and exploitable salaries in the factories of the industrial parks. Ethiopia will probably remain one of the world's lowest-wage clothe producing countries with the prospective wage change. What matters most is that the government must still needs to ensure that its garment workers can afford basic necessities to lift them out of the ranks of the workers who are poor.;
- ❖ National unions, including CETU and IFTGLWTU, should demonstrate themselves as a movement and seek to secure respect for labor rights in the country and above all try to increase workers' awareness of the worth of unionism. Besides, they must work on organizing workers at the shop floor;
- ❖ The actors of NGOs and Civil Society should be active in exposing labor rights violations in the country's industrial parks and in supporting the efforts of Unions in organizing the unorganized workers in the parks;

- ❖ The International Labour Unions to which the Ethiopian trade unions are affiliated to should continue their fight against unjust labour practices in the Ethiopian Industrial Parks and should help local unions effort in their various activities;
- ❖ Both State and employers should treat unions as allies rather than enemies of industrial peace and continue their attempts to improve workers' productivity under such structures; and
- ❖ Last, but, not the least, the State must ensure that workers benefit and enjoy a fair share of domestic growth and development.

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Appendixes

Interview Guideline

The purpose of these Semi-structured interview questions is to collect primary data for the Master's thesis entitled "**The Race to the Bottom in Labor Standards: A Critical Perspective on the Flow of Foreign Direct Investment in the Ethiopian Textile and Apparel Industrial Parks**" at Addis Ababa University. Your cooperation in providing genuine answers to the following questions is highly important for the success of this study. Your responses will be kept confidential and it will only be used for academic purposes.

Interview questions for governmental Actor (MoLSA)

1. How does the Minister's office assess the current state of labor practice in the textile and apparel sectors in Ethiopia, particularly in the industrial parks?
2. How does the Minister's office assess the implementation of ILO's core labor standards in the sector?
3. What are the major rationales behind the amendments on labor legislation in recent times?
4. What efforts are being done by the Minister's office to ensure the workers are paid a living wage in the sector?
5. Why is it important to give full autonomy to the private investors to determine wage levels for their employees?
6. What are the works done by the office to empower the labor in their defense of unjust labor practices in the industries?
7. What efforts are being done by the Minister Office to make workers beneficiaries of the increasing wealth of the country via FDI production? Or what are the efforts being done by MoLSA to ensure the social benefits of FDI in the sector?
8. How does the Minister office assess the strength of labor unions in representing workers interest and what kind of supports are being given to them in the effort to ensure the benefits of the workers in the sector?
9. How does the unionization of workers affect industrial peace in the emerging textile sector in Ethiopia?
10. To what extent do MoLSA supportive of upholding the Unionization rights of the workers in the industrial parks?

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Interview questions for Investment Commission

1. What are the strategies used by the government to win the current competition for investment in the textile and apparel sector both regionally and globally?
2. What are the roles played by the IPDC in providing strong protection and security to invest in the sector?
3. Being an administrative body of the industrial parks, how do the IPDC take care of the claims of unfair labor practices by the workers against their employers?
4. How does the commission assess the role of the trade unions vis-à-vis the attraction of foreign direct investment?
5. Industrial Parks as export Processing Zones are mostly exempted from Labor laws in most parts of the world. How does the Commission deal with such requests from investors as it competes with countries around the world for investment in the sector?
6. Given the strong leverage and greater bargaining strength firms hold, how does the government maintains its regulatory capacity in an attempt to attract FDI in the sector?
7. As a government body responsible for promoting investment opportunities in the country and advisory body to the government on policy options, what kind of strategies are being used by the Commission concerning the labor force of the country in an attempt to attract FDI in the textile and apparel sector?
8. How does the Commission assess the critics posed against the state which argues that it is biased towards the employers' interest as opposed to those of the workers?

