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A Revolving Door Paradox of Textile Industry in
Ethiopia: Quantitative and Qualitative analyses of
High Labor Turnover

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A Revolving Door Paradox of Textile Industry in Ethiopia:
Quantitative and Qualitative analyses of High Labor Turnover

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Declaration

I, Lelisse Beyene, declare that this thesis titled, “The Revolving Door Paradox of Textile Industry in Ethiopia” and the work presented in it are my own. I confirm that:

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- Where any part of this thesis has previously been submitted for a degree or any other qualification at this University or any other institution, this has been clearly stated.
- Where I have consulted the published work of others, this is always clearly attributed.
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Abstract

Labor-intensive industries are highly encouraged in the economic policy of Ethiopia primarily to create jobs for the masses of unemployed youth and to contribute to the transformation process of the economy. Abundant and cheap labor in the country is assumed to be an opportunity to obtain competitive advantages for the industrial sector. However, there is a growing concern that employees in the industrial sector of Ethiopia demonstrate high turnover. Specifically, while the textile and garment industry, the leading sectors in the country, employed a considerable number of workers, the problem of high turnover is severe. No rigorous research has been undertaken on turnover, except for some narrative explanations. To assess the determinants of the problem, a sample of four companies were included in the study from four different Regional States (Tigray, Amhara, Oromia, and SNNPR). The principal sources of the data were employees, key informants, and employers in the textile manufacturing enterprise. A structured questionnaire with CSpro software was used to gather the information. A Probit Econometric Regression analysis was applied to analyze the data and draw a conclusion. The findings of the study revealed that workers' dissatisfaction with their job, work environment, and salary dissatisfaction have a significant and positive relationships to their intention to leave the companies. However, as expected, supervisors' good relationship with the workers has a significant effect to reduce the probability of the worker's intention to leave the company. Compared to males, female workers are more likely to intend to leave. This could be associated with inconvenient work schedule and works stress. The result of the analysis also shows that the larger the family sizes, the less likely are the workers intend to leave their company which could be associated to fear of risk against the family livelihood. Thus, revising management style, considering the demand of the workers related to their job, working environment as well as matching the wage rate with the effort they put in the workload are among key recommendations to the company owners (managers).

Keywords: *employee turnover, intention to leave, Textile and Garment industry*

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Acronyms

GTP	Growth and Transformation Plan
AGOA	African Growth and Opportunities Act
CAPIA	Computer - assisted Personal Interviews
COVID-19	Corona Virus Disease of 2019
CSA	Central Statistical Agency
EBA	Everything but Arms
EU	European Union
FDIF	foreign Direct Investment
FDREF	federal Democratic Republic of Ethiopia
GIZ	German Corporation for International Cooperation
ILO	International Labor Organization
IP	Industrial Park
MoLSA	Ministry of Labor and Social Affairs
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
SNNPR	Southern Nations, Nationalities, and Peoples' Region
USA	United States of America
USD	United States Dollar
GSP	Generalized System of Preferences
WB	World Bank

Definition of key Technical Terms

Voluntary turnover: Is the separation of employees without any force (voluntarily) by the employer.

Involuntary turnover: Is the separation of employees to terminate from an organization with the decision of the employer.

Employee Retention: It is the effort of employers in trying to keep employees in the organization (Spencer, 2001).

Employee Turnover: It is the rate of gaining and losing employees in an organization (Armstrong, 2006).

Motivation: It is a psychological force that is designed to determine the direction of a person's behavior towards the level of effort and persistence of employees' in the organization (Gareth, 2008).

Extrinsic factors.: Extrinsic factors are also referred to as external factors that include elements like age, benefit, and working condition (Holmberg et al., 2016).

Intrinsic job satisfiers: Are factors also referred to as motivational factors or intrinsic factors that stimulate an employee's incentive to respond positively to management's requests. It includes job security, respect, and recognition. (Ardaiz de Acedo et al., 2017; Holmberg et al., 2016)

Turnover intentions. It is an emotional state where employee's desire to quit a job (Anwar et al., 2017).

Chapter One

1 Introduction

According to Armstrong (2006) the rate at which an employer gains and losses its staff, how long the staff tend to leave and join the organization is called employee turnover. If an employer is said to have a high turnover, it most often means that employees of that company have a shorter tenure than those of other companies in that same industry. When employees leave, valuable knowledge is lost, and even customers may follow the departing employee. Hiring a new employee in turn leads to decrease in the performance levels of the organization by taking time and money in trying to replace the lost employees. Armstrong further explained that industries which actively find ways to retain employees gain a sustainable competitive advantage as compared to those with high rate of turnover.

According to Martin (2005), when employees leave a company, the employer incurs a considerable amount of direct and indirect expense. This is explained by Linda (2002) as the costs of turnover that can be staggering ranging from consuming quite a substantial amount of annual wage that an employer would otherwise pay to its workforce. The costs of employees' turnover normally include advertising expenses, headhunting fees, resource management expenses, loss of time and efficiency, work imbalance, and training and development expenses for new joiners (Harrie,2002). Based on McClelland (2003), these expenses of staff turnover facing organizations also include the cost of training and development, loss of efficiency, new employees that are fresh to the environment and difficulty in retaining the customer. This is more impactful on the lower paying jobs and they tend to cost companies less per replacement of an employee than do higher paying job. However, the lower paying jobs incur the cost more often. For these reasons, most companies focus on employee retention strategies regardless of pay levels.

Miller (2005) underlined that the cost of turnover is high, especially to organizations that thrive and value the viability of the business and is a huge concern for most companies. According to Murphy (2009), companies take a deep interest in their employee turnover rate because it affects the running of the business by creating disruptions which results in reduced production and profits of the organization. Replacing an employee demands that time should be taken to induct the new employee on new roles and responsibilities, which is a cost to the organization (Anthony, 2006).

According to Oregon (2004), most companies find that employee turnover can be reduced when issues affecting employee's morale are addressed. This is mainly through offering employees benefits such as reasonable flexibility with work and family balance, performance reviews, performance-based incentives, and traditional benefits such as paid holidays or sick days (Murphy, 2009). The extent to which a company will go to retain employees depends not only on employee replacement costs, but also on overall performance of the company (Phillip, 2009). If a company is not getting the performance it is paying for, replacement cost can be an enormous price to pay in the long run (Bratton, 2003).

Regarding the challenges related to turnover, Blahna (2005) mentioned that high turnover can be a serious obstacle to organizational efficiency, quality, and profitability of firms of all sizes. For the smallest of companies, a high turnover rate means that having enough staff to fulfill daily functions is a challenge, even beyond the issue of how well the work is done when staff is available (Richard, 2008). Turnover is no less a problem for major companies, which often spend millions of dollars a year on turnover-related costs (Miller, 2006).

Ethiopia being with abundant labor supply, high turnover is repeatedly reported by many manufacturing companies. This is a serious paradox to the government as given that considerable number of the population is jobless and looking for employment; that is,

while unemployment is alarmingly increasing, there is a massive turnover in manufacturing companies located all over the country (Tadesse,2018). This study is therefore to enrich the current literature on employee turnover and provides a further understanding of the most determinants of employee turnover in the textile industry of Ethiopia.

1.1 Statement of the Problem

With the growing globalization, labor-intensive industries have been relocated toward countries where labor is cheaper (Scott, 2006). These industries are often regarded as an engine for growth of developing countries due to their performance in terms of job creation (Staelens, 2016). Here people are considered as organizational assets that cannot be easily imitated by competitors and regarded as source of competitiveness (Wright, 1994). It is, therefore, imperative for organizations to build and preserve their human capacities. Tlaiss (2013) suggests that understanding the working conditions of employees in the developing countries is very important given that employees in these nations often do not perceive their work as a source of satisfaction; demonstrate laziness, show withdrawal and absenteeism. These often lead to low productivity and inefficiency further leading to higher turnover in the sector.

The publication of Industrial Strategy Paper (2002) of the Ethiopian government revealed that the textile and garment industry in Ethiopia has been considered as one of the priority industries that are labor-intensive and export oriented, as explicitly documented in PASDEP, GTP-I and GTP-II and National Employment Policy (FDRE, 2016). Currently, the industry is one of the leading employers within the manufacturing sector and is hoped to expand employment opportunities for skilled as well as young, unskilled or less educated and female job seekers in the coming decades (see, for example, FDRE, 2016).According to the analysis by ILO (2019), garment and textile industry in Ethiopia is highly labor intensive that can give a huge employment opportunity for the youth.

On the other hand, Munir and Rahman (2016) explained that there is a growing concern that labor intensive organizations are facing a series challenge to retain human capital for variety of reasons such as poor working conditions like working for long hours for low wages. Therefore, labor turnover is becoming the major concern in companies like in garment and textile industries in Ethiopia resulting in high cost and low productivity. These firms have frequently lost several employees due to several reasons.

The paradox is that, while there happens to be massive unemployment problem of educated youth in the economy, the manufacturing enterprises (both FDI and Local investors) complain about severe labor shortage and high rate of turnover for both skilled and unskilled labor (Tadesse, 2018). The Labor Market Report (2019) by fitch solutions group limited also states that manufacturing businesses are neither adequately pooling enough labor force nor sustainably retaining those employed despite the rising unemployment problems in the country.

Specifically, the textile and garment industry are one of the leading sectors in the country that employed a considerable number of workers, especially for less educated and less skilled young and female job seekers. Although there are some studies on high employee turnover in the textile and garment industry (Asegid 2018; Robbie 2020; Shiferaw and Bedi, 2013; Ferede and Kebede, 2015; ILO,2019) they are either not focused on turnover or are narrative types. This calls for the need to undertake rigorous research regarding employee turnover rate and retention issues as well as their peculiar features in the textile and garment industry of Ethiopia. Therefore, the determinant factors of employee turnover need to be clearly identified explaining their magnitude of importance using econometric models. Thus, a study on employee turnover and retention in the textile industry in Ethiopia is an area yet to be researched.

The research questions are, therefore, what are the most important determinants of employees' turnover in the textile industry? What should be the mitigating measures to reduce the labor turnover?

