



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

Master of Laws (LL, M) in Business Law

**The Law and the Practice of Minimum Wage at Industrial
Parks of Ethiopia**

A thesis submitted in partial fulfillment of the requirements for the Award of Master of Laws
(LL, M) in Business Law at School of Law, College of Law and Governance Studies, Addis
Ababa University

By: Yirgalem Germu Berega

Advisor: Dr. Mehari Redae (Associate Professor)

05-Jun-19

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June 2019

Declaration of Originality

I, **Yirgalem Germu Berega**, hereby declare that the thesis entitled as **The Law and the Practice of Minimum Wage at Industrial Parks of Ethiopia** is my original work and that it has not been submitted for any degree or examination in any other university. Reference materials employed under this paper have been duly acknowledged.

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Approval Sheet by Board of Examiners

Yirgalem Germu Berega’s thesis, entitled as “**The Law and the Practice of Minimum Wage at Industrial Parks of Ethiopia**”, is approved by the undersigned members to the examining board.

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Dedicated To:

Tamiru Direba Deyas, my grade six teacher and a person who implanted the essence of humanity, self-esteem and professionalism in me.

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5 June 2019

List of Acronyms and Abbreviations

Art.	Article
Arts.	Articles
BoLSA	Bureau of Labour and Social Affairs
CETU	Confederation of Ethiopian Trade Unions
CIA	Central Intelligence Agency
EPRDF	Ethiopian People's Revolutionary Democratic Front
EIC	Ethiopian Investment Commission
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia
FLSA	Fair Labor Standards Act
GA	General Assembly
GTP II	the Second Growth and Transformation Plan
ICCPR	International Covenant on Civil and Political Rights
ICESCR	International Covenant on Economic, Social and Cultural Rights
ILO	International Labour Organization
IPDC	Industrial Parks Development Corporation
MoLSA	Ministry of Labour and Social Affairs
MoU	Memorandum of Understanding
NYU	New York University
OHCHR	Office of High Commissioner for Human Rights

OLF	Oromo Liberation Front
Res.	Resolution
SNNPRS	South Nation Nationalities and Peoples Regional State
TU	Trade Union
UN	United Nations
UNIDO	United Nations Industrial Development Organization
USD	United States Dollar
WTO	World Trade Organization

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Abstract

International instruments recognized the right of a person to livable wage that enable him to lead a decent life. However, reports and institutions working on workers' rights claim that the wage at industrial parks of Ethiopia is low and suggest intervention of the government through enactment of minimum wage law. On the other hand, there are various evidences on negative effect of the legislation. To find out a solution for issues related with minimum wage law, this paper has employed different source of data as a tool for mixed methodology of research. The paper found out that the prevailing wage system at industrial parks is inadequate to cover cost of basic needs to lead decent life and, on the other hand, minimum wage affects FDI, total number of jobs and products competitiveness. The research concludes that Ethiopia is not in a position to regulate the area with minimum wage law.

Chapter One

Introduction

This chapter of the thesis deals with background of the research, statement of the problem along with research questions, methodology and objectives of the research. The chapter also dedicated a part for discussion on social and academic significance of the research. Finally, it provides scope of the study area and its organization.

1.1 Background of the Study

In 2007 around four-fifths (80%) of the employed of sub-Saharan Africa and South Asia are classified as "working poor."¹ Ethiopia is one of the developing countries with low per capita income, which is \$783.² The wage being paid at manufacturing sectors might be one of the reasons for the low per capita income and the creation of the working poor. A report revealed that Ethiopian garment industry workers are world's lowest paid.³ However, the report failed to consider the value of other allowances and incentives being provided by employers. Note that Ethiopia does not have minimum wage law to be applied for employees of the private sector and other institutions covered under the labour proclamation, the issue is left for parties agreement.⁴ The employee is entitled to get livable wage to lead decent life from his effort and the government is expected to follow up the execution via pertinent legal framework.⁵ On the other

¹ ILO, 'Global Employment Trends' (2009) 14 <https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_101461.pdf> accessed 03 May 2019

² World Bank, <<https://www.worldbank.org/en/country/ethiopia/overview>> accessed 20 May 2019

³ Paul M. Barrett and Dorothee Baumann-Pauly, *Made in Ethiopia: Challenges in the Garment Industry's New Frontier*, Report by the New York University Stern Center for Business and Human Rights, May 2019

<https://issuu.com/nyusterncenterforbusinessandhumanri/docs/nyu_ethiopia_final_online?e=31640827/69644612> accessed 07 May 2019

⁴ Labour Proclamation, Proc. No. 377/2003, Fed. Neg. Gaz., Year 10, No. 12, Art. 53(1).

⁵ International Covenant on Economic, Social and Cultural Rights Adopted and opened for signature, ratification and accession by GA Res. 2200A (XXI), 16 December 1966, entered into force 3 January 1976, hereinafter ICESCR, Art. 7

hand others argue that having minimum wage standard results in job loss and affects foreign direct investment (FDI).⁶

The studies on minimum wage does not make particular reference to the case of Ethiopian industrial parks⁷ and the studies and reports failed to access the condition of off-park garment workers in a comparative manner, effect of having minimum wage in a country and the prevailing condition of unemployment rate in line with a wage being paid at industrial parks of Ethiopia. Some studies conducted on industrial parks are directed to suggesting of mechanisms or approaches to strategic development of the sector, to boost its contribution in development of the economy.⁸ Note that, upgrading industries, generating employment opportunities and enhancing export promotion is the justifications behind establishment of industrial parks in Ethiopia.⁹

1.2 Statement of the problem

Neither the labour proclamation nor other legislations able to set a minimum wage in Ethiopia, there is no national minimum wage, this scenario has the capability to leave the issue for mutual agreement of the parties. But, the existing unemployment rate in the country and poor recruitment power of the private sector gave employers an opportunity to exploit employees. Ethiopian workers in the industrial parks are the lowest paid but there is no legal means to

⁶ Ramya M. Vijaya and Linda Kaltani, 'Foreign Direct Investment and Wages: A Bargaining Power Approach' (2007) 13(1) Journal of World-Systems Research 83-95

<http://jwsr.pitt.edu/ojs/index.php/jwsr/article/download/361/373> accessed 10 May 2019

⁷ In literatures industrial parks are referred as export processing zones, the writer of this paper preferred to use the official name of the institutions under Ethiopian laws and practice.

⁸ Alebel Bayrau Weldesilassie and others, Study on Industrial Park Development: Issues, Practices and Lessons for Ethiopia, (2017), Ethiopian Development Research Institute, 6-7. see also Xiaodi Zhang and others, Industrial park development in Ethiopia Case study report, (2018), UNIDO, United Nations Industrial Development Organization, Department of Policy, Research and Statistics, Working Paper 21/2018.

⁹ Industrial Park Proclamation, 2015, Proclamation No. 886/2015, Fed. Neg. Gaz., Year 21 No. 39, Preamble para. 1 & 2 and Art. 4

preclude employers from doing so. In addition to this, Ethiopian government use low wage as a means of advertisement to attract foreign investment.¹⁰

International institutions such as the International Trade Unions Confederation (ITUC) criticized the wage rates being offered by the manufacturing sector in Ethiopia, by stating that “working people should be paid "minimum livable wage" which is essential for the foundation of any country”. On the other hand, some argue that the minimum wage law has an effect on flow of investment with worsening unemployment rate prevalent in the country.

1.3 Research Question

Considering statement of the problem and background of the research, major research question is: Does Ethiopia need to have minimum wage law to regulate the current wage system at industrial parks? On the base of this research question, the following supplementary research questions are addressed:

1. What is the position of the national and international legal framework on minimum wage?
2. What is the prevailing practice of wage system at Ethiopian industrial parks?
3. What is the effect of having minimum wage standard, including on total number of jobs and FDI?
4. What is the parameter to measure the adequacy of the wage being paid?

1.4 Objective of the study

The general objective of the study is to analyse the need to have a minimum wage law to regulate the wage system at industrial parks of Ethiopia.

Specific objectives of the research are:

- ✓ to identify and examine the position of the national and international legal framework on minimum wage;
- ✓ to assess the prevailing practice of wage system at Ethiopian industrial parks;
- ✓ to evaluate effects of minimum wage law; and

¹⁰ Ayele Gelan, ‘Economic Commentary: Ethiopia’s Low Wage Is A Curse, Not A Blessing’

Addis Standard (Addis Ababa 25 April 2018), <<http://addisstandard.com/economic-commentary-ethiopias-low-wage-is-a-curse-not-a-blessing/>> accessed 10 May 2019

- ✓ to identify parameters to measure the adequacy of a wage being paid at the entities.

By doing so the study suggested necessary measures that need to be taken by the appropriate organ.

1.5. Significance of the study

As mentioned above, the paper assessed the law and the practice of wage system at industrial parks of Ethiopia. In relation to this, the researcher hopes that it may pave a way to study employee's right protection in relation to the wage being paid by the employers and it provides arguments with necessary evidences on whether the country need to have legal regime to control wage system of the sector. Under the draft labour proclamation the Council of Ministers' is empowered to establish minimum wage council with a mandate to study labour market, the capacity of state's economy and submit its finding to the government.¹¹ Therefore, this study has a potential to serve as a base for the council in executing its mandate. Additionally, the paper may encourage further study on the area.

1.6. Methodology and Methods

Mixed methodology of research is employed for the purpose of the research. Because of explorative nature of the thesis, qualitative method of data analysis is employed and to some extent quantitative data have been applied to show the extent of some valuable inputs to the study. And also, I have applied doctrinal and non-doctrinal research methodology, the doctrinal, to analyze existing statutory provisions and literatures on the area, and non-doctrinal, to study the practice of wage system at industrial parks of Ethiopia. As primary source of data, interview has been conducted with different stake holders; and also, data has been collected from employees of industrial parks via questionnaire along with cases and related labour law instruments, including Ethiopian labour proclamation and relevant ILO conventions. In addition to instruments mentioned, scholarly materials and commentary on the area employed as secondary source of data.

¹¹Ministry of Labour and Social Affairs, Draft Labour Proclamation, Art. 55(2).

1.6.1. Target population

Under the research, employees of industrial parks operating in Addis Ababa city¹², Hawassa city¹³ and Dukem Town¹⁴ made part of the interview and questionnaire distribution. The justification behind selecting these cities is that the cities represent different categories of samples: Addis Ababa as a capital city of the country, Hawassa as capital city of regional state, Dukem Town as administrative center of Akaki woreda, this town is Located in the Oromia Special Zone Surrounding Finfinne of the Oromia Region, and, taking sample from this city have an advantage to include the scenario of Bishoftu Town because the distance between the towns is only 10 kilometers and the workers in the industry zone are residents of both towns. In addition to best geographical representation, the areas listed are convenient and more accessible for the researcher.

For the purpose of comparison some off-park garment workers were participated in the questionnaire in the selected three cities. Additionally, some institutions with substantial link to the issue at hand were made part of the research, the institutions are MoLSA, CETU, IPDC, EIC, Regional State offices, Bureau of Labour and Social Affairs and some selected political organizations. Political organizations are made part of the interview because it is better to know the future of the issue when they assume political power in the country and to understand the political motive behind minimum wage laws. The political parties are selected based on their influence on the current political environment of the state, but the personnel interviewed are

¹² In Addis Ababa there is Bole Lemi Industrial Park, in the park there are 16000 workers and 11 companies from four different countries (India, south Korea, Taiwan and China). Source: Interview with Simeneh Gizaw, Senior expert at EIC, One-Stop Service Center of Bole Lemi Industrial Park, (Addis Ababa, 16 April 2019)

¹³ In Hawassa City there is Hawassa Industrial Park and it has 25,000 workers and 20 companies (three companies are indirect exporters meaning they sell their product to other companies working in the park and the remaining 17 are direct exporters), 1 company is on a process to join the park. Hawassa Industry park is constructed to employee 60,000 workers when it became fully operational. Source: Interview with Belay Hailemichael, Manager, Ethiopian Investment Commission Hawassa Branch office, Hawassa Industrial Park, (Hawassa, 23 April 2019)

¹⁴ Eastern Industry Zone is located in Dukem Town and it is constructed by a private company meaning IPDC is not the owner. The industry zone has 14349 workers, as of march 2019 report, and 96 companies. Source: Interview with Yoseph Sultan Husen, Coordinating Director, One-Stop Service Center of Ethiopian Investment Commission, Eastern Industry Zone, (Dukem Town 18 April 2019)

selected by the party itself, except Mushe Semu, he is selected by the researcher because of his distinguished knowledge on economic issues and his prominent participation in contemporary Ethiopian politics.

1.6.2. Sampling technique and sample size

Since taking all the target population in the industries is time consuming and costly, random sampling has been employed to obtain representative sample size from employees, questionnaire was distributed to get the information and workers those who cannot read or understand Amharic language has been assisted, and purposive sampling to obtain data from the officers of the selected industries and representatives of the above enumerated institutions. Purposive sampling is preferred because the targeted group is presumed to have specific information on certain areas related with administration and justifications for the activities of the organization and they have better understanding of the issue at hand. From the selected three cities about one hundred and eighty employees of the selected organizations were either interviewed or managed to respond on the questionnaires.¹⁵ From the stake holders, 23 personnel from 20 different institutions have been interviewed.¹⁶

¹⁵ Among the participants: 57.64% are female employees, 90.51% aged between 18-35 and the remaining 9.49% are at the age of 14-18 (categorized as young employees under the labour proclamation). With regard to their marital status: 82.53% unmarried, 15.08 married and 2.38% divorced. Concerning their academic level: 17.03% attained their BSc or BA Degree, 10.37% graduated from technical and vocational schools, 11.11% have completed grade 11 and 12, 50.37% have completed grade 9 and 10, 9.63% have studied grade 7 and 8 and 1.48% of the respondents studied grade 1 to 6.