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Interview questions for Trade Unions (CETU and IFTGLWTU)¹³

1. How do you assess the respect of internationally and constitutionally guaranteed workers' collective rights in the textile and apparel sector, particularly in the Hawassa Industrial Park?
2. In what way does the federation/confederation campaign for the protection and respect of labor rights and improvement of working conditions in the Industrial Park?
3. What kind of approaches does the federation/confederation employ to organize the unorganized?
4. What are the legal and practical challenges the unions face in their attempt to mobilize and organize workers in the Park?
5. How strong are the labor unions at the industrial, sectoral, and national levels to protect workers' rights?
6. How the federation/confederation does try to strengthen its capacity to deal with the oppositions from the employers and the state in its attempt to organize the labor force in the textile and garment sector?
7. How does the Union assess the role of the state in the actual implementation of ILO's core labor standards?
8. Is there any indication the unions can mention that the state is trying to accommodate the employer's interest in the sector at the expense of the workers?
9. How does the union assess the amendment of Labor Proclamation number 377/2003 and what important changes are made to the gain or loss of workers' rights?
10. Is there any evidence that FDI in the textile and apparel sector is tempted by lax enforcement of labor regulations and low wages in the country? Explain.

Interview Guideline

¹³ CETU-Confederation of Ethiopian trade Unions and IFTGLWTU-Industrial Federation of Textile, garment, and Leather Workers' Trade Union.

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Interview questions for Workers of the HIP and Bole Lemi Industrial Park

1. For how long have you been working in your current job?
2. Have you had a signed contract while you got the employment opportunity at your company?
And what details do you know about it?
3. How do you evaluate your wage and the working conditions in your workplace?
4. Is the wage being paid enough for a living? Is it a living wage?
5. How do the workers in your company try to make their voices heard on matters related to wages and working conditions?
6. How do you assess the respect of workers' rights (the right to organize, collectively bargain, and strike) in your workplace?
7. What are the major challenges the workers are facing in their attempt to assert their demands and interests?
8. How do you assess the commitment of workers' associations, if any, in defending workers' rights in your workplace?
9. What specific mechanisms are being used by the workers in your workplace to defend their interests?
10. How are the disagreements between the workers and employers being solved in the workplace?
11. To what extent is the government helpful or supportive of your concerns?

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Interview questions for an expert (IPDC)

1. How do you evaluate the impact of the current labor standards in the country vis-à-vis the fast growth of FDI in the textile and apparel sector?
2. How do you assess the respect of internationally and constitutionally guaranteed collective rights of workers (freedom of association and the right to organize, collective bargaining, and the right to strike) in the country's textile and garment sector?
3. In what way do you think the international competition for investment can affect labor standards in the Ethiopian textile and apparel sector?
4. In what way can the flow of MNCs in the textile and apparel sector affect labor policies and regulations in the country?
5. How do you see the role of the state in implementing labor regulatory schemes in the wake of the increasing flow of FDI in the textile sector?
6. How can the labor secure its benefits given the unbalanced power relationship between them and the employers at the age of globalization?

Interview Guideline

The purpose of these Semi-structured interview questions is to collect primary data for the Master's thesis entitled **“The Race to the Bottom in Labor Standards: A Critical Perspective on the Flow of Foreign Direct Investment in the Ethiopian Textile and Apparel Industrial Parks”** at Addis Ababa University. Your cooperation in providing genuine answers to the following questions is highly important for the success of this study. Your responses will be kept confidential and it will only be used for academic purposes.

Interview questions for Garment Industry Manufacturers

1. What do you think are the major criteria investors of the textile and apparel industries use to invest in a certain country?
2. What do you think are the major reasons behind the investor's decision to invest in Ethiopia compared to other competing countries for the investment of the textile and apparel industries?
3. What do you think motivated the current wave of textile and apparel investment in the country?
4. How do you see the Labor laws in the country vis-à-vis the actual protection of labor rights in the sector?
5. How do you evaluate the labor wage in the country compared to other countries which have a huge investment in the sector?
6. What do you think is the country's major competitive advantage concerning attracting investors in the textile and apparel industries?
7. What would you like to say more regarding the expansion of textile and apparel industry in Ethiopia?