1.2 Objectives of the Study

The general objective of this study is to assess the determinants of turnover and its implications on employment opportunities of the textile industry in Ethiopia. More specifically, this research has the following objectives:

1. Conduct thorough theoretical and empirical review of literature
2. Assessing the major determinants of employees' turnover in the textile manufacturing.
3. Identifying areas of intervention for institutional and policy actions to reduce labor turnover.

1.3 Significance of the study

This study significantly contributes to the existing information and adds to the literature on employee turnover and retention in the textile industry of Ethiopia. It would help to identify the major determinants of labor turnover in the Textile industry which in turn would help to tackle the problem of labor turnover in the sector and to enable the employers set efficient policies. Results of both the quantitative and qualitative analyses can be used to formulate retention strategies that can help to retain workers to increase the profitability of the textile sector by increasing the company's knowledge base. Finally, the findings of this study show ways to improve overall job satisfaction, develop a positive work climate, and foster a sense of increased employee worth, which could lead to a reduction in turnover.

1.4 Scope of the Study and Limitations

The research is designed to assess the factors affecting labor turnover in the textile industry of Ethiopia. For the purpose of this study four textile industries located in different parts of the country (Oromia, Southern Nations Nationalities and People (SNNP), Amhara and Tigray) have been selected. The textile industries and responding workers were randomly selected.

The incidence of the pandemic COVID-19 and the associated government's state of emergency dictated the method of data collection. Visit to the sample of the manufacturing sectors and physical presence to undertake direct interview with the sample of workers was not possible. Thus, data was collected through telephone call and emails. As telephone interview is not a common practice in our country, respondents were suspicious to give information due to fear of receiving a call from unknown contact and losing the job. Most of the numbers were switched off so that frequent calling was required. Still many of them associated the research with the occurrence of the pandemic.

Therefore, the researcher made all the efforts to get the data and maintain the quality of the information. Supervisors of each manufacturing companies were first consulted to brief the purpose of the study to the respondents. More detailed explanations to each interviewee were made making long time talk over the telephone. Thus, collection of the data took longer time than planned and expensive.

Physical contact with the interviewee and actual observation of their working sites could tell a lot about the working environment of the employees that have huge implication for turnover. However, this was not possible because of the COVID 19.

Chapter Two

2 Literature Review

2.1 Theoretical Literature

This section tries to explain the theoretical reviews on turnover including theories on internal and external factors that affect turnover and retention.

2.1.1 Definitions of Turnover

According to Anthony (2006), turnover refers to the ratio of workers who leave an organization to the average numbers employed during the year. Armstrong (2006) defined labor turnover as a measure of the rate of change of an organization's workforce, and another scholar, named Kondalkar (2007), also defined employee turnover as a ratio of employees a company must replace in a given period of time. It is the ratio of the number of workers that have to be replaced that can be calculated in a month or a year. Movement into the organization, ordinarily not an important part of turnover analysis, it is called accession. Movements out of the organization are called separations that can be voluntary resignations or quits, dismissals, layoffs and death or retirements (Ferreira, et al (2015).

Herzberg developed the two-factor theory by interviewing 203 accountants and engineers in the Pittsburgh area (Matei and Abrudan,2016). While developing the theory, Herzberg stated that if working conditions are poor, but an individual chooses to have a job and is strongly motivated to hold a position, then the factor is included in specific extrinsic factors. It could be due to company policy, interpersonal relations, benefits, job security, salary, and supervision. According to Herzberg et al. (1959), extrinsic factors are those

factors that do not always lead to greater job satisfaction but rather are expected factors attributing to the everyday nature of the job.

On the other hand, intrinsic motivators are the forces that push an individual to make a choice in one direction or another and are significantly influenced by how an individual perceives a situation (Matei & Abrudan, 2016). Examples of motivational factors include achievement, recognition, advancement, the possibility of growth, the enriching or rewarding aspects of the job itself, and the ultimate responsibility proffered by the job or position (Alshmeri et al., 2017).

Vroom developed the expectancy theory in 1964 based on *performance expectation*, *recognition of performance*, and *value of recognition* (Hayibor and Collins, 2016). For example, if managers want to keep expert employees, the focus should be identifying methods to allow employees to find intrinsic (motivational) value within their positions (Vroom & Deci, 1983). Ghoddousi et al, (2014) also conducted a study that utilized the expectancy theory consisting of 194 employees and found that intrinsic factors were more effective than extrinsic factors in the construction industry.

Maslow's theory suggested humans have hierarchy of needs that must be met in order of lowest to highest (Maslow, 1943). For example, individuals will not become concerned about their safety until after the primary physiological needs such as food and water are met (Johennesse and Te-Kuang, 2017). Furthermore, Maslow found that if employees do not feel safe in the working environment promotion and awards will not be their concern. The theories show that both internal and external factors must be considered in crafting an employee retention strategy.

2.1.2 Causes of Employee's Turnover

There are several factors affecting workers turnover as identified by different scholars. This section reviews the causal factors for turnover as most frequently explained in different literature. Training and development, motivation, career development and work environment are commonly documented as determinant factors for company performance and staff turnover.

2.1.2.1 Lack of Training and Development

Training and development have been known by several names, including "human resource development", and "learning and development". It is a function of human resource management aimed at bettering the performance of individuals and groups in the organization (Paul, 2004). New-hire induction and staff development are two essential requirements for job preparation from the perspective of employers. Training throughout the employment helps the employee to update skills, become more productive, and produce efficient workforce.

According to Armstrong (2003), when employees lack training necessary to become more productive, their performance suffers, and they will either leave on their own decision or they will be terminated on account of poor performance. Finnegan (2017) further argues that if retention strategies require additional time and effort, it is required to invest in the training and development of managers to build a positive relationship with others. He also suggested that technical and managerial competence is greatly diminished when individuals cannot make employees feel invested with the firm and secure with those individuals around them and that will fuel up turnover.

2.1.2.2 Lack of Employee Motivation

Several theories exist regarding motivation such as expectancy theory, need theories, equity theory and goal setting each with different interpretation within motivation. In the motivation equation, input, performance and outcome are key factors that contribute to motivation. While inputs are anything an employee contributes to the job or organization, such as time, effort, education and experience, outcomes are anything an employee gets from a job or organization, such as pay, job security and benefits (Murphy, 2009).

Expectancy theory suggests that high levels of motivation occur when employees believe they can get the task done, believing that they can perform at high levels, and desire the outcomes. For example, pay or bonuses can be a desired outcome. According to Armstrong (2003), motivating employees can be a manager's biggest challenge and at the same time, employee motivation is a key to the overall effectiveness of an organization. An understanding of the applied psychology within a workplace, also known as organizational behavior, can help achieve a highly motivated workforce. Fair promotion conducted based on performance greatly motivates employees, while a key demotivating factor to employees is failure by the organization management to carry out merit-based promotion, which stimulates high turnover.

Georgi (2004) affirmed that proper job description influences development of clearly defined employees' roles and responsibilities which in turn eliminates cases of over tasking employees and hence improving the level of employee motivation and vice versa. As stated by Paul (2004), job rotation also helps employees to develop adaptive skills since employees who are not exposed to job rotation programs lack an opportunity of learning adaptive skills when exposed to work in different environment. Another point worth noting is the importance of praise and recognition. In this regard, Dubois (2004) argued that management that is not committed in offering praise and recognition to deserving employees and fails to reward hard-working employees would lower the morale of most employees which could persuade them to leave their work. Murphy

(2009) explained that ineffective performance appraisal systems influences rewarding of non-performing employees since they are rated to be the best, and this de-motivates most of the hardworking employees whose efforts are not recognized.

Another factor that has impact on motivation is team building. Gollwitzer (1999) asserted that team building helps to increase employee motivation since it provides employees with working environment that allows them to interact and learn from each other. Moureen (2004) indicated that the application of clear communication channel helps in building strong level of interaction between organization employees and this acts as a core motivating factor. Trevor (2004) who emphasized equity theory suggested that managers promote high levels of motivation by ensuring people believe in the distribution of outcomes in proportion to inputs, such as time and effort. On the other hand, goal-setting theory suggests that specific and difficult goals lead to high motivation and success. In addition, based on Abraham Maslow's theory, Thomas (2003) affirmed that human beings have wants and desires which influence their behavior, and the unsatisfied needs influence behavior most.

2.1.2.3 Lack of Career Development

Harrie (2002) noted that in every organization, there are generally two groups that direct the career development process: the upper management and the human resource personnel. Managers, for example, might have the responsibility of making sure the needs of a business coincide with the employee's career goals to achieve an overall balanced work atmosphere. The human development personnel, therefore, identify the skills, experience, and knowledge employees need in order to provide their best possible work.

Creating opportunities for career growth could help increase staff retention levels as good employees often have great ambition and need to have the opportunity to learn and grow

in order to stay motivated (Minguel, 2008).The latter noted that employees could be motivated by hiring for upper level positions from inside a company, staff suggestion boxes, employee of the month competitions, and other small concepts.

According to Armstrong (2003), lack of potential for advancement or promotions has caused many mid-level executives to leave companies. They prefer companies where there is career mobility and increased compensation packages. Cascio (2003) indicated that companies need to evaluate and analyze their succession planning policies in a way that is deemed to be fair and based on performance. If organizational career paths do not lead to opportunities that match those desired by employees, they may choose to look for alternative jobs in the hopes that another organization will offer more desirable job paths.

2.1.2.4 Work Environment

Horton (2007) claimed that work environment is often described as good or bad. While a good environment is a place where the workers feel at ease, appreciated and are often more productive and happier, a bad work environment is a place where the worker feels under-appreciated, threatened or unsettled. Due to the nature of these environments, there is often a high worker turnover rate, and the workers typically fail to live up to their potential.

Bratton (2003) indicated that employees must have the necessary tools to perform their duties which include proper equipment, machinery, and computer technology as well as adequate lighting and workspace. Poor working conditions due to physical elements lead to low productivity and overall job dissatisfaction.

According to Spencer (2001) poor furniture and working equipment lowers the level employees' job satisfaction and this plays a role towards realization of increased employee turnover rates. He further explained the importance of companies' policy

regarding complaints, either from employees or customers, which should be handled promptly and in accordance with the law and ensure safe working environment.

2.2 Empirical Literature

This section briefly presents results of empirical studies related to the subject matter under investigation. The influences of job satisfaction, work relationship with supervisors, valuing the contribution of the workers, working conditions and organizational commitment are selectively focused for the discussion as popularly included in the empirical studies.