When we look at the work experience of the respondents: 67.93% of them have work experience of below two years, 24.43% have two to five service years, 3.81% have five to eight service years, 1.53 % have eight to twelve service years and 2.3% have more than twelve years of work experience. 97.2% the respondents did not consider recreational expenses and they said their major expenditures are house rent, food, clothes and transportation. Only 2.79% of the respondents allocate for recreation from their income.

¹⁶ EIC Branch manager at Hawassa Industrial Park, EIC branch manager at Bole Lemi Industrial park, One-Stop Service Center of EIC Branch manager and Industrial parks expert at Eastern Industry Zone, Legal expert of Addis Ababa City Bureau of Labour and Social Affairs, Employers Representative at Bole Lemi Industrial Park, the one and the only Trade Union Representative at Bole Lemi Industrial Park, two managerial staffs from the companies operating in Eastern Industry Zone, legal advisor and Chief of staff to the deputy commissioner for industrial parks at EIC Head Office, senior advisor and Legal Service Head, at IPDC Head Office, Law and International Affairs

1.6.3. Types and sources of data

In the study, both primary and secondary data as a source of information is employed. The main sources of primary data are gathered from the governing laws of the area, cases, employees and employers or their representatives, government offices, political organizations and trade unions. On the other hand, the main source of secondary data is scholarly materials related with the theme.

1.6.4. Methods of data collection

The primary data of the research is collected through instrumentality of questionnaire and interview. The questionnaire has been formulated with structured and semi-structured questions. On the other hand, the interview questions have been unstructured and semi-structured.

1.6.5. Methods of data analysis

The collected data is presented by using quantitative and qualitative methods of data analysis, for this reason the researcher made exploratory analysis to elaborate the phenomenon attached with the issue at hand and percentage is used, to present numerical data.

1.7. Scope of the Research

This research has studied only the law and the practice of minimum wage at industrial parks of Ethiopia, for this reason: some Industrial Parks such as Bole Lemi Industrial Park, Eastern Industrial Zone and Hawassa Industrial Park have made part of the study. For the purpose of comparison some off-park garment sectors are considered.

1.8. Organization of the Research

The paper has four chapters: the first chapter provides general background of the study, statement of the problem, objective, scope, method and methodology and significance of the study.

Senior Expert at MoLSA, Harmonious Industry Relations Directorate Director and Claims Follow-up and Support Officer at SNNPRS Bureau of labour and social affairs, CETU branch manager at Hawassa, Vice President of CETU at Addis Ababa, Chief Advisor and Executive Assistant for the President of SNNPRS, and four different political parties.

The second chapter contains the legal and theoretical framework of minimum wage and its implication, along with historical background of minimum wage; Definition of minimum wage; arguments presented against and for the regulation of minimum wage and the legal frame work of the area.

The third chapter is devoted to analysis on the collected data in light of the concepts dealt under chapter two of the paper. Finally, chapter four of the paper provides conclusion and recommendations.

Chapter Two

The Legal and Theoretical Framework of The Regulation of Minimum Wage

2.1. Historical Background of Minimum Wage

The 1894 *Industrial Conciliation and Arbitration Act* of New Zealand is referred as the first national minimum wage law.¹⁷ Then after, in 1896, Australia_(specifically, Victoria) amended the *Factories and Shops Act* to create a wages board.¹⁸ The wages board did not set a universal minimum wage; rather it set basic wages for six industries that were considered to pay low wages,¹⁹ first enacted as a four-year experiment, the wages board was renewed in 1900 and made permanent in 1904; by that time it covered 150 different industries.²⁰

When we look into the historical development of minimum wage in the civilized world, it is better to consider USA and UK. Concerning history of the USA minimum wage laws,²¹ documents reveals that President Roosevelt signed the Fair Labor Standards Act (FLSA) into law in early 1938. The FLSA introduced sweeping regulations to protect American workers from being exploited, and created a mandatory federal minimum wage of 25 cents an hour²² in order to maintain a "minimum standard of living necessary for health, efficiency and general well-

¹⁷ Charles Henry Verrill, 'Minimum-wage Legislation in the United States and Foreign Countries', (1915) Bulletin of the United States Bureau of Labor Statistics: Miscellaneous series. U.S. Government Printing Office 105. See also <<https://poverty.ucdavis.edu/faq/what-history-minimum-wage>> accessed 27 March 2019

¹⁸ Ibid.

¹⁹ Gerald Starr, *Minimum wage fixing: an international review of practices and problems* (2nd impression (with corrections) ed. (1993), International Labour Office 1.

²⁰ Jerold Waltman, *The Politics of the Minimum Wage*, (University of Illinois Press 2000), 5.

²¹ "Five southern states have no minimum wage laws, including Louisiana, Mississippi, Alabama, Tennessee, and South Carolina. Four states have a state minimum wage lower than the federal minimum wage, so the federal minimum wage automatically applies (Wyoming, Minnesota, Arkansas, and Georgia) 16 states plus Puerto Rico have laws that lock the state's minimum wage with the federal minimum wage and 29 states plus the District of Columbia, Guam, and the Virgin Islands set their rates higher than the federal minimum wage." See detailed information on <<https://www.dol.gov/whd/minwage/mw-consolidated.htm>> accessed 05 May 2019

²² Jonathan Grossman, Fair Labor Standards Act of 1938: Maximum Struggle for a Minimum Wage, U.S. Department of Labour, <<https://www.dol.gov/general/aboutdol/history/flsa1938>> accessed 04 May 2019

being, without substantially curtailing employment".²³ As discussed by Jerold Waltman, under his book entitled as "The Politics of the Minimum Wage", the minimum wage is, for most Americans, a moral and symbolic issue. This means minimum wage legislation is, for them, a policy grounded on a strong ethical base.²⁴ The federal minimum wage in 1938 was 25 cent per hour²⁵ and now in 2019 it reached to 7.25.²⁶

The other state with developed legal system is UK, it has a national minimum wage and it was introduced into by the Blair government with the National Minimum Wage Act in 1998, late when we compare it with that of the USA,²⁷ note that there were a variety of systems of wage controls focused on specific industries under the Trade Boards Act 1909, the Wages Councils Act 1945 and subsequent acts applied sectoral minimum wages.²⁸

The policy was opposed by the Conservative party at the time of implementation, their main argument has been it would create extra costs for businesses and would cause unemployment.²⁹ However, in 2005 David Cameron stated that: *"I think the minimum wage has been a success, yes. It turned out much better than many people expected."*³⁰ Some members of the European Union do not have minimum wage laws and those countries highly relies on trade

²³ Fair Labor Standards Act of 1938, 29 U.S.C. 201, 1938, ch. 676, sec. 1, 52 Stat. 1060.

²⁴ <https://legcounsel.house.gov/Comps/Fair%20Labor%20Standards%20Act%20Of%201938.pdf> accessed 04 May 2019

²⁵ Robert E. Prasch, a book review on 'The Politics of the Minimum Wage by Jerold Waltman' (2001) 59(3) Review of Social Economy 355-358.

²⁶ Grossman (n 22)

²⁷ U.S. Department of Labour, Wage and Hour Division, Consolidated minimum wage table, <https://www.dol.gov/whd/minwage/mw-consolidated.htm> accessed 01 May 2019

²⁸ National Minimum Wage Act 1998 (c. 39) <http://www.legislation.gov.uk/ukpga/1998/39> accessed 01 May 2019

²⁹ Hamish McRae, 'twenty years on, we can say the national minimum wage experiment was a success. Now to the next challenge' the independent, (31 March 2019) <https://www.independent.co.uk/voices/national-minimum-wage-tony-blair-anniversary-london-living-self-employment-a8848126.html> accessed 04 May 2019

³⁰ Andrew Rawnsley, interview with David Cameron "I'm not a deeply ideological person. I'm a practical one", The Guardian (London 18 December 2005) <https://www.theguardian.com/politics/2005/dec/18/conservatives.interviews> accessed 04 May 2019

³¹ Ibid

unions and collective bargaining.³¹ The minimum wage of UK in 1998 was £3.60 an hour for all adults and £3 an hour for workers under the age of 22³² and from April 2019 the rate for National Living Wage and National Minimum Wage is £8.21 for age 25 and above, £7.70 for age 21-24, £6.15 for age 18-20, £4.35 for under age 18, and £3.90 for Apprentice.³³ The labour party is currently pledging to make a minimum wage of £10 including below age of 18. However, Paul Johnson, director of the Institute for Fiscal Studies, expressed his fear about the possible risk reducing the number of workers at the age of 16 and 17.³⁴

Currently, out of 187-member states of ILO 8% of them have no minimum wage at all, note that countries where minimum wage applied to all or part of the private sector were counted as having a minimum wage.³⁵

2.2. Defining Minimum Wage

Under this section of the paper, the writer prefers to provide a working definition so as to employee it as a baseline for practical analysis under Chapter Three.

Minimum wage is the lowest rate of remuneration that an employer may legally pay.³⁶ In other words, it is a minimum level of pay provided under a law, it might be intended to applied for

³¹ Ronald G Ehrenberg, *Labor Markets and Integrating National Economies* (Brookings Institution Press 1994) 41.

³² BBC On This Day: 1999 Britain gets first minimum wage,
<http://news.bbc.co.uk/onthistday/hi/dates/stories/april/1/newsid_2465000/2465397.stm> accessed 20 April 2019

³³ Nik O'Flynn and Laura Burnio, Wage war: what is the national living wage 2019, how much is the UK minimum wage for 16, 18 and 25-year-olds and when did it increase? The Sun, (13 April 2019),

<<https://www.thesun.co.uk/news/2085051/national-living-wage-uk-2019-budget-2018-increase-minimum-wage-16-18-25-year-olds/>> accessed 6 May 2019

³⁴ BBC, News, 11 May 2019, <<https://www.bbc.com/news/uk-48234398>> accessed 12 May 2019

³⁵ ILO, Estimate Referred Under Minimum Wage Policy Guide of ILO,
<https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/genericdocument/wcms_508526.pdf> accessed 23 April 2019

³⁶ Jonathan Law and Elizabeth A. Martin (Ed.), 'minimum wage', A Dictionary of Law. Oxford University Press,
<http://login.research4life.org/tacsgr0www_oxfordreference_com/view/10.1093/acref/9780199551248.001.0001/acref-9780199551248-e-2469> accessed 1 April 2019

workers in general or of some specified type, the objective is to ensure improved living standards for the low paid and to prevent exploitation.³⁷

The ILO Constitution provides that “universal and lasting peace can be established only if it is based upon social justice”,³⁸ and it calls for urgent improvement of conditions of labour, including “the provision of an adequate living wage”.³⁹ This means minimum wage was conceived as a way to protect low wage workers. Jerold Waltman confirms that the beneficiaries of minimum wage legislation are disproportionately poor and young.⁴⁰

In addition to the constitution, the ILO Declaration of Philadelphia of 1944, referred to the importance of “a minimum living wage to all employed and in need of such protection”.⁴¹ This was reaffirmed under the ILO Declaration on Social Justice for a Fair Globalization of 2008.⁴² “Living wage” is a wage that enable the worker to lead “decent standard of living.”⁴³ In a similar manner, the USA Fair Labor Standards Act of 1938 provided minimum wage as a wage capable to satisfy “*minimum standard of living necessary for health, efficiency and general well-being, without substantially curtailing employment*”.⁴⁴

As shown under the presiding part, the historical background of minimum wage, it varies in different countries and shows increments through time, this indicates that the purchasing power

³⁷ John Black, Nigar Hashimzade, and Gareth Myles (Eds.), ‘minimum wage’, A Dictionary of Economics, (Oxford University Press 2012)

http://login.research4life.org/tacsgr0www_oxfordreference_com/view/10.1093/acref/9780199696321.001.0001/acr ef-9780199696321-e-1985 accessed 1 April 2019

³⁸ Constitution of the International Labour Organization, as amended, 1919, preamble, para. 1.

³⁹ Ibid. para. 2.

⁴⁰ Jerold Waltman (n 20) 83.

⁴¹ ILO, Declaration of Philadelphia, Declaration Concerning the Aims and Purposes of The International Labour Organization, adopted at the 26th session of the ILO, Philadelphia, 10 May 1944, hereinafter Declaration of Philadelphia.

⁴² ILO, Declaration on Social Justice for a Fair Globalization, adopted by the International Labour Conference at its 97th Session, Geneva, 10 June 2008

⁴³ Alan Manning, The Truth about the Minimum Wage: Neither Job Killer nor Cure-All, (2018), 97 Foreign Aff.126, 132.

⁴⁴ Fair Labor Standards Act of 1938.

of money and the economic capacity of the state shall be considered to determine the necessity and amount of minimum wage in a certain country.

2.3. The Implication of Setting Minimum Wage

Under this section of the paper, the writer tries to elaborate justifications behind the need for minimum wage laws and it is entertained in light of freedom of contract recognized under contract laws of the state, this part of the writing also dedicated to a concise discussion on the arguments being raised for and against having of minimum wage laws.

The doctrine of freedom of contract states that people have the right to bind themselves legally and contracts are based on mutual agreement of the parties with their own consent, and thus should not be subject to the control of others, including interference of government.⁴⁵ Based on this universal principle, contract under the civil code of Ethiopia is defined as an agreement between two or more parties between themselves and it requires the consent of the parties, *inter alia*, for a binding relationship.⁴⁶ In the same manner, the labour relation is defined as contractual commitment and the terms of the obligation are left for the consent of the parties.⁴⁷ However, some aspects of the relationship requires special treatment and may not be left the issue entirely for the market, because “labour is not a commodity”,⁴⁸ meaning employees should be treated as human beings and accorded dignity and respect.⁴⁹ Using this point as the playground let’s see the arguments being raised for and against minimum wage laws.

Some writers argue that the minimum wage increases cost of production of goods and services, which in turn increases the prices of goods and services.⁵⁰ Therefore, the increments in the wage of low-wage earners have an effect on purchasing power of other employees, this by itself alters equality.

⁴⁵ Bryan A. Garner (ed.), *Black’s Law Dictionary* (West Group, 7th ed. 1999) 674.

⁴⁶ The Civil Code of Ethiopia, 1960, Proc. No. 165/1960, *Neg. Gaz.*, year 19, no. 2., Art. 1675 et. Sequa.

⁴⁷ Labour Proclamation, Art. 3 and 4.

⁴⁸ Declaration of Philadelphia, principle I

⁴⁹ O’Higgins P, ‘Labour is not a Commodity’ an Irish Contribution to International Labour Law’, (1997) 26(3) *Industrial Law Journal* 225-23.

⁵⁰ Richard Freeman, ‘The Minimum Wage as a Redistributive Tool,’ (1996) *The Economic Journal* 106, 640.

The other argument is that setting minimum wage have an effect of creating unemployment, basic economic theory shows that in a perfectly competitive labor market, the minimum wage acts as a price floor, thereby creating unemployment.⁵¹ Some writers were able to provide evidence on the missing of jobs paying below the new minimum wage in United States, they have evidenced the effect of the minimum wage between 1979 and 2016.⁵² In addition to this, others also provided that minimum wage law has “large negative effect on teen employment”. The authors suggest that to provide poor families with acceptable standard of living it is better to find out other options of raising wage of low skill workers.⁵³

Wilson argues that so as to maintain their net earnings, employers responds by cutting employment and making other decisions against the increment made to employees’ wage.⁵⁴ For this reason, workers those who cannot employed at the minimum wage proclaimed by the state may remain out of the jobs. On the other hand, there are multiple studies that provide evidence that the minimum wage does not decrease total number of jobs available; even the writers argue and supports with evidence about increments of jobs after the minimum wage was raised.⁵⁵ Additionally, Employers may not lower wages to prevent loss of workers because they know that it takes time and money to hire workers.⁵⁶ On the other hand, the proponents of the minimum wage argues that, a high minimum wage serves as a mechanism to ensure an

⁵¹ Scott Adams and David Neumark, ‘Living Wage Effects: New and Improved Evidence’, (2003), NBER Working Papers 9702, 2.

⁵² Doruk Cengiz and others, ‘The Effect of Minimum Wages on Low-Wage Jobs: Evidence from the United States Using a Bunching Estimator’, (2018), Center for Economic Performance, CEP Discussion Paper No 1531, <<http://cep.lse.ac.uk/pubs/download/dp1531.pdf>> accessed 25 April 2019 see also Congress of the United States Congressional Budget Office, ‘The Effects of a Minimum-Wage Increase on Employment and Family Income’, 2014, 1 <<https://www.cbo.gov/publication/44995>> accessed 18 February 2019

⁵³ David Neumark, and Wascher L. William, *The Effects of Minimum Wages on Employment*. (MIT Press 2008) 37-106, <<http://www.jstor.org/stable/j.ctt5hhh46.6>> accessed 18 February 2019

⁵⁴ Mark Wilson, ‘The Negative Effects of Minimum Wage Laws’, policy analysis No. 701, CATO institute, 1 <<http://object.cato.org/sites/cato.org/files/pubs/pdf/PA701.pdf>> accessed 06 May 2019

⁵⁵ David Card and Alan B. Krueger, *How the Minimum Wage Affects the Distribution of Wages, the Distribution of Family Earnings, and Poverty* Chap. 9, In *Myth and Measurement*, (Princeton, NJ: Princeton University Press, 1995), 276-279.

⁵⁶ Manning (n 43) 128 and 129.

acceptable standard of living, Dale Belman and Paul J. Wolfson, in *The Truth about the Minimum Wage: Neither Job Killer nor Cure-All*,⁵⁷ affirms this statement by stating that minimum wage is a useful instrument of policy that has low social costs and clear benefits, which is improving the conditions of those working in the least remunerative sectors of the labor market.⁵⁸ However, Manning argues that it is “not a particularly effective tool to combat poverty and share the benefits of growth”.⁵⁹ As discussed by Manning, the International Monetary Fund and the Organization for Economic Cooperation and Development started to recommend a minimum wage incorporated to part of a well-designed labor policy, note that this organizations were known for their critics on minimum wages.⁶⁰

2.4. Unregulated Minimum Wage and Social Dumping

Social dumping is a term “generally used to point to unfair competition due to the application of different wages and social protection rules to different categories of workers”⁶¹ in order to increase profit margins of companies.

An article written by Asif Salahuddi assessed arguments for and against the inclusion of social clauses into international trade agreements, with having the effect of any breach of those minimum labour standards barring the state from accessing the free market of developed countries. The article elaborated the historical arguments for the justification of social clause and suggested that, to rectify the problems associated with minimum labour conditions, the issue of social clause should be left for ILO standard setting mechanism and disputes regarding the issue should be resolved by ILO than WTO. On the other hand, counter argument is presented with the

⁵⁷ This study has won Princeton University’s 2014 Bowen Award for the year’s outstanding book on labor and public policy.

⁵⁸ Dale Belman and Paul J. Wolfson. ‘What Does the Minimum Wage Do?’ (2015) 36 (4) *Journal of Labour Research* 462-464.

⁵⁹ Manning (n 43) 126 and 127.

⁶⁰ *Ibid.* 129.

⁶¹ Marianne Thyssen, European Commissioner for Employment, Social Affairs, Skills and Labour Mobility, Parliamentary questions, 27 May 2015, E-008441-15, cited in European Foundation for the Improvement of Living and Working Conditions,

<https://www.eurofound.europa.eu/observatories/eurwork/industrial-relations-dictionary/social-dumping> accessed 27 April 2019

support of the social dumping created in the developed states because of the low cost incurred by industries in the global south.⁶² Companies recruit workers with low wage and exploit them to be profitable and increase their competitiveness in the market, this is mainly because of weak labour standard of developing nations. Lance A. Compa believes that strong worker's rights protection negatively affects efficient use of labour and discourages investors, because the minimum standards listed have the inclination to interfere with "pure market forces", however argues for the protection of the rights with its possible consequences.⁶³

As provided by Asif Salahuddi, educating the population and the workforce enhances labour standards of a country.⁶⁴ But, in states like USA where 99% of the society (above the age of 15) are literate⁶⁵ still prevalent violation of workers right exists.⁶⁶ Therefore we can say that the literacy of the workforce should be accompanied with other measures.

The introduction of social clause is justified by the unfairness of competition based on low wage⁶⁷, *inter alia*.⁶⁸ Asif Salahuddi argued against this notion by raising the area of production that the industries of developing and developed states involved and the level of skill and technology required for the production in respective states.⁶⁹ Additionally, it is also worth mentioning the amount that being paid in each developing state to be examined in light of the living index of that particular state.

⁶² Asif Salahuddi, 'Infusion of Social Clauses into Global Trade Agreements: How Necessary Are They?', University of Asia Pacific Journal of Law & Policy, 28-41.

⁶³ Lance A. Compa, 'Labor rights and labor standards in international trade' (1993) 25 Law & Policy in Int'l Bus 165-191.

⁶⁴ Salahuddi, (n 62).

⁶⁵ United Nations Department of Economic and Social Affairs: Population Division, <[https://countrymeters.info/en/United_States_of_America_\(USA\)](https://countrymeters.info/en/United_States_of_America_(USA))> accessed 29 Dec.2018

⁶⁶ Compa (n 63) 171.

⁶⁷ Jean M. Servais, *International Labour Law* (The Hague 2005) 43.

⁶⁸ As per the writing of Jean M. Servais the main economic arguments in favour of inclusion of social clauses in trade agreements are: To avoid race to the bottom meaning a competition to make labour cheap and precluding workers from attaining economic growth from their own effort; Competition based on low wage is unfair; to facilitate wage dispersion and income distribution in the developed countries Job dislocation and displacement.

⁶⁹ Salahuddi (n 62) 34.

2.5. The Legal Framework of Minimum Wage

Article 23(3) of UDHR recognizes the right of persons to get just and favourable remuneration so as to ensure “an existence worthy of human dignity”.⁷⁰ UDHR is a foundation for a rich body of legally binding international human rights treaties, like ICCPR and ICESCR and now a days many of its provisions are incorporated into universally accepted customary international laws.⁷¹ Article 7 of ICESCR also recognized the right to fair wage and a decent living as a result of just and favourable conditions of work.⁷² Ethiopia is acceded to this covenant since 11 June 1993.⁷³

When we come to conventions of ILO, ensuring payment of decent wage has been its concern since its establishment,⁷⁴ the majority of nations used minimum wage as a labour market institution.⁷⁵ The preamble of ILO Constitution provided that providing adequate living wage helps to combat social unrest and promotion of peace in the society.⁷⁶ minimum living wage is also reaffirmed under the 1944 Philadelphia Declaration.⁷⁷ For the protection of the right enshrined under its Constitution and subsequent declarations, the organization come up with the 1928 Wage Fixing Machinery Convention,⁷⁸ the 1951 Wage Fixing Machinery (Agriculture)

⁷⁰ Universal Declaration of Human Rights, G.A. Res. 217, U.N. GAOR, 3rd Sess., U.N. Doc. A/810 (1948), hereinafter UDHR, Art. 23.

⁷¹ Hurst Hannum, ‘The UDHR In National and International Law’, 3 (2) Health and Human Rights 145 <<https://cdn2.sph.harvard.edu/wp-content/uploads/sites/125/2014/04/16-Hannum.pdf>> accessed 10 May 2019

⁷² ICESCR, Art. 7

⁷³ United Nation Treaty Collection, Status of Treaties,

<https://treaties.un.org/Pages/ViewDetails.aspx?src=IND&mtdsg_no=IV-3&chapter=4&clang=en> accessed 10 May 2019

⁷⁴ Gerald Starr, *Minimum wage fixing: An international review of practices and problems* (1981) International Labour Office V.

⁷⁵ Francois Eyraud and Catherine Saget, *The fundamentals of minimum wage fixing*, International Labour Office (2005) 1.

<https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---actrav/documents/meetingdocument/wcms_208814.pdf> accessed 7 May 2019

⁷⁶ Constitution of the ILO, preamble para. 2.

⁷⁷ Declaration of Philadelphia, Principle III(d).

⁷⁸ Minimum Wage-Fixing Machinery Convention, 1928 (No. 26), Entered into force 14 Jun 1930, Adopted in Geneva, 11th ILC session (16 Jun 1928).

Convention⁷⁹ and the 1970 Minimum Wage Fixing Convention,⁸⁰ the first two conventions are Instruments with interim status and the third one is up-to date. Article 1 of the 1970 minimum wage fixing convention requires the states to “establish a system of minimum wages which covers all groups of wage earners”.⁸¹ This convention is ratified by 54 countries and Ethiopia is a signatory state for none of the conventions on minimum wage.⁸²

Under Ethiopian law there is no provided minimum wage, that is why the employee is expected to receive a wage agreed under the contract of employment.⁸³ Currently there is a move to amend the existing labour proclamation and the council of ministers sent the draft labour proclamation to house of people’s representatives, the council provided that the need of a new labour law to encourage investment, enable the economy to create jobs including improved working conditions for the employee.⁸⁴ The draft proclamation states that Council of Ministers’ under its regulation will establish minimum wage council with a mandate to study labour market, the capacity of state’s economy and submit its finding to the government.⁸⁵

⁷⁹ Minimum Wage Fixing Machinery (Agriculture) Convention, 1951 (No. 99), Entered into force: 23 Aug 1953, Adopted in Geneva, 34th ILC session (28 Jun 1951).

⁸⁰ Minimum Wage Fixing Convention, 1970 (No. 131), Entered into force: 29 Apr 1972, Adopted in Geneva, 54th ILC session (22 Jun 1970).

⁸¹ Minimum Wage Fixing Convention, 1970 (No. 131), Entered into force: 29 Apr 1972, Adopted in Geneva, 54th ILC session (22 Jun 1970), Art. 1(1).

⁸² See detailed information on ILO website

https://www.ilo.org/dyn/normlex/en/f?p=1000:11300:0::NO:11300:P11300_INSTRUMENT_ID:312276
accessed 23 May 2019

⁸³ Labour Proclamation, Art. 53(1). See also Industrial Parks Proclamation, Art. 28 (1&2).

⁸⁴ FDRE, Office of the Prime Minister, 15th meeting decisions of the council of ministers’, 02 May 2019, 2.

⁸⁵ Draft Labour Proclamation, Art. 55(2).

Chapter Three

The Law and the Practice of Minimum Wage at Industrial Parks in Ethiopia

3.1. Introduction

Under the preceding chapter we have seen that legal framework of the regulation of minimum wage with consultation of literatures on the area. This chapter of the paper deals with practical scenario of wage system at industrial parks of Ethiopia and the necessity of having minimum wage law. The issues are dealt with consideration of information gathered from various stakeholders of employment relationship: MoLSA, CETU, employees' and employers' association, employers and employees from different industrial parks. For better understanding of the case at industrial parks, the researcher considered some practical aspects of the issue at hand in off-park garment industries.

3.2. The Practical Effects of Low Wage in Ethiopia

3.2.1. Inability to Satisfy Basic Needs

This section of the writing is dedicated to a discussion on whether the wage being paid at industrial parks of Ethiopia is capable to cover cost of basic needs or not. The basic needs approach, introduced by the International Labour Organization's World Employment Conference in 1976, is an approach to measurement of absolute poverty in developing countries. It defines minimum resource required for long-term physical well-being in terms of consumable goods. In other words, poverty line is where an income necessary to satisfy those basic needs.⁸⁶ For the purpose of this section housing, food, clothes and medical costs are taken as cost of basic needs,⁸⁷ following this section the writer tries to show the social crisis reflected from low wage being paid.

As provided under article 23 (3) of UDHR “everyone who works has the right to just and favourable remuneration ensuring for himself and his family, to ensure existence worthy of

⁸⁶ Richard Jolly, ‘The World Employment Conference: The Enthronement of Basic Needs’ (1976) 9 (2) Development Policy Review 31–44.