"On 7 March 2019, thousands of textile and garment workers went on strike at Ethiopia's biggest industrial park, Hawassa, demanding better wages, safe working conditions and an end to sexual harassment. The workers were not represented by a trade union, because for the past two years, management at the industrial park has refused to allow unions to organize."(Global workers, 2019, No.1)

2.2.1 Job satisfaction

According to Carsten and Spector (1987), job satisfaction is a factor that is critical to consider when predicting employee's intention to leave. It explains that people who are unhappy with their jobs are likely quit in order to find a better alternative elsewhere. However, studies have produced mixed results. Some researchers have reported non-significant relationships between satisfaction and turnover intentions (e.g. Harris and Cameron, 2005; Kacmar et al., 1999). Supporting the latter findings, Erdogan et al. (2012) estimated the population correlation to be low ($r = -0.27$). In contrast, according to DeCuyper et al. (2009) and Rode et al. (2007), greater job satisfaction is associated with low intention to leave.

2.2.2 Relation with Supervisor

The quality of relationship between a supervisor and subordinate workers considers the social dynamics of the relationship (DeConinck,2009; Gerstner and Day, 1997; Graen and Uhl-Bien, 1995). They explained how this affects the employee's behaviors and attitudes including intention to leave. Previous studies have shown that this variable affects not only intentions to leave (Gerstner and Day, 1997), but also numerous other factors including performance (Liden et al., 2006), organizational commitment (Cohen-Charash and Spector, 2001), and citizenship behaviors (Ilies et al., 2007).

On the other hand, other studies show that this relationship may not be so straightforward. For example, Morrow et al. (2005) found a non-linear relationship between supervisor relation and turnover such that turnover was lowest when the relationship was moderate. In addition, according to the studies made by Graen et al (1982) and Vecchio (1985) the relationship between supervisor relation and actual turnover has been quite equivocal.

2.2.3 Value of Employees 'Contribution

This relates to how employees perceive that the workplace values their contributions and well-being (Eisenberger et al, 1986). Based on the norm of reciprocity, one would expect that employees perceiving high levels of appreciation and resources from their organizations would be less inclined to leave their jobs. Most of the empirical research to date supports this prediction, with scholars reporting a strong negative relationship between value of employees' contribution and turnover intentions (e.g. Allen et al., 2003; Chew and Wong, 2008; Wayne et al., 1997). Indeed, a recent analysis showed that giving value for workers' contribution accounts for approximately 25 percent of the variance in intention to leave (Riggle et al., 2009). Others, however, have reported moderate (Ahmed

et al., 2015; Karatepe, 2012) or even non-significant relationships for certain types of employees, e.g., law firm partners (Loi et al., 2006).

2.2.4 Work Stress

Lee and Ashforth (1996) noted that another important variable, work stress, which is linked to employee turnover intentions. Although theoretically a stressful work environment should motivate employees to leave the offending organization, research has not consistently supported this notion. Some have found a positive relationship between stress and turnover intentions. For instance, each of the three major types of job burnout (i.e. emotional exhaustion, depersonalization, and decreased personal accomplishment) has shown to increase intentions to turnover.

However, a workplace stress has ambiguous results. For example, work-family conflict, a source of workplace stress that occurs when work and home responsibilities collide, resulted in greater time-lagged turnover intentions for permanent workers, but not for temporary workers (Mauno et al., 2015) Nevertheless, Podsakoff et al. (2007) reported conflicting meta-analytic effects with regards to workplace stress. They found that hindrance stressors (i.e. people and factors standing in the way of work accomplishments) resulted in higher turnover intentions whereas challenge stressors (i.e. Experiences that lead to personal development) resulted in lower turnover intentions.

2.2.5 Organizational Commitment and Identification

Organizational commitment involves the extent to which an employee identifies with and is loyal to an organization he or she works for (Mowday et al., 1979). Organizational commitment has emerged as one of the strongest attitudinal dimensions for the human resources management literature (Hom and Griffeth, 1995). Generally, the higher is the organization commitment; the lower is workers' intention to leave. This relationship has

been tested in several studies and is generally concluded to be a strong predictor of employee turnover (Kwon et al., 2010; Gamble and Huang, 2008; Cole and Bruch, 2006; Cohen, 2003).

Similarly, yet distinct, employee organizational identification is the extent to which an employee defines him or herself by their relationship with their employer (Ashforth and Mael, 1989). Studies show that this factor is not only related to intention to leave (Chenetal., 2013; Choetal.,2014; Dasetal.,2008; Mishra and Bhatnagar,2010). However, it is also vital to employee performance factors such as positive outcomes at work including greater interest (Mael and Ashforth, 1995), and greater involvement (Riketta, 2005). Some researchers, however, have reported that the effects of organizational identification on turnover intentions are insignificant when examined together with organizational support and emotional exhaustion (Avanzi et al., 2014; Lai et al., 2013).

2.3 Economic Role of Textile Industry in Ethiopia

This section presents an overview of the textile and garment industry in Ethiopia and its relative importance in the Ethiopian economy. The data presented here contain information on the *gross value production, value addition, employment contribution, worker profile* and *export performance* of the sector. It mainly adopted the data from International Labor Organization (ILO) that rely on the data obtained from the Ethiopian Central Statistical Agency (CSA), the Ethiopian Development Research Institute (now called the Policy Studies Institute) and the Ethiopian Textile Industry Development Institute.

2.3.1 Gross Value Production and Value addition of the sector

The government of Ethiopia has recently developed various strategies, including incentive schemes to promote private investment, to increase the role of the sector in job creation and foreign exchange earnings as well as in the industrialization process (FDRE,

2016). As a result, the number of firms (both domestic and multinational) engaged in the industry increased and thereby resulted in growth and expansion of the industry. The sector has recorded a rapid improvement as of mid-2000s in terms of production. For instance, the gross value production of textile and garment industries was only 700 million and 55.7 million birr respectively in 2001. This figure jumped to 5.8 billion for textile and 0.97 billion birr for garments in 2014, which is equivalent to a compounded annual average growth rate of 17.7% and 23.8 %, respectively (ILO, 2019).

Nevertheless, it remains at a sluggish stage in terms of value creation as compared to other manufacturing sectors mainly due to more rapid increase in the value-added share of other industries such as non-metallic mineral products, metal and engineering products, and rubber and plastic products. For instance, in 2014/15 food and beverage had the highest value addition (shared about 46.5% of manufacturing value added) followed by metals and engineering (18.1%) and non-metallic mineral industry (15.8%). By contrast, the textile and garment industry had created only 625 million-birr in value addition in the same period (3.6% of total value added of manufacturing industry). Especially, the additional value created by garment industry in the manufacturing sector is very low (shared only 0.6%) even when compared to textile sector.

According to Girum A, et al (2019), despite rapid growth in absolute value in recent years, the share of the textile and clothing industry in the Ethiopian manufacturing sector showed a declining trend. The relative share of the value-added declined from about 25% in 1993 to 10% in 2014 mainly due to the rapid increase in the value-added share of the other industries such as non-metallic mineral products, metal and engineering products, and rubber and plastic products.

2.3.2 Export Contribution of the Textile and Garment Industry

Stariz and Whitfield (2017) further elaborated the increase in the number of foreign investors engaged in the sector. This is due to low labor costs, cheap and abundant raw materials, and low energy and water costs. Furthermore, duty free export to the EU and USA under the strategies known as Everything but Arms (EBA) and the African Growth and Opportunities Act (AGOA) also substantially supported recent surge in garment export earnings.

According to WB (2014), Ethiopia's trade preferences arrangement under the Generalized System of Preferences (GSP) in Australia, Canada, Japan, New Zealand, Norway, and Switzerland as well as preferential access in China, India, Russia, South Korea, and Turkey has certainly helped attract new investment towards the industry. It is noted that there were around 43 foreign owned firms involved in textile and garment sector, which accounted for 34% of firms and 49% of employment in the country.

According to Staritz et al (2016), export earnings from the industry were largely negligible in the 1990s and early 2000s. For instance, in 2000 export earnings from the industry was only 3 million USD (about 1 million USD from garment and 2 million USD from textile). As is indicated in the study, the export from the industry increased to 62 million USD in 2010/11 and further to about 109 million USD in 2017/18.

The EU and US are the main destination of the Ethiopian garment products due to the existence of preferential treatment for Ethiopian exported commodities in these two markets. The US market together constitutes about 76% of total garment export destination. This shows that there has been rapidly growing of market access in the US in recent years; market share increased from about 9% in 2013 to 38% in 2017. The rise in sales to the US market also corresponds to the rapid increase in garment exports since 2015/16. While the export value has fallen short of the garment target set in the GTP; it

seems to have attained a positive trajectory. Given, the massive imports from abroad estimated at about 404 million USD in 2015, ILO (2019) also explained that there is a growing importance of local market (to substitutes the imports of the textile and garment products) even though the government encourages export in order to obtain foreign currency.