⁸⁷ For more detail see John A. Denton, *Society and the official world: a reintroduction to sociology* (Dix Hills, N.Y: General Hall 1990) p. 17, Denton provided the first three items as basic needs. But, many of modern literatures lists health care as one of basic needs.

human dignity”⁸⁸ and this right has been reaffirmed by ICESCR: Article 7 of the covenant states that everyone has the right to “just and favourable conditions of work which ensure fair wages and a decent living for themselves and their families.”⁸⁹ In addition to satisfying the need for consumable goods and shelter, a person shall be in a position to protect his health with his earning and the support of government, because it is provided that “health is a fundamental human right indispensable for the exercise of other human rights.”⁹⁰ That is why states recognized the right of everyone to enjoyment of the highest attainable standard of physical and mental health.⁹¹ However, it is better to understand that socio-economic rights are subject to the economic condition of the state and progressive realization.⁹²

To know whether the wage being paid is low or not, it is better to see the payment with consideration of monthly salary being paid in Ethiopian industrial parks and the payment in other countries. The information gathered from 102 randomly selected employees (this number represents employees of industrial parks responded for question on amount of wage), via questionnaire, reveals that their average wage, arithmetic mean of the data, is Birr 1288.96, its median is Birr 1000 and the mode of the data is Birr 750 which consists of 34.313% of the data. On the contrary the data collected from off-park garment industries shows that their average wage, arithmetic mean of the data, is Birr 3284.125, its median is Birr 2500 and the modes (it is multimodal) of the data are Birr 1500, 2500, 3000 and 8000. This means the earning of off-park garment workers is 2.55 times a wage at industrial parks. A report on the issue argues that the garment workers in Ethiopian industrial parks are the lowest, \$26 per month, paid compared to any other countries and supporting evidences are provided, the Chinese salary \$326, Kenya \$207

⁸⁸ UDHR, Art. 23.

⁸⁹ ICESCR, Art. 7

⁹⁰ CESCR General Comment No. 14: The Right to the Highest Attainable Standard of Health (Art. 12) Adopted at the Twenty-second Session of the Committee on Economic, Social and Cultural Rights, on 11 August 2000 (Contained in Document E/C.12/2000/4).

⁹¹ ICESCR, Art. 12 (1)

⁹² Ibid., Art. 2

and workers in Bangladesh \$95 per month.⁹³ The report argues that the wage is below the country's GDP per capita, that is 40%.⁹⁴ But, there are 137 countries whose minimum wage is below their GDP per capita, including Albania 45.2%⁹⁵, Algeria 37.4%, Australia 50.8%, Kenya 52.5%, even USA's minimum wage of \$15080 per year is 26.2% of its GDP per capita.⁹⁶

Including the report mentioned above, many sources⁹⁷ claim that the minimum basic wage at industrial parks is Birr 750. However, as evidenced from the questionnaire distributed for the workers and supported by SNNPRS Bureau of labour and social affairs, the minimum gross salary being paid at industrial park is Birr 650 a month, Birr 28.71 is equivalent to \$1.⁹⁸

If the employee never has been absent for any reason from work within the month there might be Birr 150 attendance allowance and Birr 250 for good efficiency:⁹⁹ To get the attendance allowance the employees are expected to appear at work for the whole month, absents for any reason entails forfeiture of the incentive. Chanyalew says this is a mechanism to make the

⁹³ Elias Meseret, Report by the New York University Stern Center for Business and Human Rights: Ethiopia's garment workers are world's lowest paid, Associated Press, 7 May 2019

<<https://www.apnews.com/723b9c9e9b754a2baa105eddd9cef154>> accessed 07 May 2019 see also Anne-Marie Dias Borges, BBC Africa Business reporter, Ethiopian fashion industry workers 'lowest paid in the world' - BBC News, 10 May 2019, <<https://www.bbc.com/news/av/world-africa-48232818/ethiopian-fashion-industry-workers-lowest-paid-in-the-wo>> accessed 10 May 2019

⁹⁴ Barrett and Baumann-Pauly (n 3) 4.

⁹⁵ The percentage was calculated by dividing the minimum wage by the GDP per capita of 2018.

⁹⁶ World Bank, <<https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>> accessed 19 May 2019

⁹⁷ Interview with Belay Hailemichael, Manager, Ethiopian Investment Commission Hawassa Branch office, Hawassa Industrial Park, (Hawassa 23 April 2019); Interview with Simeneh Gizaw, Senior expert at EIC, One-Stop Service Center of Bole Lemi Industrial Park, (Addis Ababa 16 April 2019); Interview with Ahmed Belay, Industry Park Expert, One-Stop Service Center of Ethiopian Investment Commission, Eastern Industry Zone, (Dukem Town 18 April 2019).

⁹⁸ National Bank of Ethiopia, Commercial Banks Exchange rate, applicable on 17 May 2019, <<https://www.nbe.gov.et/market/banksexchange.html>> accessed 18 May 2019

⁹⁹ Interview with Asres Gizaw Boneya, Harmonious Industry Relations Directorate Director, SNNPRS Bureau of labour and social affairs, (Hawassa 04 April 2019).

employees slave for companies.¹⁰⁰ But, attendance is required even for the effectiveness of employment relationship and as per article 27(1)(b) of the labour proclamation “absence for a period of five consecutive working days or ten working days in any period of one month or thirty working days in a year” results in termination of employment contract.¹⁰¹ Therefore, the attendance allowance shall be perceived as a means of encouraging the workers and reward for their commitment.

The companies claim that they are also providing work place meal once a day and transport allowance for the workers, the total sum of the income of employees is about Birr 1500-2000, including the incentives.¹⁰² On the other hand, Chanyalew questions this claim and want them to pay this amount as a wage, rather than considering some part of the income as an incentive.¹⁰³ But, Belay’s statement concerning work place meal reveals that the companies prepare and provides meal for workers and if the companies give them in cash they will dispose it within short period and they will get starved, this in turn affects productivity.¹⁰⁴ On the other hand, the report, by the New York University Stern Center for Business and Human Rights, states that the low wage does not cover their basic needs, even after additional payments of attendance bonuses, provision of work place meal and transportation.¹⁰⁵

Let us examine the report and the opinion of the two officials: Chanyalew is a representative of Confederation of Ethiopian Trade Unions and there is some sort of inclination for the interest of employees. Therefore, rather than considering the economic benefit of providing the benefits in-kind, he has preferred to argue for cash payment in terms of wage. The cash payment in terms of wage may have an advantage for employees at termination of employment contract and employment injury. Because, as provided under the labour proclamation compensations related

¹⁰⁰ Interview with Chanyalew Awoke Ergetie, Head for Hawassa Branch Office, Confederation of Ethiopian Trade Unions, (Hawassa 04 April 2019).

¹⁰¹ Labour proclamation, Art. 27(1)(b).

¹⁰² Interview with Belay Hailemichael (n 97).

¹⁰³ Interview with Ato Chanyalew Awoke (n 100).

¹⁰⁴ Interview with Belay Hailemichael (n 97).

¹⁰⁵ Barrett and Baumann-Pauly (n 3).

with termination of employment contract and occupational injury, severance payment and payment in lieu of unutilized annual leave are calculated using the wage of the employee,¹⁰⁶ and also amount of retirement gratuity is affected by the amount of wage,¹⁰⁷ note that bonus and allowances are not part of wage under the labour proclamation.¹⁰⁸ As mentioned earlier, the report by New York University Stern Center for Business and Human Rights claim that the low wage with the additional payments does not cover basic needs of employees. However, this is not peculiar for workers of industrial parks, even 83.33% of the off-park garment workers, those who earn 2.55-folds of the wage at industrial parks, claim that their income is insufficient to cover cost of basic needs. The employers have a strong justification than the two arguments: if they give Birr 300 for the workers, it will not sufficient to cover cost of lunch for the whole month. Because, I have noticed that, a person is expected to have Birr 20 to 25 to get a low-cost lunch around the industrial parks, Birr 480 to 600 a month. On the other hand, since they are allowed to import duty free catering materials and furniture, the companies can provide meal with lower cost. In addition to this, the workers' wage is not good at covering cost of the remaining meals: among the workers participated in the questionnaire 84.61% of them believes that they are not feeding themselves and their dependents properly. Because of improper meal or unable to feed themselves 91.23% of them have been either sick, unable to perform their work or their productivity is decreased, this figure is 63.64% for off park garment workers.

The wage being paid at industrial parks is a result of the intention of the government to attract investment, at the time of negotiation with the investors, and it has been negotiated by the government taking the civil servants' minimum salary as a base.¹⁰⁹ The civil servant is presumed as surviving with this wage and there is no reason to treat park employees in different way, if any one wants to argue the amount is insufficient, then we have to adjust the wage for all sectors. In addition to this, the wage being paid at the industrial parks may not be treated as lowest of Ethiopian standard, because many sectors including the government is paying less than a wage

¹⁰⁶ Labour Proclamation, Arts. 39-44, 77(5), 107-110

¹⁰⁷ Private Organization Employees' Pension Proclamation, 2011, Fed. Neg. Gaz., Proc. No. 715/2011, Year 17, No. 79, Art. 10.

¹⁰⁸ Labour proclamation, Art. 53(2).

¹⁰⁹ Interview with Anisa Melko Hebero, Chief Advisor and Executive Assistant of the President, SNNPRS Administration, (Hawassa 04 April 2019); Interview with Belay Hailemichael (n 97)

being paid at industrial parks. Note that concerning industrial parks promotion work is handled by office of the prime minster and administering and handling issues at the parks is the mandate of EIC and IPDC.¹¹⁰

Many of the companies, in the three industrial parks, are providing transportation service for their employees,¹¹¹but employees claim that the vehicles are not sufficient enough to accommodate all of the workers properly, inconvenience because of over loaded transportation.¹¹² More over this, Chanyalew questions the safety of the service because they drop the workers at inappropriate places at night and this exposes women workers to sexual harassment.¹¹³ However, since it is capable to cover cost of transportation that will be incurred by the workers, providing transportation have economic significance for them. As I have noticed from the cities, cost of transportation from average distances to and from the industrial parks is Birr 5. If the companies do not cover this cost employees are expected to expend at least Birr 240 a month.

Concerning providing meal at work place: the employers provides food, one company gives allowance of Birr 300 a month at Bole Lemi Industrial Park, but the workers claims that the food have quality problem,¹¹⁴this issue was one of the claims raised by employees working in Hawassa Industrial Park on their strikes and demonstrations made this year.¹¹⁵ As discussed hereinabove it is better to recognize economic significance of the meal at work place and its effect in saving of working time that might be employed for searching cheapest restaurants.

¹¹⁰ Interview with Belay Hailemichael (n 97); Interview with Yohanes Ezo Adulo, Claims Follow-up and Support Officer, SNNPRS Bureau of labour and social affairs, (Hawassa 04 April 2019).

¹¹¹ Interview with Belay Hailemichael (n 97); Interview with Simeneh Gizaw (n 97); Interview with Yoseph Sultan Husen, Coordinating Director, One-Stop Service Center of Ethiopian Investment Commission, Eastern Industry Zone, (Dukem Town 18 April 2019); Interview with Ahmed Belay (n 97).

¹¹² Interview with Simeneh Gizaw (n 97).

¹¹³ Interview with Ato Chanyalew Awoke Ergetie (n 100).

¹¹⁴ Interview with Simeneh Gizaw (n 97).

¹¹⁵ Interview with Ato Anisa Melko Hebero (n 109); Interview with Asres Gizaw Boneya (n 99); Interview with Yohanes Ezo Adulo (n 110).

The data collected from workers reveals that 91.17% of the lives in rented house, 84.9% of it is a single room, from this 78.94% of them does not pay their rent properly. 13.88% live with their parents, 25% live alone, 9.26% live with their dependents, 13.88% live with their spouse and 37.96% live with their room-mate, this is 13.04% for off park workers. Among workers those who live with their room-mate 95% of live in that way because they cannot afford to live alone, that is why 51.92 % of the workers think of that they are dependent on others, completely or to some extent, this is 37.5 for off park workers. Top of this, 38% of the respondents have dependent, out of this figure 42.3% them have four or above dependents. The standard of houses where workers live in is not good and constructed with low cost, especially in Hawassa those houses are available surrounding the park.¹¹⁶

Among the respondents of the questionnaire 86.48% of them reveal that their wage is insufficient and cannot cover necessary costs and 81.81% of the respondents expressed their inability to save from their wage, in addition to this 90% of them assumes that this wage cannot support their future plans and 93.57% of them says their current wage cannot cover education costs if they get enrolled in academic institutions. This figures for off park garment workers are 29.16%, 40%, 45.83% and 56%, respectively. Then what is the fate of a worker who cannot live now properly, cannot plan for the future or upgrade himself with a better knowledge and skill.

When we examine whether the workers are capable to purchase clothes for themselves and their dependents: 86.79% of the workers are unable to purchase and from those who able to buy clothes 58.82% buy once a year, 29.41% twice a year and only 2.94% of them able to buy three times a year. With regard to the quality of the cloth 69.66 % of the respondents buys used cloths from local market (secondhand cloth). Additionally, purchasing of cosmetics is unthinkable for 84.4% of the respondents.