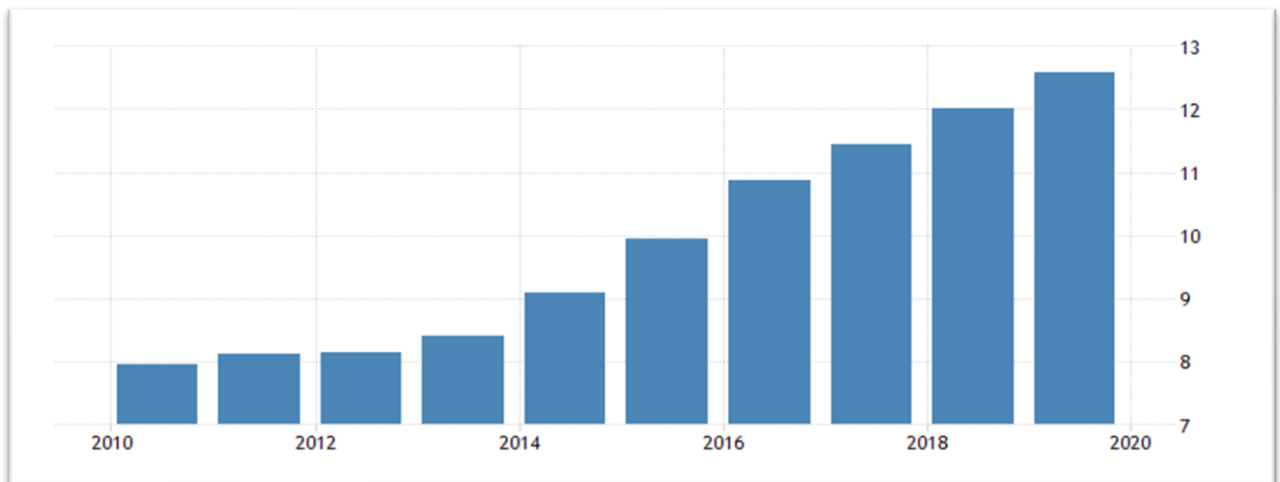
The government of Ethiopia has been aggressively engaged in building industrial Parks (IP) which are important policy levers that is expected to trigger the industrialization to help overcome the inefficiencies in the overall economic sector by concentrating government attention in specified localities. They particularly generate economies of scale that makes the provision of infrastructure services, such as power, telecom and road cheaper and easier. By attracting workers and employers, creating linkages between suppliers and producers, Industrial parks potentially produce localization benefits that reduce the cost of production. They further lower regulation costs and eases the provision of other public services, such as taxation and security. It is noted that in recent years, export from the parks have increased, and the Government of Ethiopia hopes to bring in textile exports worth of \$30 billion by 2025.

2.3.3 Contribution to Employment Creation of the sector

The textile and garment industry are one of the leading sectors in the country that employed a considerable number of workers, especially for less educated and less skilled young and female job seekers. As noted in ILO (2019), an appealing feature of the textile and garment industry from a policy maker's perspective is its potential to generate job opportunities for unskilled and semi-skilled workers who constitute a large share of the labor force in the country. Taking all scales of the textile and garment industries at the country level, the sector has created close to half a million jobs in (CSA, 2014) and most of the jobs are created in textile sector (about 86%). Interestingly, most jobs created are concerned in rural area (about 58%).

According to the World Bank report on May of 2020, employment in the textile and garment industry accounts for about 12.6 % of the total employment in the industrial sector in 2019. As seen in Figure (1), the employment contribution of the textile and garment is steadily increasing over time since 2010. In the early 1990s, the industry employed more than 30,000 workers with equally split between garment and textile manufacturing, but between 1990 and 2008 employment creation in the sector steadily declined by 40%. Thereafter, the number of workers absorbed by this industry showed a rapid growth, increased from about 18,000 in 2008 to more than 96,000 in 2018 (about a five-fold increase in a decade).

Figure 1: Employment Growth in the Textile and Garment Industry (% of total employment), 2019



Source: World Bank, 2020

Furthermore, the industry's labor remained predominately female with women accounting for 76% of the workforce. This indicates that the textile and garment industry employed nearly a third of all manufacturing employment by medium and large firms. Textile employed nearly a quarter of all medium and large manufacturing enterprises in the country.

Notwithstanding the recent increase in employment in the industry, the employment share of textile and garment industry in medium and large manufacturing has continuously declined over the last two decades (Tekleselassie et al, 2018). For example, the employment share of sector, which was about 29% in 2000 shrunk to about 21% in 2012 and further declined to 17% in 2016, Iqubay (2018) noted that its share is expected to grow more in the coming years due to large number of new entrants in the industry in the past few years. For instance, a study visits by ILO (2019) to Hawassa Industrial Park showed that here are 18 companies that are engaged in textile and garment products and employment has reached nearly 25,000 workers. When all the factory shades become operational, the park in Hawassa is expected to employ nearly 60,000 workers. Similarly, Mekele Industrial Park is expected to create approximately 20,000 direct jobs and another 4,000 indirect when it is becoming fully operational.

Indeed, there are also challenges in the sector which include the existence of skills gap such as low managerial and technical skills, poor competence of instructors and theory-based curriculum in TVETS. The other problems are limited quantity and quality of raw material (such as low cotton lint supply, limited garment accessories), low level of technology and productivity, slow and costly trade logistics.

Chapter Four

3 Methodology of the Study

3.1 Sources and Method of Data Collection

The study has been conducted on selected textile companies. As mentioned above in the limitation of the study, because of the Corona virus, it was difficult to physically contact and directly communicate with the concerned companies. Thus, it was not possible to directly visualize the company profile, employment structure and size. Thus, by consulting people working in the Ministry of Industry and Trade, the researcher purposely selected companies easily accessible for the data collection. To make representative, sample of four (4) companies were included which are distributed across the major industrial towns. The principal source of the data for the study was the employees, key informants and employers in the textile manufacturing companies indicated (Table 1).

Table 1: Sample size and Distribution

Region	Location	Name of Companies	Sample size of workers interviewed
1. Oromia	Bishoftu	Canoria Africa Textile PLC	36
2. SNNPR	Hawasa	JP Textile Ethiopia Plc	35
3. Amhara	Kombolca	Ammar PolicyPropile PLC	35
4. Tigray	Axum	AlmendaTextile	36
Total	-	-	142

Because the population was unknown, Cochran (1963) formula was applied for determining the sample size, which is popularly used for such purpose when it is difficult to determine the sample frame. Accordingly, a total sample size of 142 individual workers were randomly selected for interview. The sample size is roughly equally distributed (purposive sampling) across the selected companies. Yet, it would not affect the quality and representativeness of the data given the large population and sample size in each of the company.

The formula employed as indicated in Cochran (1963) for determining the sample size is:

$$n = deff \frac{(Z_{\alpha/2})^2 * P(1-P)}{\epsilon^2}$$

Where.

n = the required sample size.

Z_{α/2} = the α/2 standard normal distribution score, 90% value (1.65) is considered.

p = the estimated proportion of an attribute that is present in the population (taken as 0.5 (default value)).

E = margin of error, 6.9% is used for this purpose.

Deff = anticipated design effect, 1 is used for this purpose; and considering 5% for non-responses.

To meet the objectives of the study, both primary and secondary data were collected. The secondary data was collected from different institutions like, Central Statistics Agency (CSA), Ethiopian Ministry of Labor and Social Affairs (MoLSA), International Labor Organization (ILO) and GIZ. Review of literature and browsing through internet were additional sources of information.

Information from the managers of the companies and key informants were collected using checklists (through email) as well as through telephone conversation. The information from the employers (managers) was taken to represent the demand side of the labor market, which were basically qualitative and narrative explanations.

Most importantly, major data for the study was collected from the workers (employees of the companies) representing the supply side of the labor market. The workers were a mix of laborers and experts. A standard questionnaire was prepared to collect the primary data. The data collection was made through telephone and email because of the pandemic COVID-19, three data collectors were organized under one supervisor. Technical training regarding the concepts, definitions and methods of collecting data was provided to the data collectors. The training program involved sessions for explaining the purposes of the study, explanations of the different sections of the questionnaires, and the manner of capturing responses via Computer Assisted Personal Interviews (CAPI) using "tablets". The completed responses were properly captured using the CSPro software installed on the tablets. Collection of the data took 15 days.

3.2 Econometrics Model Specification

Employees' *intention to leave* is an important concept that is used as a proxy for real turnover and important predictor of employee devotion to a company (Menon A., et al, 2017; Van Breukelen et al. 2004). A binary Probit model was used for the econometric analysis to identify the major determinants of employees' turnover (proxied by intention to leave) in Textile industries. Probit model is described by the binary outcome y_i , as defined by Verbeek (2004),

$y_i=1$ if an employee intends to leave

$y_i =0$ if an employee intends to stay

The linear model is given by

$$y_i = \beta_0 + \beta_1 x_{i1} + \beta_2 x_{i2} + \varepsilon_i \dots \dots \dots \beta_0 + \varepsilon_i \dots \dots \dots (1)$$

where $x_i = (x_{i1}, x_{i2})'$, $\varepsilon_i \sim N(0, \sigma^2) \dots \dots \dots (2)$

The probability that an employee intends to stay is expressed as

$$p\{\varepsilon_i = x'_i\beta|x_i\} = p\{y_i = 0|x_i\} = 1 - x'_i\beta \dots\dots\dots (3)$$

The probability that an employee intends to leave is expressed as

$$p\{\varepsilon_i = 1 - x'_i\beta|x_i\} = p\{y_i = 1|x_i\} = x'_i\beta \dots\dots\dots (4)$$

In general, we have $p\{y_i = 1|x_i\} = G(x_i, \beta) \dots\dots\dots (5)$

Equation (5) indicates that the probability of having $y_i = 1$ depends on the vector x_i containing individual characteristics. Clearly, the function $G(\cdot)$ in (5) should take on values in the interval $[0, 1]$ only. Usually, one restricts attention to functions of the form $G(x_i, \beta) = F(x_i\beta)$. As $F(\cdot)$ also has to be between 0 and 1, it seems natural to choose F to be some distribution function. Common choices are the standard normal distribution function.

$$F(w) = \Phi(w) = \int_{-\infty}^{w} \frac{1}{\sqrt{2\pi}} \exp\left\{-\frac{1}{2}t^2\right\} dt \dots\dots\dots (6)$$

This leads to the so called probit model.

As well explained in the review section, there are several factors that contribute to an employee’s intention to leave a company. Based on review of the theoretical and empirical literature, and taking into account the context of Ethiopia, about ten variables are hypothesized to determine workers' intension to leave their company. The following are the hypothesized variables:

Dependent variable

Employment intention to leave (I): According to Van Breukelen et al. (2004), intention to leave is used as a proxy for real turnover and is also an important predictor of employee loyalty to a company. In this model it takes a dummy variable (1=if the employee intends to leave, and 0 otherwise, if the employee tends to stay).

Independent variables

Hypothesized to determine the intention to leave are as follows:

Job Dissatisfaction (Job_disat): It is the factor that is critical to consider when predicting employee intention to leave. It explains employees who are unhappy with the job are likely to quit the job. Therefore, it is positively related with employee's intention to leave.

Supervisor Relationship (Superv_relation): The quality of relationship between a supervisor and subordinate represents the quality of relationship between the supervisor and subordinate that considers the social dynamics of the relationship. It affects the employee's behaviors and attitudes of intention to leave. Therefore, good relation negatively distresses intention to leave.

Dissatisfaction with working environment (Work_disat): Employees perceive that the workplace values their contributions and well-being refers to how the employees perceive that the workplace values their contribution and wellbeing. It includes work stress, availability of personal protective equipment (PPE), rules and regulation of the company (e.g.; job security). Therefore, employees who are dissatisfied with the workplace have positive relationship with intention to leave.

Salary Dissatisfaction (Salar_disat): It is explicitly explained by Munir and Rahman (2016) that labor intensive industries pay low wage under poor working conditions. Therefore, those who are dissatisfied with their salary are likely to leave the job which has a positive relationship with intention to leave.

Migration: It is considered that employees those who migrated from other regions are more likely to stay in the job because of their risk aversion behavior to leave the job and search for a better job than those who leave around. Therefore, those people migrated from Addis Ababa and other regions are likely to stay in the job. Therefore, it has a negative relationship with intention to leave.

Age: it is considered that as employees get older, they will be less likely to leave the job. Therefore, it has a negative relationship with intention to leave.

Family size: refers to employees who have more family size including those who are married and those who have dependents are less likely to leave the job. Therefore, it has a negative relationship with intention to leave.

Gender: female employees are considered to leave the job than males because of difficulty in the nature of the job and work environment. Therefore, it has a positive relationship with intention to leave.

Marital status considers married employees are less likely to leave the job than those who are single. Therefore, it has a negative relationship with intention to leave.

In this regard, binary probit regression will be incorporated to identify the determinants of turnover. Probit model is a type of model that is used to describe the relationship between one or more independent variables and a binary outcome (two possible values). It is used in a wide range of applications leading to categorical dependent data analysis (Gujarati, 2004).

Table 2: Summary of hypothesized variables

Variables	Description	Values/Categories	Expected sign
1. Intention to leave	Intention to leave is the dependent variable taken as a proxy of turnover	0=intention to stay 1=intention to leave	
2. Gender	refers to the sex of the respondents	0=male 1=Female	Positive
3. Age	It is the age of the respondents	Continuous variable	Negative
4. Marital Status	It refers to whether the respondents are married or single	0=single 1=married	Negative
5. Migration	refers to from where the employees are coming for the Job	0=Just from around the company 1= far from other regions/zones 2=from Addis Ababa	Negative
6. Family size	The size of family of the respondents	Continuous variable	Negative
7. Supervisor relation	It is the relationship of the supervisors(managers) with the workers	0=Bad 1=Good	Negative
8. Job Satisfaction	It is the satisfaction that employees have while doing the job	0=satisfied 1=dissatisfied	positive
9. Salary satisfaction	It is the satisfaction from the salary received	0=Neutral 1=satisfied 2=dissatisfied	Positive
10. Work environment satisfaction	It is the work stress, safety and rules and regulations of the company	0=Neutral 1=satisfied 2=dissatisfied	positive

Chapter Five

4 Results of Statistical and Econometric Analysis

This chapter focuses on results obtained from the analysis carried out using STATA Version 15 based on data collected from a sample of 142 respondent workers from four textile manufacturing companies. Focusing on the proposed explanatory variables, results of, univariate and bivariate statistical analyses as well as binary Probit econometric regression are presented.

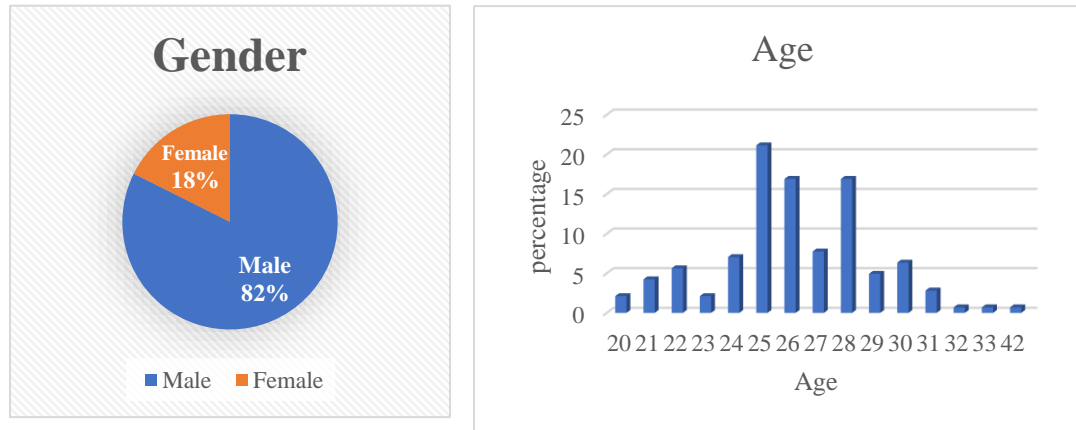
First, brief demographic and socio-economic characteristics of the respondents are analyzed together with other proposed explanatory variables. The chapter mainly presents results and discussion of the econometric analysis generated applying the Probit Model.

4.1 Results of Descriptive Analyses

4.1.1 *Demographic and Education of Respondents*

1. **Gender and Age:** Out of the total respondents (142), female accounts for 18% and the male accounts for 82 %. Most of the respondents are between the 25-28 years with average of 26 years (Fig 2). Descriptively, both male (83%) and female (89%) have reported their intention to leave their company.

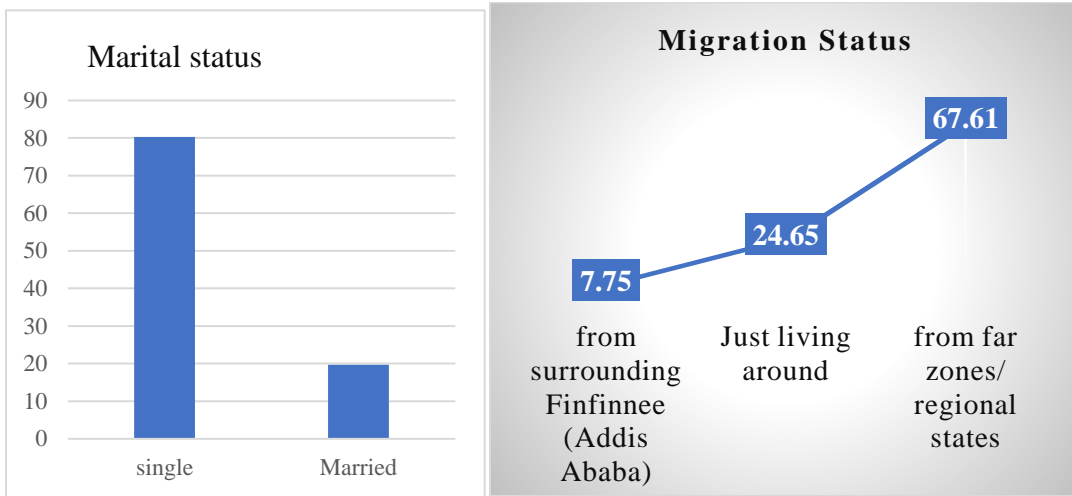
Figure 2: Percentage of Respondents by Age and Gender



Source: Computed from Survey Data

- Marital status and family size:** The marital descriptive analysis shows that out of the total respondents, 19.7% are married while the majority (80.3%) is single. Regarding the family size, it ranges from one to ten with the average of 2.26 persons. Interestingly, majority of the respondents are found to be live alone (50%).
- Migration status:** Regarding the migration status (representing whether the respondent comes from another Zone or Region), 24.65% of them are found to live just around the companies while 7.75%(11) migrate from Finfinnee (Addis Ababa), 67.61%(96) from other zones or regions and only 0.7% or one person is from other place.

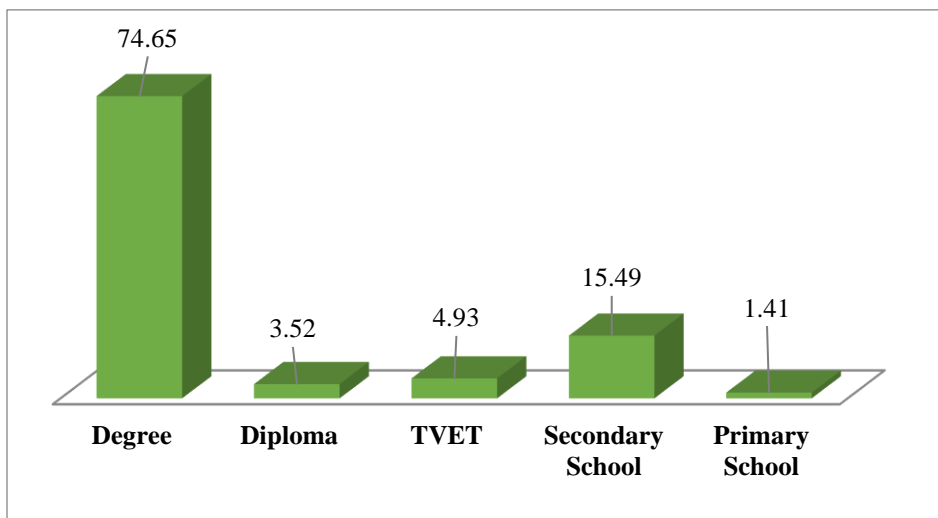
Figure 3: Migration and Marital Status (%)



Source: Computed from Survey Data

- Educational status:** Education is one of the key variables carefully considered as a determinant factor for turnover. The result of the survey revealed that out of the total respondents' majority of them (74.5%) of them completed first degree. The remaining 15.49% completed secondary school, 4.93 % completed TVET, 3.52 % completed diploma. It was remarked that only 1.41% has primary school and no worker was found to be illiterate.