However, none of the scenarios mentioned above are peculiar for employees of Ethiopian industrial parks. Because as per the 2008 World Bank poverty estimate 1.4 billion people in developing countries are living in extreme poverty, earning below \$1.25 a day in 2005 prices and 2.6 billion people consume less than \$2 a day in 2005 prices.¹¹⁷ Sub-Saharan Africa took a share

¹¹⁶ Interview with Belay Hailemichael (n 97)

¹¹⁷ S. Chen and M. Ravallion, *The developing world is poorer than we thought, but no less successful* (2008), the World Bank,

of more than half of the extreme poor in 2015, the World Bank forecasts indicated that “by 2030 nearly 9 in 10 extremely poor people will live in Sub-Saharan Africa”.¹¹⁸

Ethiopian Industrial Parks are located at the major cities¹¹⁹ of the country with particular consideration of available work force and population size.¹²⁰ But, many of the workers come from the rural areas neighboring to the cities, the dwellers of the cities do not want to work in the industry park because of low wage.¹²¹ So it is inevitable that they require basic facilities like house near to the parks.¹²²

To solve housing related problems, the Ethiopian government has facilitated housing loan for land holders to enable them to build homes for rent with low price¹²³ via Omo Micro Finance Institution. About 600 houses have been constructed through this scheme, since the loan is interest free the government determines price of the rent.¹²⁴

Recently the government started allocating land for the companies to build dormitories for workers, at Bole Lemi Industrial Park one company planned to build 13 buildings for dormitory and three of the buildings are under construction, I have witnessed this fact, and other companies

<http://www.wds.worldbank.org/external/default/WDSCContentServer/IW3P/IB/2008/08/26/000158349_20080826113239/Rendered/PDF/WPS4703.pdf> accessed 27 May 2019

¹¹⁸ Divyanshi Wadhwa, *the Number of Extremely Poor People Continues to Rise In Sub-Saharan Africa* (2018), The World Bank, <<https://blogs.worldbank.org/opendata/number-extremely-poor-people-continues-rise-sub-saharan-africa>> accessed 27 May 2019

¹¹⁹ Addis Ababa, Hawassa, Mekele, Kombolcha, Adama, Jemma, Bahirdar, DireDawa.

¹²⁰ Interview with Getnet Denberu, Legal Service Head, IPDC, Head Office, (Addis Ababa 15 April 2019).

¹²¹ Interview with Simeneh Gizaw (n 97).

¹²² Interview with Getnet Denberu (n 120).

¹²³ Ibid.

¹²⁴ Interview with Belay Hailemichael (n 97).

are requesting a land from government.¹²⁵ When we come to Hawassa Industrial Park four companies have taken land to construct houses.¹²⁶

Concerning their medical cost: 95.37% of the respondents say they cannot cover their own medical expenses and 88.11% of the employers does not cover the expense. As a result of this 64.08% of the respondents has been in short of money while they got sick and 23.76% of the respondents have been forced to seek the assistance of their families. On the other hand, 86.95% of the off-park garment workers are capable to cover their own medical expenses. In addition to allocating land for construction of houses, the government also allowed the investors to import duty free materials to be employed for the service of workers, like pharmaceutical products, catering materials and furniture.¹²⁷ However, contrary to the effort of the government there is neither clinic nor ambulance in Eastern Industry Zone, but fire brigades¹²⁸, the scenario is the same in Bole Lemi¹²⁹ and Hawassa Industrial Parks.¹³⁰ Providing the service in industrial parks have social and economic significance to the workers, so the employees shall struggle for establishment of the service centers in industrial parks.

3.2.2. Criminal Offences as Evidence for Low Wage

Low wage and unemployment can be mentioned as reasons for poverty and poverty in turn leads to crime.¹³¹ The employees in Hawassa Industrial Park have been convicted for criminal cases,

¹²⁵ Interview with Simeneh Gizaw (n 97).

¹²⁶ Interview with Belay Hailemichael (n 97).

¹²⁷ Interview with Dawit Feleke, Woldemaryam, Chief of staff to the deputy commissioner for industrial parks, Ethiopian Investment Commission, (Addis Ababa 15 April 2019).

¹²⁸ Interview with Ahmed Belay (n 97).

¹²⁹ Interview with Simeneh Gizaw (n 97).

¹³⁰ Interview with Belay Hailemichael (n 97).

¹³¹ Crutchfield R.D. and Wadsworth T. Poverty and Violence. In: Heitmeyer W., Hagan J. (eds. 2003) International Handbook of Violence Research. Springer, Dordrecht, 67. see also Emilie Anderson Allen and Darrel J. Steffensmeier, 'Underemployment and Property Crime: Differential Effects of Job Availability and Job Quality on Juvenile and Young Adult Arrest Rates' (1989) 54(1) American Sociological Review 107–123.

<<https://www.jstor.org/stable/pdf/2095665.pdf>> accessed 10 May 2019

mainly theft under Article 665, mismanagement of private interests under article 702, breach of trust under Article 675 of the criminal code.¹³²

The low wage being paid at the industrial parks is insufficient to cover necessary costs and now this is leading employees to participate in property related crimes in the park, in many of the criminal cases entertained by Hawassa City First Instance Court, the offenders claim their poverty as a reason for their criminal act,¹³³ to be considered as mitigating circumstance under the FDRE criminal code.¹³⁴ This is also supported by Ato Tsegaye stating that the criminal acts are highly related with the low wage at industrial parks.¹³⁵

Almost all of the charged employees are convicted because the prosecutor come up with concrete evidences like the guards those who searched the accused and video tapes recorded when the employee stole the property.¹³⁶ Because of the familiarity of low wage in the park judges try to mitigate the sentence by observing the circumstances of the offender, as per Article 82 and 83 of the criminal code,¹³⁷ or using conditional suspension of penalty¹³⁸, as per article 190 through article 192 of the criminal code.¹³⁹ Among suspected employees, many of them do not have a legal counsel or a lawyer, as per the new court administration defending council from government is available only at High Court level and they never have been served with a *pro-*

¹³² Criminal Code of the Federal Democratic Republic of Ethiopia, 2005, Proc. No. 414/2005, Fed. Neg. Gaz., Year 10, No. 58 Arts. 665, 675 and 702.

¹³³ Public prosecutor V. Basha Kuntura et al., Criminal File No. 04755, Hawassa First Instance Court, Addis Ketema Sub City Bench, 16-05-2010 Eth. C.; Public prosecutor V. Tilahun Samuel et al., Criminal File No. 05360, Hawassa First Instance Court, Addis Ketema Sub City Bench, 06-02-2011 Eth. C.; Public prosecutor V. Hizkel Kebede, Criminal File No. 05488, Hawassa First Instance Court, Addis Ketema Sub City Bench, 12-04-2011 Eth. C.; Public prosecutor V. Mitiku Tusha, Criminal File No. 05574, Hawassa First Instance Court, Addis Ketema Sub City Bench, 27-05-2011 Eth. C.

¹³⁴ The FDRE criminal Code, Art. 82 and 83.

¹³⁵ Interview with Tsegaye Assefa Eshte, Judge, Hawassa First Instance Court, (Hawassa 08 April 2019)

¹³⁶ Ibid.

¹³⁷ The FDRE Criminal Code, Art. 82 and 83.

¹³⁸ Interview with Tsegaye Assefa Eshte (n 135).

¹³⁹ The FDRE Criminal Code, Art. 190-192.

bono service provider of State's Justice Bureau.¹⁴⁰ This shows that the poverty level precluded them even from being free from criminal charges and as discussed earlier they face imprisonment unless the sentence is conditionally suspended by the court.

3.2.3. Low Productivity

Employers operating in the industrial parks claim that productivity level, work culture like delayed appearance and absents before and after holidays are the main problems of Ethiopian employees,¹⁴¹ and states that without improvement in these conditions increasing wage will lead them to loss.¹⁴² This line of argument being posed by employers gives a conclusion that wage increment is possible after proven productivity and better working culture.

But, recently labour efficiency has reached to 40 to 70%¹⁴³ meaning there is improvement in productivity compared to at the initial period of the parks whereas there is no increment in the wage of the workers.¹⁴⁴ Bizuneh argues that low wage affects productivity because it discourages the worker and makes him to loss sense of ownership for the work place.¹⁴⁵ Shigut shares this idea stating the productivity of employees increases with increment in wage.¹⁴⁶ This line of argument is also supported by some managerial staffs of companies.¹⁴⁷ Supporting the above

¹⁴⁰ Interview with Tsegaye Assefa Eshte (n 135).

¹⁴¹ Interview with Yoseph Sultan Husen (n 111); Interview with Simeneh Gizaw (n 97); Interview with Ahmed Belay (n 97); Interview with Getnet Denberu (n 120).

¹⁴² Ibid.

¹⁴³ Interview with Belay Hailemichael (n 97).

¹⁴⁴ Interview with Chanyalew Awoke Ergetie (n 100)

¹⁴⁵ Interview with Bizuneh Tsige, Party Formation Organizational Affairs Committee Member, Patriotic Ginbot 7 Movement for Justice, Freedom and Democracy, Party Formation Organizational Affairs Committee Member, (Addis Ababa, 16 April 2019). Patriotic Ginbot 7 Movement merged itself with six other political parties and renamed as Ethiopian Citizens for Social Justice, Bizuneh Tsige is still the member of the party.

¹⁴⁶ Interview with Shigut Geleta, International and Public Relations Department Head, Oromo Liberation Front (OLF), (Addis Ababa 25 April 2019).

¹⁴⁷ Interview with Efirata Asirat, Assistant Manager, Lonto Garment Plc, Eastern Industry Zone, (Dukem Tawon 18 April 2019); Interview with Selamawit Yirdaw, Human Resource Manager, Linda Garment Plc., Eastern Industry Zone, (Dukem Tawon 18 April 2019).

argument, Ayalew questions that how a person can be effective without having proper meal? the prevailing condition of workers have a potential to resulting in production of defective products, employment injury and low productivity.¹⁴⁸ The other issue needs to be raised here is that the employers compare Ethiopian workers with their expatriate workers living in Ethiopia, workers in Vietnam, Kenya and Bangladesh and says Ethiopian productivity is low.¹⁴⁹ On the other hand, Ayalew defends this by stating that to compare our workers with expats, being paid at high rate, and to say their performance is low, first they have to treat them with equal wage and then the result will be different, he questions that how a worker eating once a day can be compared to a worker being paid with a hard currency, note that there are many expat workers while the work can be easily done by Ethiopians.¹⁵⁰ The words of Ayalew refers that better wage brings competency and diligence of the worker.

A study from the University of Warwick revealed that happiness makes people more productive at work and it stated that happiness made people around 12% more productive,¹⁵¹ and average levels of life satisfaction increase as minimum wage increases,¹⁵² this is supported by a research from Princeton University stating up to about \$75,000 a year have positive effect on happiness of a person.¹⁵³

The other issue is concerning overtime payment, because if there is better overtime payment the workers may be encouraged to work more hours and that increases amount of production. But, in

¹⁴⁸ Interview with Ayalew Ahmed, vice president, Confederation of Ethiopian Trade Unions, (Addis Ababa 18 April 2019)

¹⁴⁹ Interview with Simeneh Gizaw (n 97).

¹⁵⁰ Interview with Ayalew Ahmed (n 148).

¹⁵¹ Andrew J Oswald, Eugenio Proto and Daniel Sgroi, 'Happiness and productivity', (2015) 33 (4) Journal of Labor Economics 789-822 <<http://wrap.warwick.ac.uk/63228/>> accessed 22 May 2019

¹⁵² Michael Krassa and Benjamin Radcliff, 'Does a higher minimum wage make people happier?', the Washington Post, (14 May 2014), <https://www.washingtonpost.com/news/monkey-cage/wp/2014/05/14/does-a-higher-minimum-wage-make-people-happier/?utm_term=.417ef0591ec3> accessed 22 May 2019

¹⁵³ Daniel Kahneman and Angus Deaton, High income improves evaluation of life but not emotional well-being, (2010), Center for Health and Well-being, Princeton University, 1-5 <https://www.princeton.edu/~deaton/downloads/deaton_kahneman_high_income_improves_evaluation_August2010.pdf> accessed 24 May 2019

the industrial parks the overtime payment is low and employees are not ok to work over time.¹⁵⁴ Note that over time payment is in line with the wage of the employee, meaning over time payment shall be calculated based on worker's wage.¹⁵⁵

To be productive the employee needs to get sufficient rest days including paid annual leave, the purpose of annual leave is to boost the efficiency of a worker by enabling him properly utilize the leave to recover his strength.¹⁵⁶ But many employees claim that the companies do not give them paid leaves properly, like maternity and annual leave.¹⁵⁷ Therefore, it is inevitable that a worker without proper rest days will not be competent enough and productive.

3.2.4. Persistent Strikes and Work Slowdown

The other effect of low wage in Ethiopia is persistent strikes being held at industrial parks. There are a lot of strikes in Ethiopian Industry Parks and before the strike employees slow down production, absents and well not showed up for five days after receiving of monthly salary.¹⁵⁸ As Ayalew's expression the persistent strikes show how far the problem is complicated.¹⁵⁹

To deal with the problems in collective bargaining, there is no trade union in the parks,¹⁶⁰ rather the employers established work councils on behalf of the workers,¹⁶¹ there is only one trade union in Bole Lemi Industrial park for workers of Shints Ethiopia Garment PLC.¹⁶² Since the

¹⁵⁴ Interview with Simeneh Gizaw (n 97).

¹⁵⁵ Labour Proclamation, Art. 66-68.

¹⁵⁶ Ibid., Art. 76-80.

¹⁵⁷ Interview with Derege Regassa, Industry Relations Officer, Bole Lemi Industrial Park Branch, Addis Ababa City Administration Bureau of Labour and Social Affairs, (Addis Ababa 16 April 2019).

¹⁵⁸ Interview with Dawit Feleke, Woldemariam (n 127); Interview with Yoseph Sultan Husen (n 111); Interview with Simeneh Gizaw (n 97).

¹⁵⁹ Interview with Ayalew Ahmed (n 148).

¹⁶⁰ Interview with Yohanes Ezo Adulo (n 110); Interview with Simeneh Gizaw (n 97); Interview with Yoseph Sultan Husen (n 111).

¹⁶¹ Interview with Selamawit Yirdaw (n 147); Interview with Asres Gizaw Boneya (n 99).

¹⁶² As I have informed from a representative of the trade union they are trying to bargaining on some of issue including wage, however, the employers do not want to see effective and strong union and they try to weaken them by making

1948 ILO Declaration workers are entitled to form an association and make collective bargaining to protect their right and Ethiopia is party to the instruments since 1963,¹⁶³ the FDRE Constitution¹⁶⁴ and the labour proclamation¹⁶⁵ had reaffirmed the right. However, the companies do not have an interest to formation of trade unions within their institution.¹⁶⁶ In addition to this failure, 73.27% the participants of the questionnaire said there is no direct mechanism to deal with their employer concerning wage, 11.885% of the participants said they do not know whether such mechanism is available in their institution or not and only 14.85% of them have the mechanism. But, 47% of off-park garment workers have the mechanism to directly bargain with their employer. By mentioning lack of unionization and violation of such right. Tsegaye questions the legally binding effect of the labour proclamation in industrial parks.¹⁶⁷ CETU is negotiating with the companies to establish trade unions, this is being done to create smooth relationship between employers and the future trade unions,¹⁶⁸ since this is the workers constitutional right no need to consult with employers.¹⁶⁹

the representatives busy with different responsibilities in the company. Interview with Mulugea, Trade Union Representative at Shints Ethiopia Garment PLC, Bole Lemi Industrial Park, (Addis Ababa 03 June 2019).

¹⁶³ Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), Entered into force 04 Jul 1950, Adopted in San Francisco, 31st ILC session (09 Jul 1948) and Right to Organise and Collective Bargaining Convention, 1949 (No. 98), Entered into force 18 Jul 1951, Adopted in Geneva, 32nd ILC session (01 Jul 1949) See also Mehari Redae, Privatisation in Ethiopia the challenge it poses to unionisation and collective bargaining. (2015), PhD thesis, University of Warwick, P. xi <<http://webcat.warwick.ac.uk/record=b2805614~S1>> accessed 17 April 2019

¹⁶⁴ Constitution of the Federal Democratic Republic of Ethiopia, 1995, Proc. No. 1, Fed. Neg. Gaz., Year 1, No. 1, Art. 42.

¹⁶⁵ Labour Proclamation, Art. 113.

¹⁶⁶ Interview with Simeneh Gizaw (n 97).

¹⁶⁷ Interview with Tsegaye Assefa Eshte (n 135).

¹⁶⁸ Interview with Ayalew Ahmed (n 148).

¹⁶⁹ FDRE Constitution, Art. 42. The Constitution recognizes the right to strike and form union to ensure the protection of their right and to “improve their conditions of employment and economic well-being” see also Labour proclamation, Art. 157.

Belay stated that since last year there is better stability at Hawassa Industrial Park because of incentives and allowances brought as a result of employees' demonstration and requests,¹⁷⁰ However, Strike has been made in different factories of the industry park on 27-06-2011 E.C 02-07-2011¹⁷¹ and 10-07-2011 E.C.¹⁷² The reasons for the strikes have been claim on low wage, poor standard of food being provided by the employers, women are being assaulted on the way to work because they are expected to arrive at the park in early morning, lack of transparent system in administration of attendance bonus.¹⁷³

Concerning Bole Lemi Industrial Park, Meron does not want to comment on the problems being raised in relation to wage,¹⁷⁴ she said that she does not know about strikes in the industry park¹⁷⁵ but Dereje Regassa and Simeneh Gizaw told me that there was a strike in a company near to her office,¹⁷⁶ it is about a distance of 200 meters only. Some managerial staffs did not deny the prevalent strikes at Eastern Industry Zone.¹⁷⁷

Among employees those who participated in the questionnaire, 45% of them have involved in wage related strikes in the last three years, but this figure is only 9.09% for off park garment workers.

The next issue in relation to strike is what was the result of the strikes held in the parks. The recent case was at Hawassa Industry Park and the problem is not yet settled.¹⁷⁸ But, to resolve the problem, the issue has been submitted to concerned bodies and established a team to study

¹⁷⁰ Interview with Belay Hailemichael (n 97).

¹⁷¹ This worker had tried to make a protest again on 05-07-2011 but SNNPRS Bureau of labour and social affairs made a negotiation and returned to work.

¹⁷² Interview with Yohanes Ezo Adulo (n 110).

¹⁷³ Ibid.

¹⁷⁴ Interview with Meron Alemseged, Investors Association Representative, Bole Lemi Industrial Park, (Addis Ababa 16 April 2019).

¹⁷⁵ Ibid.

¹⁷⁶ Interview with Simeneh Gizaw (n 97); Interview with Derege Regassa (n 157).

¹⁷⁷ Interview with Efirata Asirat (n 147); Interview with Selamawit Yirdaw (n 147).

¹⁷⁸ Interview with Asres Gizaw Boneya (n 99).

the market and related issues.¹⁷⁹ As an institution IPDC and EIC branch offices discussed the issue with the employers and employees then sends the workers back to work.¹⁸⁰

The survey tells us that 41.38% of the participant of strikes knows that those workers who initiated the strikes has been fired and 52.87% of the participants said they have returned to work without response for their question, these two scenarios accounts to 94.25% for an outcome of strikes at Ethiopian Industrial Parks. Not only this, only 34.58% of the respondents say there is wage increment standards and parameters in the institution they are employed, 44.86% says there is no wage increment standards and parameters in the institution and the remaining 20.56% do not know about the issue. This figure is 66.66%, 14.28% and 19.09%, respectively, for off-park garment workers.

The parameters and standards are: 62.12% of the workers said it is work experience and academic background, the remaining percent goes to ethnic background, political affiliation and being relative. But, 96% of the respondents in off-park garment sector said the parameter and standard to get increment of wage is work experience and academic background, the remaining 4% said it is ethnic background. The government shall encourage employers to develop wage increment standards so as to ensure work place equality of its citizens.

As evidenced earlier, there are persistent strikes in the industrial parks and this in turn hampers productivity.¹⁸¹ The last, but not the least, effect of low wage is high rate of turnover prevalent in Ethiopian Industrial Parks,¹⁸² The practical problem is that the wage cannot cover cost of transport, house rent and food because of this the employees are not happy with the work and seek to find a better job.¹⁸³ Federal Auditor General stated that there is high rate of turnover at

¹⁷⁹ Interview with Anisa Melko Hebero (n 109).

¹⁸⁰ Interview with Chanyalew Awoke Ergetie (n 100); Interview with Bogale Tumdedo, Legal Affairs Team Leader, Ethiopian Investment Commission, (Addis Ababa 15 April 2019).

¹⁸¹ Interview with Ahmed Belay (n 97).

¹⁸² Interview with Tinsae Yima, Senior Advisor, IPDC, Head Office, (Addis Ababa 15 April 2019); Interview with Simeneh Gizaw (n 97); Interview with Yoseph Sultan Husen (n 111); Interview with Belay Hailemichael (n 97); Interview with Ahmed Belay (n 97).

¹⁸³ Interview with Getnet Denberu (n 120).

Ethiopian Industrial Parks and as an evidence it has presented the case of Bole Lemi Industrial Park, 42.5% of employees left the park within 3 months of 2008 E.C and 72.3% in 2009 E.C. and 98.9% in 2010 E.C.¹⁸⁴

3.3. The Need to Have Minimum Wage Law and Its Effects

This section of the paper is devoted to discussion on the need to have minimum wage law in Ethiopia along with its consequences, the reason why Ethiopia does not have minimum wage law and current progress, the problems of absence of minimum wage law and things need to be considered to determine minimum wage are also made part of the discussion.

3.3.1. The Problems of Absence of Minimum Wage Law in Ethiopia

As stated under the previous sections the employers are recruiting the workers at the wage level convenient for them because of high unemployment rate prevalent in Ethiopia and lack of legal frame work to regulate the area, “these decreases bargaining power of the employees”.¹⁸⁵

Christian says the first problem of absence of minimum wage law is reflected on the value of knowledge, because absence of minimum wage law encourages employers to employee with lowest wage and this discourages those who spent their time for study and researches, wage in developing countries have motivational factor.¹⁸⁶ This line of argument is supported by a research by Sara L. Rynes et al.¹⁸⁷

Second, it has created persistent exploitation, unjust living standard and economic inequality with high income gap.¹⁸⁸ The absence of minimum wage law results in lack of equitable benefit sharing from effort, all goes to one party, the investor.¹⁸⁹ This economic inequality by itself creates instability in the state, economic instability grows to political unrest and what we are

¹⁸⁴ Sheger FM 102.1 Radio, News, 23 Jan 2019, 01:27 pm.

¹⁸⁵ Interview with Ayalew Ahmed (n 148).

¹⁸⁶ Interview with Chiristian Tadele, Public Relation, National Movement of Amhara, (Addis Ababa 19 April 2019).

¹⁸⁷ Sara L. Rynes, Barry Gerhart, and Kathleen A. Minette, ‘The Importance of Pay in Employee Motivation’ (2004) 43(4) Human Resource Management 391 <www.interscience.wiley.com> accessed 27 May 2019

¹⁸⁸ Interview with Chiristian Tadele (n 186).

¹⁸⁹ Interview with Chiristian Tadele (n 186); Interview with Mushe Semu, former president of Ethiopian Democratic Party and politician, (Addis Ababa 20 April 2019).

perceiving in our country is resulted from this problem.¹⁹⁰ However, a study revealed that minimum wage accounted for as much as 80% of the growth in wage inequality.¹⁹¹ Not only this, minimum wage law may not be a solution for income inequality because the experience of many states tells that there is no relation between having minimum wage and income equality or vis-versa. For instance, there is no minimum wage law in Sweden, the law provides for right of workers to form and join independent unions to bargain wages collectively, and it prohibits antiunion discrimination,¹⁹² the country's Gini is only 24.9 that indicates very low-income inequality.¹⁹³ On the other hand, Sira Leon has a minimum wage of \$1181 a year¹⁹⁴ and its GDP per capita is \$499.5,¹⁹⁵ with 34.0 Gini.¹⁹⁶ For more detail please see the following table:

No.	Name of the country	GINI ¹⁹⁷	World rank-high income inequality	Minimum wage (Annually/\$)
1	Lesotho	63.2	1 st	1060
2	South Africa	62.5	2 nd	Not binding but the recommended one is \$2474
3	Federated State of	61.1	3 rd	None

¹⁹⁰ Interview with Mushe Semu (n 189); Interview with Bizuneh Tsige (n 145).

¹⁹¹ David S. Lee, 'Wage Inequality in The United States During The 1980s: Rising Dispersion or Falling Minimum Wage?' (1999) Quarterly Journal of Economics 979.

¹⁹² US Department of State, Country Reports on Human Rights Practices for 2017, 20 April 2018 <<https://www.state.gov/j/drl/rls/hrrpt/2017humanrightsreport/index.htm>> accessed 19 May 2019

¹⁹³ CIA World Fact Book, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html> accessed 17 May 2019

¹⁹⁴ US Department of State (n 192).

¹⁹⁵ World bank, <<https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>> accessed 17 May 2019

¹⁹⁶ CIA, World Fact Book, <<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html>> accessed 19 May 2019

¹⁹⁷ Gini index measures the degree of inequality in the distribution of family income in a country. The more nearly equal a country's income distribution, the lower its Gini index, e.g., a Scandinavian country with an index of 25. The more unequal a country's income distribution, the higher its Gini index, e.g., a Sub-Saharan country with an index of 50. If income were distributed with perfect equality the index would be zero; if income were distributed with perfect inequality, the index would be 100. See more from CIA, World Fact Book (n 196).

	Micronesia			
4	Haiti	60.8	4 th	1429
5	Botswana	60.5	5 th	719
6	Namibia	60.5	6 th	None
7	Zambia	57.5	7 th	1252
8	Comoros	55.9	8 th	1512
9	Hong Kong	53.9	9 th	10,099
10	Guatemala	53.0	10 th	4127
11	Ethiopia	33.0	113 th	None
12	United Kingdom	32.4	116 th	22,769
13	Canada	32.1	117 th	17,600

Table 1: income inequality and minimum wage law¹⁹⁸

Third, Employment income tax is one source of revenue for the government,¹⁹⁹ this means whenever the income of individuals increases it has a positive effect on the revenue of government, in the present context of Ethiopian wage the government cannot get appropriate tax from employment income tax.²⁰⁰

Fourth, it has created poor social security system: the wage of the worker has effect on the social security system like pension, under Ethiopian law retirement gratuity is highly affected by the wage of the worker,²⁰¹ countries with better minimum wage law have good standard of living for their citizens and if not, the society pays for the failure.²⁰²

¹⁹⁸ CIA, World Fact Book, (n 196). See also Emma Charlton, these countries have the highest minimum wages, 20 Dec 2018, World Economic Forum, <<https://www.weforum.org/agenda/2018/12/these-countries-have-the-highest-minimum-wages/>>accessed 19 May 2019;

World Bank, <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD> accessed 19 May 2019

¹⁹⁹ Federal Income Tax Proclamation, 2016, proc. No. 979/2016, Fed. Neg. Gaz. year 22, no. 104, Art. 10 and 12.

²⁰⁰ Interview with Mushe Semu (n 189).

²⁰¹ Private Organization Employees' Pension Proclamation, Art. 10.

²⁰² Interview with Bizuneh Tsige (n 145).

3.3.2. Necessity of Minimum wage law for Ethiopia

ILO came up with minimum wage conventions for the universal community to ensure social security and many African countries have ratified it, and CETU is also requesting the ratification of the convention by Ethiopian government but the government says it affects the economy.²⁰³

CETU is working with Solidarity Center²⁰⁴ to strengthen the capacity of itself, to protect workers' right and to create decent working conditions in Ethiopia. My question here is that what if the approach of Solidarity Center to affect the eastern companies by increasing their burden towards their employees, because many of the companies in the industrial parks are from China and it is in a trade war with USA. However, Ayalew said there are a lot of companies in Ethiopia, from US, Europe, India, China and Africa, their focus is indifferent and they do not want to focus only on the Chinese or any other country, and also their relation is not only with solidarity center, they have MoU with Chinese confederation of trade unions and have visited their works and agreed to work together to protect works' right.²⁰⁵

When we come to the point of discussion, Ethiopia does not have minimum wage law. Then does it mean the employer may recruit employees at any wage or do we have any mechanism of combating such practices. Many of the interviewee states that the law left the issue for the parties and there is no law on the area so without having standard we cannot say it is not fair or there is violation of a right.²⁰⁶ In other words the employer is free to determine the wage as he wishes.²⁰⁷ This line of argument has legal support because as stated under the FDRE labour proclamation the issue of wage is left for parties agreement.²⁰⁸

²⁰³ Interview with Ayalew Ahmed (n 148).