Figure 4: Distribution of Respondents by Level of Education (%)



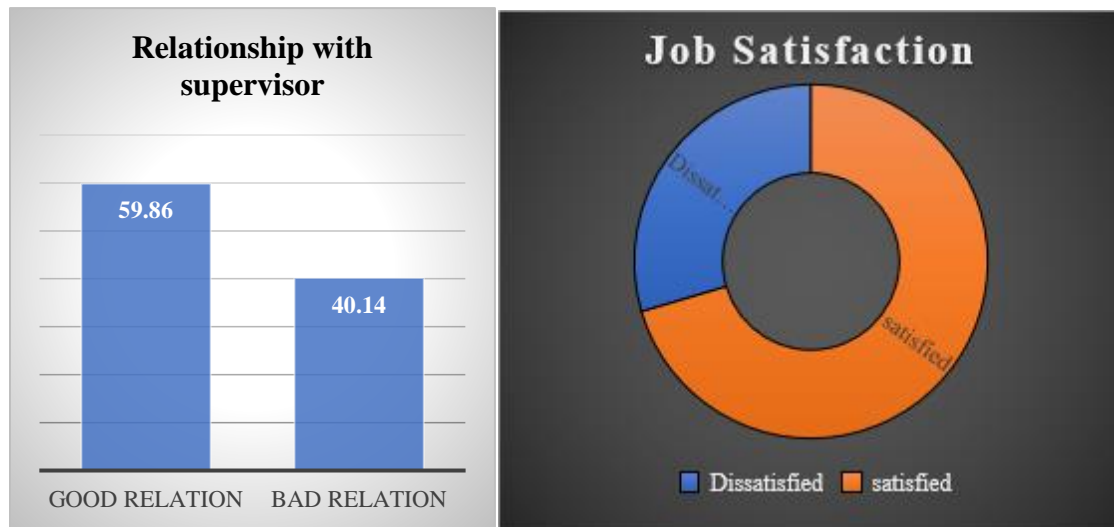
Source: Computed from Survey Data

4.1.2 Description of Variables

In addition to the above discussed variables, the statistical analysis was made for the other key independent and dependent variables. The results are discussed below.

- 1. Relation with supervisor:** Workers' relationship (reflected in terms of friendliness or not) with their upper bosses and immediate supervisors is one of the independent variables proposed to affect staff turnover. About 60% of the total respondents reported that they do generally have a good relationship with supervisor while the remaining 30% reported to have bad relationship and 10% reported neutral.
- 2. Job Satisfaction:** Job satisfaction refers to workers' interest in the tasks assigned for and the technocrats or expertise. It is believed to affect the intention of employees to leave or to stay in the job. Here the idea of job satisfaction refers to whether an employee is satisfied with the nature (type) of activity he/she is undertaking or not. Accordingly, the result from the survey revealed that out of 142 respondents, 70.4 % said that they were satisfied with the job while 29.6% said that they were not satisfied with the job.

Figure 5: Relationship with Supervisor and Job Satisfaction (%)



Source: Computed from Survey Data

- 3. Wage and Salary Satisfaction:** theoretically and empirically, wage is the most important variables that have effect on employee's turnover. The mean Net salary of the respondents is 3,892.7 birr per person per month. The net pay ranges widely from as low as 700 birr to as high as 9,000 birr per monthly and indicated with a high standard of deviation Birr 1,951. This is roughly equivalent to USD \$20 - USD \$257 (calculated 1\$=35 birr) as per the survey. This is indicating that the minimum salary is less than one dollar per day which is very low. The survey result revealed that of the total respondents, 61.3% of the employees said that they are dissatisfied, 19.72% expressed they are neutral while about 19% of them explained that they are satisfied with their salary. Further analysis shows that 88.5% (= 77/87) of out of those dissatisfied with their salary are intending to leave their company. Surprising 76% (= 42/55) of even out of those responded satisfied and/or neutral to their salary reported to have the intention leave.

Table 3: Salary Satisfaction Vis-a Vis the Intention Leave

Salary Satisfaction	Intention To Leave			
	No	Yes	Total	%
Satisfied or Neutral	13	42	55	38.7%
Dissatisfied	10	77	87	61.3%
Total	23	119	142	
%	16.2	83.8	-	100

4. Satisfaction with the Working Environment: Working environment refers to the industries' rules and regulations, safety and work stress. It was used as one of the important indicators of turnover intentions of the employees. The results of the survey analysis indicated that of total respondents, out of the total 142 respondents, 38.03% of them are satisfied with the working environment, 33% them are dissatisfied while 28.87% are neutral. Of particular interest in this regard is that machine operators are more inclined to leave their job due to the difficult nature of their work. Interestingly, 79% (= 75/95) of those reported satisfied and or neutral with the working condition have the intension to leave and 94% (= 44/47) of those dissatisfied have the intension to leave (Table4).

Table 4: Response to the Working Environment satisfaction in relation to the Intension to Leave

Satisfaction with the Working Environment	Intention to Leave			
	No	Yes	Total	%
Satisfied or Neutral	20	75	95	67
Dissatisfied	3	44	47	33
Total	23	119	142	
%	16.2	83.8		100

The information gathered through Key informant interview (KII) also indicated that high sound pollution, fatigue and dust are among the major challenges that the workers in the weaving, long chain beamer (LCM) and spinning department face respectively and these in turn adversely affects the lung, kidney and sight of the workers. Furthermore, chemicals used in the dyeing department have also damaging effect on their health conditions and could even cause cancer particularly in a situation where they do not use the recommended personal protective equipment (PPE). Due to lack of this equipment in some factories, workers take milk to dilute the effect of the chemicals. The problem in using milk for mitigation purpose is that the dosage is not known and as a result vomiting is common.

Figure 6: Working Environment and Salary Satisfaction (%)

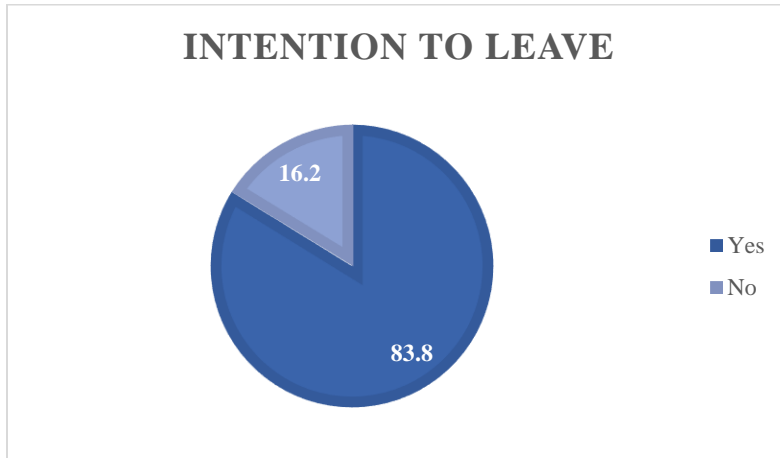


Source: Computed from Survey Data

- 5. Intention to leave:** It refers to whether the employee(s) intend(s) to leave or stay in the industry. As already mentioned, it is used as a proxy to employee turnover in this analysis. Up until the data collection, the respondent workers have been working in their company for duration of, on average 30 months, and ranges from two months to ten years. According to the survey (see Figure 7), out of total respondents, about 84% of the

employees have responded the intention to leave their organization, which is very high. Only about 16% of the total responded to stay in their company.

Figure 7: Workers' Response to Intention to Leave (%)



4.2 Result of Econometric Analysis

In this section, econometric analysis of the variables under investigation was undertaken. A Probit maximum Likelihood model was applied to the proposed variables. The model passed through important tests like omitted variable test, goodness-of-fit and multicollinearity to evaluate the overall significance and explanatory power of the model. The results of the Test are summarized in the Annex 2, 3, and 4.

The Hosmer-Lemeshow Goodness of Fit test was applied to Probit model. It describes how the model fits a set of observations (the discrepancy between observed values and the values expected under the model in question). If the fit is good (null hypothesis is true), the observed and (model based) expected counts will be close to each other and their differences will be small. The actual test statistic is a sum of $(\text{observed} - \text{expected})/\text{expected}^2$ and is distributed chi square under the null hypothesis. The test ($p=0.7773$) suggests no statistically significant departure from a good fit. The null hypothesis of “**good fit**” is NOT rejected. (Gujarati, 2004)

Multicollinearity was tested by using a correlation matrix showing correlation coefficients between variables. Each cell in the table shows the correlation between two variables. If the absolute value is > 0.8 among two or more predictors it indicates the presence of multicollinearity. In our case, the result of test indicates that there is no existence of multicollinearity (Annex 4).

According to Agresti (2002), probit regression model are neither normally distributed nor have constant variance (homoscedastic). Therefore woodridge (2001) recommended robust regression to control for heteroskedasticity in binary outcome models (Table 5). In line with the model specification in the Methodology section, the functional Probit maximum likelihood Model is built on a latent variable (*) with the following formulation:

$$Intention\ to\ leave^* = X_i\beta + \varepsilon_i \dots \dots \dots (7) \quad \text{Where}$$

$$\beta = \text{vector of coefficients}$$

$$X_i = \text{vector of independent variables}$$

If $Intention\ to\ leave^* > 0$, we have $intention\ to\ leave = 1$ and if $Intention\ to\ leave^* \leq 0$, we have $Intention\ to\ leave = 0$. Therefore, the probit model was defined as follows:

$$\begin{aligned} Prob(Intention = 1) &= \beta_0 + \beta_1 \text{Superv_relation} + \beta_2 \text{Job_disat} + \beta_3 \text{Work_disat} + \beta_4 \text{Migration} \\ &+ \beta_5 \text{Age} + \beta_6 \text{Family size} + \beta_7 \text{Gender} + \beta_8 \text{Marital status} + \beta_9 \text{Family size} \\ &+ \beta_{10} \text{Gender} + \varepsilon_i \dots \dots \dots (8) \end{aligned}$$

Where all variables are defined in section 4.2 and β_i are coefficients and ε_i is the disturbance term.

The result of the Probit maximum likelihood is indicated in Table (5) and the Marginal effects are summarized in Table (6). In addition to the Hosmer-Lemeshow, the Wald Test (χ^2) shows the fitness of the model that contains full set of predictors (H_1) relative to the null (H_0), intercept only. In our estimation of the regression, the result shows that the χ^2 is significant at 1% level explaining the model is fit.

The result of the probit analysis shows that out of the proposed nine variables six of them are found to statistically significant to determine the workers probability of the intention to leave their company (as a proxy for high turnover). Relationship with supervisor, satisfaction with job, working environment and salary are the most important factors determining the probability of workers intention to leave textile manufacturing industry. However, the result presented that among the proposed variables, age, marital status, and migration are insignificant.