²⁰⁴ "The Solidarity Center is the largest U.S.-based international worker rights organization helping workers attain safe and healthy workplaces, family-supporting wages, dignity on the job and greater equity at work and in their community." See more on <<https://www.solidaritycenter.org/>> accessed 25 April 2019

²⁰⁵ Interview with Ayalew Ahmed (n 148).

²⁰⁶ Interview with Hana Maru, Law and International Affairs Senior Expert, Directorate of Harmonious Industrial Relations, Ministry of Labour and Social Affairs, (Addis Ababa 18 April 2019).

²⁰⁷ Interview with Asres Gizaw Boneya (n 99). Interview with Chanyalew Awoke Ergetie (n 100).

²⁰⁸ Labour Proclamation, Art. 53(1).

On the other hand, Anisa argues that the parks cannot go below the wage that currently being paid because the government initially negotiated with them by taking the minimum salary being paid for the civil servants of the state, however, this is not enacted as a law.²⁰⁹ If the government negotiated with employers, why they preferred this much lowest wage for its citizens and why Ethiopia do not have minimum wage law? Buzuneh responds: it is not the political ideology of the leading party but they used it as means of exploitation of the working poor for their vicious political gain, the rulers of the party, especially those who lead the country before the 2018 reformation, were highly corrupted and they do not care about workers' right.²¹⁰ And Christian said it is done for the benefit of investors those who have economic benefit tie with the government and impoverishment of the people to rule the people easily is one of the ruling party's strategy.²¹¹

However, Mushe and Shigut argues in different way: the absence of minimum wage is not emanated from the political ideology of EPRDF, the reason is that the paying capacity of economic sectors is not identified, no enough investment and work opportunity in the country. Without having enough job opportunity enforcement of minimum wage law is impossible, enforcement of minimum wage law is difficult to the survival of small and micro institutions and investors may not be attracted to Ethiopia.²¹² It is also related with the population number and unemployment level prevailed in the country.²¹³ This line of argument seems justification of the government because GTP II document highly inclined to industrialization and structural transformation than providing a mechanism to boost the economic share of the employee.²¹⁴ The document aimed at equitable benefit sharing from the outcomes of development for women and

²⁰⁹ Interview with Anisa Melko Hebero (n 109).

²¹⁰ Interview with Bizuneh Tsige (n 145).

²¹¹ Interview with Chiristian Tadele (n 186).

²¹² Interview with Mushe Semu (n 189).

²¹³ Interview with Shigut Geleta (n 146).

²¹⁴ The FDRE National Planning Commission, The Second Growth and Transformation Plan (GTP II), (2015/16-2019/20), September 2015, 16 and 47.

youth.²¹⁵ However, it is limited to ensuring gender equality in employment.²¹⁶ This means they might be advantageous to the extent that others are benefited out of the employment relationship.

Regional executive bodies and some managerial staff in industrial parks support the enactment of minimum wage law in the country,²¹⁷ the employers want to have a minimum wage law so as to control the highest turnover and repeated strikes,²¹⁸ but caution shall be taken to protect investors because they are just starting the business in Ethiopia.²¹⁹ On the other hand, others argue that providing minimum wage may not be a solution because this may create inflation and necessitate collapse of the investment.²²⁰ Political parties such as OLF wants to focus on job creation and addressing unemployment issue, because they believe that the main problem of the state is high rate of unemployment.²²¹ Bizuneh also states that²²² minimum wage law may: encourage unlawful employment; make companies bankrupt and results in job loss. Additionally, many countries come up with the law in recent year, including the 1998 law of UK, because of fear of its negative effects.²²³ We have detailed point of discussion on the possible effects of minimum wage law under section 3.3.4 of this paper.

Concerning current progress: under the draft labour law there is a possibility to establish minimum wage setting council by Council of Ministers', the provision is inserted with the effort of CETU and MoLSA.²²⁴ Upon approval of the draft by the parliament, mandate of the council

²¹⁵ Ibid. 16 and 20.

²¹⁶ Ibid. 20.

²¹⁷ Interview with Anisa Melko Hebero (n 109); Interview with Asres Gizaw Boneya (n 99); Interview with Selamawit Yirdaw (n 147).

²¹⁸ Interview with Tinsae Yima (n 182); Interview with Bogale Tumdedo (n 180).

²¹⁹ Interview with Tinsae Yima (n 182).

²²⁰ Interview with Meron Alemseged (n 174).

²²¹ Interview with Shigut Geleta (n 146).

²²² This statement is entirely personal opinion of the interviewee, may not be the position or the ideology of Patriotic Ginbot 7 Movement for Justice, Freedom and Democracy.

²²³ Interview with Bizuneh Tsige (n 145).

²²⁴ Interview with Ayalew Ahmed (n 148), Interview with Hana Maru (n 206).

will be studying living standard, the capacity of state's economy and submitting it to the government.²²⁵

The above arguments and facts presented suggest that whenever we need to have minimum wage law it is better to study all aspects of employment relationship, prevailing conditions of the state like unemployment rate, and social security system of the state.

3.3.3. Determining Minimum Wage

This section of the paper is aimed at addressing parameters that need to be considered to determine minimum wage in Ethiopia. As mentioned earlier, there is no minimum wage law in the country and the issue is left for parties' agreement: currently investors take the civil service minimum wage as a *defacto* minimum wage.²²⁶ Dawit argues that lack of minimum wage law may not drive the employers to abuse or exploit the workers because the buyer compliance forces them to respect the right of the employees and the buyers checks whether the ILO standards are respected or not.²²⁷ But, what if the companies are exporting their products to buyers those do not have buyers compliance test. In such scenario employees' interest may be affected, so minimum wage law may fill the gap and the question is how it going to be determined?

To determine minimum wage: the labour market, paying capacity of employers, the price of the products of services being provided by the employee, profitability of the business, level of risk, technicality of the work and the skill required shall be considered.²²⁸ Some argue that the experience and the scenarios in neighboring states and countries with similar economic conditions with our nation shall be considered.²²⁹ But, this line of argument is somehow difficult

²²⁵ Interview with Hana Maru (n 206).

²²⁶ Interview with Dawit Feleke Woldemaryam (n 127).

²²⁷ Ibid.

²²⁸ Interview with Anisa Melko Hebero (n 109); Interview with Ayalew Ahmed (n 148).

²²⁹ Interview with Ato Bogale Tumdedo (n 180); Interview with Tinsae Yima (n 182).

when we examine the issue, for example as per NYU Stern Center for Business and Human Rights the minimum wage of Kenyan Workers in the same industry is \$207²³⁰, equivalent to 5942.97 Birr which is eightfold of the current payment. The report shows Bangladeshi's and Myanmar's workers are the second least paid, \$95, equivalent to 2727.45, Birr this is also 3.63 times the current wage being paid. The question is: will the employers survive in Ethiopia if cost of wage increases in this manner? The answer may not be "yes" because the companies in the industrial parks left China and other similar countries and started operation in Ethiopia because of the advertisement made by EIC on the base of low wage.²³¹ We will come back to this issue with detailed reasoning under section 3.3.4 a.

In addition to the aforementioned grounds, to determine the minimum wage, it is better to consider living conditions in the country, cost of house rent, transportation cost, cost of clothes and consumable goods, with due consideration of culture of the country.²³² literatures also suggest that "[t]o estimate living wage, costs of a basic but decent quality of life in a specific place, must be known."²³³ But, Hana said it is difficult to set livable wage as a minimum wage because of the state's economic condition, many requests minimum wage to be settled but unless we enacted it at the right time, according to our economy and the capacity of the employers it will result in collapse of small-scale industries and creates high rate of unemployment.²³⁴

3.3.4. Effects of Minimum Wage Law

This section of the paper deals with the effect of having minimum wage, in light of Ethiopian context, on: foreign direct investment, job opportunities and competitiveness of products.

²³⁰ Barrett and Baumann-Pauly (n 3).

²³¹ Interview with Meron Alemseged (n 174); Interview with Christian Tadele (n 186).

²³² Interview with Chanyalew Awoke Ergetie (n 100); Interview with Christian Tadele (n 186).

²³³ Richard Anker, 'Living Wages Around the World: A New Methodology and Internationally Comparable Estimates', (2006) 145(4) International Labour Review 309-338. See also Ayelech Tiruwha Melese, Living Wage Report Non-Metropolitan Urban Ethiopia, (2017), Global Living Wage Coalition, Series 1, Report 6, 12 <https://www.isealliance.org/sites/default/files/resource/2017-12/Ethiopia_Living_Wage_Benchmark_Report.pdf> accessed 23 May 2019

²³⁴ Interview with Hana Maru (n 206).

A. On Foreign Direct Investment

Wage is one of production cost and EIC is using the low cost of wage in Ethiopia as a ground for promotion and attraction of investment.²³⁵ But, Mushe argues attracting investment at the cost of employees is wrong, because, investment is required to boost living standard of citizens.²³⁶

Not only the low wage of labour, but also, we need to consider extent of productivity of our workers and it has to be studied with comparison of other states.²³⁷ As discussed under the previous sections employers in industrial parks claim that Ethiopian workers are not productive compared to other states' workers such as China, Kenya, Vietnam and Bangladesh, because of poor work culture and holidays.²³⁸ In addition to this instability and security problems in some urban areas makes workers to be late or absent from work.²³⁹

To enact minimum wage law without affecting FDI, we have to know what do we have better than other competing states on the area, needs a study and improvement of the drawbacks. The government claims we have cheap supply of electricity but note that the Ethiopian Water, Irrigation and Energy Minister announced that beginning from 17 May 2019 to 07 July 2019 electric power will be supplied in shift,²⁴⁰ it is in addition to the persistent blackout. There is also problem related with supply of raw materials for the industry parks.²⁴¹ Not only this, in Ethiopia the wage is lowest but the investor incurs high cost of logistics,²⁴² and investors claims that Ethio-Djibouti transportation system is expensive.²⁴³ Knowing Ethiopia's world ranking in some

²³⁵ Interview with Meron Alemseged (n 174).

²³⁶ Interview with Mushe Semu (n 189).

²³⁷ Ibid.

²³⁸ As per Ethiopian calendar in 2011 E.C there are 13 Holidays, and as we have mentioned earlier workers may not appear to work on the days before and after the holiday.

²³⁹ Interview with Simeneh Gizaw (n 97), Interview with Belay Hailemichael (n 97); Interview with Ahmed Belay (n 97).

²⁴⁰ Bahiru Ydnekachew, Because of shortage of power supply the allocation will be in round, News, Fana Broadcasting Corporation, 17 may 2019, at 4:42 pm.

²⁴¹ Interview with Bogale Tumdedo (n 180).

²⁴² Interview with Tinsae Yima (n 182).

²⁴³ Interview with Belay Hailemichael (n 97).

sectors helps to think of the possible effect of setting minimum wage on FDI: we are 105th regarding railway, 149th merchant marine, 99th in electricity production and 127th on export.²⁴⁴ A case study report from UNIDO indicated that industrial park developers and resident firms in Ethiopia experience multi-faceted challenges, including public utility provision and skills development.²⁴⁵

The negative effect of minimum wage on FDI and job loss has been proven by researchers like Ramya M. Vijaya and Linda Kaltani.²⁴⁶ Therefore, with the problems listed hereinabove, setting minimum wage may discourage investors from coming to Ethiopia, especially leaving from far east. To enact minimum wage law, we need to consider the benefit of all parties, including foreign direct investment, and other possible effect of the law.²⁴⁷

B. On Job Opportunities

In Ethiopia the bargaining power of the employee is very low and the employer can easily fire and recruit others, this is happened because of the prevailing high unemployment rate in the country,²⁴⁸ unemployment rate for the population older than 15 in urban area is 17%.²⁴⁹ The government claims that if we have minimum wage law the employers will not take large number of work force and this aggravates the unemployment rate in the country. But Christian argues that the investors have the duty to recruit employees because they are the resource of the nation including land and other inputs of production. If the land was not taken by the investor it can belong to the youth or available for construction of public goods, working for bread is slavery and we left the state to economic colonialism.²⁵⁰ But, many of the investors in the industry parks are foreigners and they do have a lot of options including leaving the state, note that the shades are leased from government. The negative effect of minimum wage on total number of jobs,

²⁴⁴ CIA (n 198).

²⁴⁵ Xiaodi Zhang and others (n 9) 1.

²⁴⁶ Vijaya and Kaltani (n 6).

²⁴⁷ Interview with Bogale Tumdedo (n 180).

²⁴⁸ Interview with Bizuneh Tsige (n 145).

²⁴⁹ Mo Ibrahim Foundation, Africa at a Tipping Point, Forum Report, 2017, 16.

²⁵⁰ <http://s.mo.ibrahim.foundation/u/2017/09/14103424/2017-Forum-Report.pdf> accessed 17 May 2019

²⁵⁰ Interview with Chiristian Tadele (n 186).

creating unemployment, in some industries has been admitted by Ludwig V. Mises,²⁵¹ Joseph Stiglitz²⁵² and Charlie Mayfield,²⁵³ as Mayfield expression the industries will tend to become more automated to decrease employees.

C. On Competitiveness of Commodities

Wage is one of production cost need to be calculated with the final price of the product so it has direct effect on the competitiveness of the product. Bizuneh argues high cost of labour results in expensiveness of products unless the producer got incentives or subsidies.²⁵⁴ On the other hand, Mushe says competitiveness of a product is determined by many other factors, not only labour cost, like time, delivery, quality of products and the price of other production inputs.²⁵⁵ To increase competitiveness of products we have to increase the quality of goods, improve system of import and export and working on economic diplomacy.²⁵⁶ However, the question is does Ethiopia improved all these factors? Take note of that Ethiopia is a state with the least GDP per capita, \$783,²⁵⁷ making the better of few states only.²⁵⁸

²⁵¹ Ludwig Von Mises, *Human Action: A Treatise on Economics* (Fourth Revised Edition 1996), 776.