As explained earlier Relation with a **Supervisor** represents the quality of relationship between the supervisor and subordinate workers. It is statistically significant at 10% and has a negative sign as expected. That is, a good and friendly relationship reduces the probability of workers intension to leave their manufacturing company. The marginal coefficient indicates that a change in the supervisor relation from bad to good has a marginal effect of about 10.7% less likely to leave the company. Previous studies have shown that this variable not only affects intentions to leave (Gerstner and Day, 1997), but also affects performance (Liden et al., 2006), and organizational commitment (Cohen-Charash and Spector, 2001). Although, the data collected revealed that there is generally a good relationship between supervisor and operators, the information through key informants showed that most of the time there is a rough relation between the supervisors and the board members or top managers.

Table 5: Robust Probit Maximum Likelihood Estimation

Probit regression

Intension to Leave	Coef.	St. Err. (Robust)	t- value	p-value	[95% Conf Interval]	Sig
super_relation	-0.606	0.331	-1.83	0.067	-1.254 0.043	*
work_disat	0.735	0.402	1.83	0.068	-0.053 1.523	*
Job_disat	0.968	0.325	2.98	0.003	0.331 1.605	***
Salar_disat	0.507	0.294	1.72	0.085	-0.070 1.084	*
Migration 1	0.631	0.542	1.16	0.244	-0.431 1.693	
Migration 2	0.066	0.457	0.14	0.886	-0.830 0.962	
Gender	0.765	0.363	2.11	0.035	0.053 1.477	**
Marital Status	0.343	0.349	0.98	0.325	-0.340 1.026	
AGE	0.055	0.054	1.02	0.306	-0.050 0.160	
Family size	-0.164	0.073	-2.23	0.026	-0.308 -0.020	**
Constant	-1.118	1.610	-0.69	0.487	-4.273 2.038	
Mean dependent var		0.838	SD dependent var		0.370	
Pseudo r-squared		0.190	Number of obs		142.000	
Chi-square		29.673	Prob > chi2		0.001	

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Source: Computed from Survey Data

Job dissatisfaction is the most critical factor determining workers decision to leave their company. It is statistically significant at 1% and has a positive sign as expected implying the more dissatisfied they are, the more probable the workers intend to leave, other factors constant. The marginal coefficient indicates that a change swift from being satisfied to being dissatisfied has increases about 23% probability of employees' intention to leave the company. The finding is in line with the findings of Decuyperetal (2009) and Chhinzer (2014). For instance, the study by Lee and Ashforth (1996) revealed the major type of job stress (i.e. emotional exhaustion, depersonalization, and decreased personal accomplishment) increase intention to turnover. In contrast, others have reported non-significant relationships between satisfaction and turnover intentions (e.g. Harris and Cameron, 2005; Kacmar et al., 1999).

In this study, **work environment** generally includes companies human resource management, regulation, health facilities (safety protection). Dissatisfaction with the work environment is found to significant at 10% level and the positive sign is as expected. The coefficient indicates that a change in the satisfaction from being neutral to being dissatisfied has a marginal effect of about 12.1% on intention to leave, meaning that employees are 12.1% more likely to leave the company if dissatisfied. Workers interviewed reported:

"... Our life is vulnerable to risk of dangerous chemicals and no safety protection for that. Top managers are often rude and hassle workers. No legal protection of our right...."

Workers impression on the **monthly salary** is expectedly significant variable. As well understood during the data collection, workers sincerely value how much satisfactory is the amount of money they are paid against the workload and the health risks associated to their activities. The probit model estimated this variable to be significant at 10% and that dissatisfaction with their salary has a positive relation with the intension to leave. The marginal coefficient also indicates a change from being neutral to being dissatisfied has a

marginal effect of about 10.3% increase in the probability of the intention to leave. It means, *ceteris paribus*, employees are 10.3% more likely to leave the company. This finding is well supported by the findings of Barrett, P. and Baumann-Pauly, D. (2019) at Hawassa Industrial Parks also that indicated the firms pay low wages.

The annual base wage in FDI firms is US\$312 (or US\$26 on monthly basis), but this does not cover workers' basic needs. This low wage in the industrial parks (IPs) has created discomfort among workers and as a result companies face large turnover, with rising attrition. The study further indicated that in the first year of operation at Hawassa Industrial Park, the overall attrition was around 100 per cent, i.e. on average, factories were replacing all of their workers every 12 months. This has adverse effects on the performance of firms such as increased training costs and reduced efficiency rates. It is regarded as a sweatshop where manual workers are employed at a very low wages for long hours under poor conditions and health risks especially in a clothing industry. The result found is as expected. Furthermore, the information gathered through the Key informants also implies that sometimes salary and bonus vary depending on the relation between the supervisor (managers) and operators. If the relation of the employee vis-a-vis the supervisor or manager is good, there will be good salary and bonus and vice versa. Generally, in addition to the presence of low salary, salaries and bonuses are not fairly paid.

A **gender** variable was included in the model to capture if sex has implication for turnover. The result shows that females are more likely to leave the job than males, which is significant at 5% level. As explained in the descriptive analysis the result from KII shows that females have more difficulty to cope up with the working environment and difficulty in the nature of the job. On the other hand, **family size** of the employees is negatively significant at 5% as expected. The marginal coefficient indicates a one person increase in the family will decrease the intention to leave by 3.1%, other factors constant. This may be associated to risk aversion, in a sense that the larger the family size the more the worker fear of losing their job, and thus, prefer to stay in the company.

Table 6: The marginal effect after Probit Estimation

$$y = \text{Pr}(\text{intention to leave}) (\text{predict}) = 0.88898582$$

Variable	dy/dx	Std.Err.	Z	P>z	[95%	C.I.
Super_rln	-0.107	0.054	-2.000	0.046	-0.213	-	0.599
						0.002	
Job-disat	0.229	0.097	2.350	0.019	0.038		0.704
						0.420	
Work-diss	0.121	0.054	2.220	0.027	0.014		0.331
						0.227	
Salary-diss	0.103	0.063	1.650	0.100	-0.020		0.613
						0.226	
Migration 1	0.098	0.079	1.240	0.214	-0.057		0.246
						0.253	
Migration 2	0.013	0.104	0.120	0.903	-0.191		0.676
						0.216	
Age	0.010	0.011	0.970	0.332	-0.011		26.183
						0.031	
Family size	-0.031	0.015	-2.000	0.045	-0.061	-	2.254
						0.001	
Gender	0.107	0.046	2.320	0.020	0.017		0.176
						0.196	
Marital	0.057	0.060	0.940	0.345	-0.061	0.176	0.197
Mean dependent variable			0.838	SD dependent var			0.370
Pseudo r-squared			0.190	Number of obs			142
Chi-square			23.925	Prob > chi2			0.008

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Source: Computed from Survey Data

Chapter Six

5 Conclusions and Recommendations

5.1 Conclusion

The Ethiopian growth and transformation plan (GTP) clearly state that the government is attempting to shift economic activities from low productivity to high productivity sectors to promote labor intensive and export-oriented manufacturing sectors. As regards, there is convincing evidence that manufacturing is the catalyst for growth and economic transformation. In developing countries, these industries play a vital role in terms of job creation, which has remained the most critical problem of Ethiopia.

In this regard, the government of Ethiopia explicitly outlined that the textile and garment industry as one of the priority industries that are labor intensive and expected to create the greatest employment opportunity. Indeed, the employment contribution of the textile and garment is steadily increasing since the last ten years. As reported by the World Bank (2020), today, the sector employed over 96 thousand people in 2019. On the contrary, there is a growing concern that labor-intensive manufacturing companies, like textile and garment, are facing a serious challenge of high employment turnover, and fail to retain human capital. The impact of the turnover on the cost and profitability of the companies as well as its adverse effect on the prospect of job creation are immense.

As far as unemployment is the critical concern of the government, textile and garment manufacturing industries are the priority to attract policy attention given their nature of labor intensiveness. Therefore, the objective of this study was mainly to assess the major causal factors of labor turnover with special focus to the textile industry.

To understand the determinant factors for high labor turnover, both theoretical and empirical literatures were first reviewed. Then this study gathered data from textile manufacturing companies such as Canoria Africa Textile PLC located in Oromia, Ammar Polypropylene PLC in Amhara, Almenda Textile in Tigray and JP Textile Ethiopia PLC in SNNPR. Interviews were made with the managers (representatives) of the respective companies referring to their understanding of the problem, their concerns and mitigation measures undertaken. Academia and researchers who are knowledgeable in the subject matter were also consulted. More importantly, a total sample of 142 workers with different capacities were randomly selected from the companies and interviewed using a standard questionnaire to draw inference for the study. The data was collected using tablets deploying the CSpro software.

Statistical tools and the Probit econometric model were applied for the data analysis. The dependent variable, turnover, was proxied by the 'intention to leave the company'. Nine explanatory variables were hypothesized to explain the causal factors for the high turnover. The variables under consideration passed through important statistical tests such as tests for omitted variable, multi-collinearity and heteroscedasticity and found strongly acceptable. The goodness of fit of the functional Probit model was also tested and found Robust.

The findings of the study show that 84% of the sample workers reported that they have the intention to leave their company. Although no quantified evidence, the information from the managers and key informants also confirm that a high degree of actual turnover exists, and it is frustrating. The econometric analysis indicates a strong relationship between intention to leave and workers' dissatisfaction with their job, working environment and salary. All these variables revealed positive and significant relationship (at 5% and 10% levels) with the intention of employees to leave their company. That is, the more dissatisfied they are with the job, working environment and salary, the high probability it is to leave the company. Similar findings are also well documented in the

review of the literature section. The literature review demonstrates that industries are not adequately investing on human development to deal with high turnover of employees.

Workers' relationship with their supervisor, gender and family size showed a strong negative relationship with intention to leave at 5% level of significance. It means that those employees who have a good relationship with the supervisor and those who have large family size are less likely to leave their job and company. Those with the large family size seem to have risk aversion behavior of losing their job. Compared to the males, females are also found more likely to leave the job probably because of the difficulty of the working environment and job nature (significant at 5%).

Despite the current high staff turnover and subsequent impacts on cost and productivity, the managers (owners) of the companies do not seem to make sufficient effort to reduce the problem. As sorts of motivation, companies provide incentives such as transport service, health security, holiday gift and sometimes subsidized sales of food. However, respondents feel these are trivial to retain workers in the company.

In conclusion, the problem of high turnover is wearisome and the major causal factors are dissatisfaction of the workers with their job, working environment and salary that implicitly means forced or involuntary turnover, and they do really not adore leaving their company or job. This is evidenced with the fact that the companies do not seem seriously concerned about the matter, which might be because of the available cheap and abundant labor in the market easily to replace.

5.2 Recommendations

High turnover is painful to the workers and in any ways adversely affect the companies' profitability. The implication for the government to plan for job creation and reduce unemployment problem will be questionable. The following recommendations are forwarded based on the study results:

1. The companies should revisit and improve their management styles. These include concern of humanity and creating sense of belongingness through improving friendly relationship all along the organizational structure - between owners and managers, managers and supervisors and further between supervisors - operators.
2. Harmonizing wages rates with workload/stress and provision of safety protection are crucial to reduce high turnover for sustainable development of the industry.
3. Women workers need special attention to create favorable working conditions such as suitable work types, provision of health care facilities and exempting night shifts are area of improvement to encourage them and retain in the companies.
4. It is suggested to establish workers' union to have strong collective voice to protect their rights and be able to negotiate with the companies to improve the workers' needs and satisfaction for mutual benefits.
5. The companies should periodically undertake studies in relation to employment turnover and based on the studies should prepare mitigation strategy.
6. Further investigation is encouraged to comprehend details of the cause of the problems, particularly from the demand side (the company owners) for policy actions.

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Annexes

Annex 1: Summary of frequency distribution of demographic and socio-economic variables in table

Variables	Frequency	Percent
Gender		
Female	25	17.61
Male	117	82.39
Marital status		
Married	28	80.28
Single	114	19.72
Education		
BA/BSc	106	74.65
Diploma	5	3.52
TVET	7	4.93
Secondary School	22	15.49
Primary school	2	1.41
Housing ownership		
Dependent on relatives/family	18	12.68
Owned	5	3.52
Rental	119	83.80
Migration		
From Finfinnee/Addis Ababa	11	7.75
Just living around	35	24.65
from far zones/reginal states	96	67.61

Annex 2: Goodness -of -fit Test

Probit model for Intention to leave, **goodness-of-fit test**

number of observations = 142
 number of covariate patterns = 125
 Pearson chi2(114) = 102.24
 Prob > chi2 = 0.7773

Annex 3: Omitted variable Test

Ramsey RESET test using powers of the fitted values of codeintend

Ho: model has no omitted variables

F (3, 128) = 1.57

Prob > F = 0.2004

Annex 4: Multicollinearity Test

Correlation matrix of coefficients of probit model

e(V)	codein~d super_~n	jobdisat	workdi~t	salard~t	_Icode~1	_Icode~2	AGE	famili~e	gender~y	marita~m	_cons
codeintend											
super_rela~n	1.0000										
jobdisat	-0.4080	1.0000									
workdisat	-0.2562	0.3266	1.0000								
salardisat	-0.0832	0.0949	-0.1201	1.0000							
_IcodeMigr~1	0.0020	0.1680	-0.0414	0.1128	1.0000						
_IcodeMigr~2	-0.0062	0.0783	-0.0533	0.0274	0.7538	1.0000					
AGE	-0.0924	0.1791	0.0481	0.1020	0.0696	0.1468	1.0000				
familiysize	-0.0118	-0.0174	0.1274	-0.0252	-0.2378	0.0828	0.2613	1.0000			
genderdummy	-0.0868	0.2960	0.0115	0.0928	0.0420	0.0703	0.1835	-0.1210	1.0000		
maritaldum	0.0165	0.2114	-0.1514	-0.0474	0.0174	-0.0184	-0.1176	-0.0975	0.1997	1.0000	
_cons	0.0385	-0.3076	-0.0842	-0.1794	-0.3010	-0.4165	-0.9315	-0.3249	-0.2399	0.0467	1.0000

Anne 7: Questionnaire:

**A Revolving Door Paradox of Textile Industry in Ethiopia:
Quantitative and Qualitative analyses of High Labor Turnover**

Set by: Lelisse Beyene, MSc Student at School of Economics, Addis Ababa University

Dear Respondent,

The present study is an endeavor to identify labor turnover in the Textile Industry of Ethiopia. Please express how far these practices and their outcomes are prevailing in your organization. The information provided by you will be used only for research (MSc) that can be useful for policy suggestions. Please spare a few minutes from your valuable schedule and share your true feelings. The questionnaire may take between 10-15 minutes to complete. I will ensure the confidentiality of the information provided.

No.	Questions and Filters	Coding Categories
1.	Name of the company (industry): Address:	
2.	Organizational tenure	1= Government 2=private
3.	Name of the Interviewee (Optional):	
4.	Interviewee Telephone (optional):	
5.	Age (years)	
6.	Gender	0=Male 1=Female
7.	Marital Status	0=Single 1= Married
8.	Family size (number of household members)	-----
9.	Housing	1=Own 2=Rental 3=Dependent on relatives/family
10.	Where have you come from for the job?	0= Just living around 1= From surrounding Finfinnee (Addis Ababa) 2= migrate from far zones/ regional states
11.	Highest Education Level?	1= Read and write 2=Primary School 3=Secondary School 4=TVET

		5 = Diploma
		6 = Degree
		0 = not educated
12.	If you are professional? What type?	1= Business
		2= Engineering
		3=Administration
		4= other (specify)
13.	Your position in the company/industry	1=laborer
		2=Expert
		3=Supervisor
		4=Manager
		5=Other: Specify....
14.	Is this the first company that you have ever been?	1=Yes
		2=No
15.	If no, how often have you changed your company since the last 10 years (frequency)	1= once
		2 = twice
		3= three and above
16.	In what type of company/Enterprise did you engage in your previous employment?	
17.	Why did you leave your previous organization?	1= for more Salary
		2= for better working Environment (regulation, relation with boss, relation with co-workers, working site)
		3= due to Injury
		4= Absence of promotion
		5 = Irrelevant to profession
		6= forced by the company to leave
		7=other: Specify.....
18.	How long have you been with the current company? (number of months)	----- years
19.	Type of Employment in the current company	1=Temporary
		2=Permanent
		3=Other: Specify.....
20.	How much was your salary in the previous company? (Birr)	-----
21.	In your current company, do you have	0= no

	other benefits packages (transport, health insurance, pension, sick leave, etc.), multiple answer is possible.	1= transport 2= health insurance 3= sick leave 4 = other (specify)
22.	In your current company, have you ever had any skill training opportunities?	1=Yes 2=No
23.	If yes, how helpful is the training in your job?	1= very useful 2= useful 3= not useful
24.	Is there promotion opportunity in your current company (salary, position, term of employment)?	1=Yes 2=No
25.	What kind of promotion opportunities are there in your current company?	1=Salary Increment 2=Position 3=Other: Specify.....
26.	Have you ever been promoted, or do you expect to be promoted?	1=Yes 2=No
27.	How do you feel the overall working environment of your current company? (such as regulation, relationship with a boss, co-workers, working place, work stress etc.)	1=Satisfied 2=Neutral 3=Dissatisfied
28.	How well does your supervisor understands your job problems and needs?)	1=Good 0=Bad
29.	How many hours do you work per day?	
30.	How many hours do you work per week?	
31.	Are you paid for overtime	1=Yes 2=No
32.	If yes, how much have you been paid for the latest overtime	-----birr/month
33.	If yes, are you satisfied with the overtime payment?	1=Yes 2=No
34.	How much is your present monthly gross basic salary (Birr)	-----
	How much is you net monthly salary (Birr)?	-----
35.	How satisfied are you with your current	

	salary?	1=Satisfied
		2=Neutral
		3=Dissatisfied
36.	How satisfied are you with your current job?	
		0=Satisfied
		1=Dissatisfied
37.	Do you want to quit this job if it is possible?	1=Yes
		0= No
38.	What type of job do you look for? Why?	1= for better salary
		2= for better other benefits
		3= for better working environment
		4= for new skill
		5= other (specify)
39.	What do you suggest for long stay in the company?	

Questionnaire:

A Revolving Door Paradox of Textile Industry in Ethiopia: Quantitative and Qualitative analyses of High Labor Turnover

Set by: Lelisse Beyene, MSc Student at School of Economics, Addis Ababa University

Dear Respondent,

The present study is an endeavor to identify labor turnover in the textile industry of Ethiopia. Please express how far these practices and their outcomes are prevailing in your organization. The information provided by you will be used only for research (MSc) that can be useful for policy suggestions. Please spare a few minutes from your valuable schedule and share your true feelings. The questionnaire may take between 10-15 minutes to complete. I will ensure the confidentiality of the information provided.

Thank you for your cooperation!

No.	Questions and Filters	
1	Name of the respondent	
4	Telephone:	
5	Your current position	
6	Education Level	
7	What is the name of the manufacturing you are referring to	
8	Please briefly explain your experience with the manufacturing	

1. What types of professions/skills does the manufacturing company mostly demand? (business, engineering, administration, others specify
2. How do you employ? Or what method do you use to employ workers? (Like through advertisement or any other means?) Please explain
3. How do you explain the staff turnover problem in the company? How frequent do staff workers leave their job? Is it a serious problem to the company? Is it a problem of the workers?

4. Which profession is most often sensitive to turnover? Which experts or workers and from which department are frequently leaving off their work? Mention the first 3 top problem areas.
5. What Gender is more Susceptible to turnover? Why?
6. If there is high turnover, what do you think are the major reasons?
7. Which reasons do you think are most significant? Please explain at least five major factors in order of importance, and explain how they affect the turnover?
8. Are there benefits offered to the employees (transport allowance, health insurance, etc). Please explain!
9. Is there training opportunities given to the workers? Is it effective (training) to change their carrier and livelihood? Please explain...
10. Are there any measures taken by the organization to manage (reduce or mitigate) the employee turnover? Please explain
11. How could you evaluate the effectiveness of the employees' turnover management strategies?
12. Could you suggest how the organizations should improve strategies for Managing Employees Turnover?
13. Please suggest strategic or policy measures to reduce workers turnover for the mutual benefit of the workers and the companies