²⁵² Joseph E. Stiglitz, *Principles of Macroeconomics* (Second Edition 1997), 388.

²⁵³ Graham Ruddick interview with Sir Charlie Mayfield, chairman of the John Lewis Partnership and UK's government adviser on productivity, 'higher minimum wage should boost productivity', the Guardian, Sun 25 Dec 2016 <<https://www.theguardian.com/business/2016/dec/25/john-lewis-minimum-wage-productivity-sir-charlie-mayfield>> accessed 23 May 2019

²⁵⁴ Interview with Bizuneh Tsige (n 145).

²⁵⁵ Interview with Mushe Semu (n 189).

²⁵⁶ Interview with Chiristian Tadele (n 186).

²⁵⁷ World Bank, <<https://www.worldbank.org/en/country/ethiopia/overview>> accessed 20 May 2019

²⁵⁸ World Bank, <<https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?>> accessed 19 May 2019

3.4. Options to Combat the Negative Effects of Having Minimum Wage Law and Ethiopian Reality

Under the forgoing sections of the writing we have dealt with necessity of minimum wage for Ethiopia along with its effects, this section is devoted to examine whether Ethiopia is capable to overcome the challenges.

As we have seen in the preceding sections, creating work does not mean providing the work force for exploitation.²⁵⁹ Therefore, we need to have a mechanism that can protect the work force from exploitation, many of the interviewee responded that we need to have minimum wage law to prevent the exploitation.²⁶⁰ It increases consumption power of the society, boosts saving capacity of wage earner, combat exploitation and protect the well-being and health of the working force.²⁶¹ Their claim tells us the minimum wage shall be livable wage, capable to cover cost of basic needs. This means to declare minimum wage: the government shall study cost of living in the state and this may not be less than the standard indicator of poverty line which is 2.62 dollar a day, as per the revised threshold for extreme poverty is \$1.25 a day in 2005 prices, threshold for poverty is \$2 a day in 2005 prices²⁶², and the 2005 2 dollar is equivalent to 2.62 dollar in 2019,²⁶³ which is equivalent to 75.22 Birr a day and 2256.6 Birr a month.

If the government is going to increase the current wage to the extent livable wage, 2256.6 Birr, high rate of job loss is inevitable. In such conditions the developed world has unemployment insurance for unemployed, but actively looking for work.²⁶⁴ However, is that possible for

²⁵⁹ Interview with Getnet Denberu (n 120).

²⁶⁰ Interview with Mushe Semu (n 189), Interview with Ayalew Ahmed (n 148); Interview with Chanyalew Awoke Ergetie (n 100); Interview with Chiristian Tadele (n 186); Interview with Dawit Feleke Woldemaryam, (n 127); Interview with Asres Gizaw Boneya (n 99); Interview with Anisa Melko Hebero (n 109); Interview with Yohanes Ezo Adulo (n 110).

²⁶¹ Interview with Mushe Semu (n 189).

²⁶² ILO, Global Employment Trends (2009), 13 <https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_101461.pdf> accessed 17 March 2019

²⁶³ <<https://www.usinflationcalculator.com/>> see also <<https://www.officialdata.org/us/inflation/2005?amount=2>> accessed 17 March 2019

²⁶⁴ Tax Policy Center Briefing Book, Key Elements of the U.S. Tax System, what is the unemployment insurance trust fund, and how is it financed? <<https://www.taxpolicycenter.org/briefing-book/what-unemployment-insurance-trust-fund-and-how-it-financed>> accessed 19 May 2019

Ethiopia, a country ranked 25th on the list of poorest countries of the world.²⁶⁵ All persons those who suggested the minimum wage law admitted this reality. Not only this, our manufacturing sector is not as such productive and it requires studying of their bearing capacity.²⁶⁶

If the government enacts a law on minimum wage, without having welfare system, many workers will be on the street and the government does not have strong economic justification to do so, unless motivated for political gain.²⁶⁷ In a country with high unemployment rate minimum wage law have the possibility to create informal employment relations. Others argue that, having unemployment fund is difficult but we may have different schemes like making the legal and policy framework easy to conduct private business.²⁶⁸

The regional authorities support enactment of minimum wage law but they did not proposed a solution for the possible effect of it.²⁶⁹ Tinsae said, we cannot provide unemployment fund, rather it is better to use other options to enable the employer to recruit more workers, such as lowering cost of logistic, focusing on value adding investments and production of highly marketable products, providing dormitory or low-cost houses for employees, and establishing cooperative societies to provide services for the workers with low price.²⁷⁰ Getnet also suggests the possibility of using the 10 billion birr youth employment creation fund, to combat job loss because of minimum wage law.²⁷¹ But, the fund is approved for the existing unemployed force and it is insufficient for them. Therefore, the reality precludes Ethiopia, a state with more than 10 million unemployed youth, from doing so.

²⁶⁵ Luca Ventura, Poorest Countries in the World 2019, 17 April 2019, Global Finance Magazine, <<https://www.gfmag.com/global-data/economic-data/the-poorest-countries-in-the-world>> accessed 20 May 2019

²⁶⁶ Interview with Hana Maru (n 206).

²⁶⁷ Interview with Bizuneh Tsige (n 145).

²⁶⁸ Interview with Christian Tadele (n 186).

²⁶⁹ Interview with Asres Gizaw Boneya (n 99); Interview with Anisa Melko Hebero (n 109).

²⁷⁰ Interview with Tinsae Yima (n 182).

²⁷¹ Interview with Getnet Denberu (n 120).

Chapter Four

Conclusion and Recommendations

4.1. Conclusion

The thesis examined the Law and the Practice of Minimum Wage at the Industrial Parks of Ethiopia, for this reason various evidences have been presented to argue for and against enactment of minimum wage law along with the problems of absence of minimum wage law and possible effects of having the law.

The thesis revealed that the wage being paid at industrial parks is a result of the intention of the government to attract investment at the time of negotiation with the investors, and it has been negotiated by the government taking the civil servants' minimum salary as a base. As discussed under chapter three, the report by New York University Stern Center for Business and Human Rights claim that the low wage with the additional payments does not cover basic needs of employees. However, this is not peculiar for workers of industrial parks, even 83.33% of the off-park garment workers, those who earn 2.55-folds of the wage at industrial parks, claim that their income is insufficient to cover cost of basic needs. In addition to this, the wage being paid at the industrial parks may not be treated as lowest of Ethiopian standard, because many sectors including the government is paying less than a wage being paid at industrial parks.

The interested groups, including workers and representatives of trade unions, admitted that the companies are providing work place meal, with some reservation on its quality, transportation and incentives like attendance allowance. More over this, some companies have started to build dormitories for their employees and the government allocated land and loan for construction of houses to be rented for workers. It is undeniable fact that providing all this services and allowances lower employees' cost of living. As noted earlier the civil servants' monthly salary has been used as a base to determine the wage at industrial parks and the civil servants are presumed as surviving with this wage, without work place meal, transport allowance, attendance incentives and dormitory provided by employers.

In the examined industrial parks there is no health centers but the government encourages the companies in various means like allowing importation of duty-free material. By considering its

social and economic significance to the workers, the employees shall struggle for establishment of the service centers in industrial parks.

As evidenced under chapter three of this paper, out of 127 companies with 55,349 workers operating in the three industrial parks there is only one trade union, this precluded the workers from struggling for the betterment of their wage and affected their constitutionally guaranteed right of forming an association. Therefore, the concerned bodies shall give special attention for formation of trade unions in the industrial parks, “because labour rights are not merely about obtaining gainful employment”.²⁷²

If the state provides minimum wage applicable only for industrial parks, it will hamper the development of the sector, the area distinguished for its attraction of FDI. Because, we do not have better options than countries competing with us on the area. Additionally, the country has no option to combat the job loss that will result from enactment of minimum wage law, enactment of minimum wage law requires striking the balance between the workers’ right and interest of the investor and the general economy

The wage being paid at industrial parks is lower than wage at off-park industrial park garment sector. But, the unemployment prevailed in the country is worse than the low wage: Ethiopian knows the low wage and other related problems prevailed at the industrial parks, but still they need the parks near to them, on 17 May 2019 this question was part of the slogans at the demonstration of Wolaita ethnic group held in Wolaita Sodo City. The Ethiopian government shall not see the question of minimum wage system in isolation, it is also better to consider other “social and employment policies”²⁷³ of the country. Even the history of some states reveals that minimum wage law needs special consideration so as to prevent the negative effects that will result there from. Such as United Kingdom, one of the great economies of the world had enacted its first national minimum wage in 1998, this tells us countries shall give a priority for employment creation and decreasing of unemployment rate.

²⁷² Mehari (n 163) 5.

²⁷³ ILO, Definition and purpose of Minimum Wage, <https://www.ilo.org/global/topics/wages/minimum-wages/definition/WCMS_439072/lang--en/index.htm> accessed 24 May 2019

As mentioned under chapter three of the paper employers claim that the workers are less productive and we have proven that low wage is a reason for low productivity. So, to improve productivity and to maximize profit of the companies, the employers shall increase the wage of their employees. However, the driving force may not be minimum wage law of the government, it shall be left for collective bargaining and collective agreement. The experience of other states shows us a better outcome with this respect.

We have seen that a minimum wage is required to be livable wage meaning that able to cover cost of basic needs. For instance, in US a “*federal minimum wage of \$15 would mean that the vast majority of households would have earnings above the poverty line if they had at least one full-time worker*”.²⁷⁴ As we discussed under chapter two and three of this paper, minimum wage is livable wage and capable to satisfy “minimum standard of living necessary for health, efficiency and general well-being”. As per the 2008 World Bank new poverty estimates threshold for poverty has been USD 2 a day in 2005 prices, which is equivalent to 75.22 Birr a day and 2256.6 Birr a month in 2019 price and the Ethiopian minimum wage at least shall be equivalent to this, to protect the worker from being a working poor. However, is this possible for the 25th poorest economy in the world with 29.6%²⁷⁵ of its population below poverty line. In addition to this, the high rate of unemployment prevailed in the country, the poor executive capability and follow up system for the implementation of the laws of the state, having minimum wage law may become the reason for underground employment contracts and violation of the law. The country is duty bound to enable the working group to get livable wage, emanated from human right instruments. But, it is subject to progressive realization commensurate to the

²⁷⁴ Manning (n 43) 133.

²⁷⁵ CIA, World Fact Book (n 196).

economic reality of the state.²⁷⁶ Therefore, now is not the time to enact minimum wage law in Ethiopia to regulate the low wage being paid at industrial parks.

4.2. Recommendations

Ethiopian government may not enact minimum wage law to rectify the low wage system prevailed in the industrial parks, in the current economic condition and infant nature of the sector enacting a minimum wage is amounts to opening up the pandora's box.

The foreign industries are expected to respect the laws of the state and executive agencies shall follow up its compliancy. By doing so, the employees shall be enabled to form their own association, not the work council established by the employers. And, the workers shall continue their struggle for the improvement of working conditions prevailed, including carrying on the persistent strikes and work slow-down until that day they are paid what they deserve.

²⁷⁶ ICESCR, Art. 2(1). see also OHCHR, Key concepts on ESCRs: What are the obligations of States on economic, social and cultural rights?

<<https://www.ohchr.org/EN/Issues/ESCR/Pages/WhataretheobligationsofStatesonESCR.aspx>> ; OHCHR, Frequently Asked Questions on Economic, Social and Cultural Rights, Fact Sheet No. 33, 13 <<https://www.ohchr.org/Documents/Publications/FactSheet33en.pdf>> accessed 24 May 2019

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Annexes

Annex I: Questionnaire Distributed for Employees

Dear Respondent,

This questionnaire is aimed at collecting data for a research titled “*The Law and the Practice of Minimum Wage at Industrial Parks of Ethiopia*” and being a respondent is a voluntary engagement. The information gathered from you may not be employed other than the intended research and your personal information remain confidential. Thank you for your endeavor.

NB: Please encircle the letter representing your answer

I. Description of research Participants

1. Gender: A. Male B. Female
2. Please tell us Your Age A. 14-18 B. 18- 35 C. 35-65 D. above 65
3. Please tell us your Marital status A. Unmarried B. Married C. Divorced D. Widow/widower
4. Please tell us Your Academic Level
 - A. Grade 1-6 B. Grade 7-8 C. Grade 9-10 D. Grade 11-12 E. Graduated from TVET College
 - F. Diploma from College G. BSc Or BA Degree H. MA/MSc or Above
5. Year of work Experience
 - A. Less than two Year B. two-five years C. Five – eight years D. Eight -twelve E.

II. General Work Situation

6. Is there a labour union in the organization you are employed? A. Yes B. No C. I do not know
7. If yes, what is the role of the union in determining the wage of the workers
 - A. Have say in the process B. Provides recommendation for the Employer C. Have No role
 - D. I do not know
8. Is there a direct mechanism to bargain on your wage in the organization?
 - A. Yes B. No C. I do not know
9. If your answer for the above question is 'Yes', what kind of mechanism is being implemented? _____
10. Please tell us your gross monthly salary_____
11. How do you rate your monthly salary?
 - A. Sufficient and it is livable wage
 - B. Insufficient and even cannot cover necessary costs
 - C. I do not know
12. Are you able to save for the future from your wage?
 - A. Yes B. No
13. What are your Major expenses from your income (you may choose more than one item)
 - A. House Rent
 - B. Food stuffs
 - C. Outfits and shoes
 - D. Transport costs
 - E. Expenses for academic purpose
 - F. Recreational Expenses
 - G. _____
14. Do You Feel that you are dependent on others?
 - A. Yes B. No C. to some extent I am Dependent on others
15. Is there anyone Dependent upon you?
 - A. Yes B. No
16. If yes, who is that dependent? (You may choose more than one item)
 - A. Children B. Husband/Wife C. parent/s D. Brother/sister E. Others_____
17. Please, tell us number of Dependents?

A. One B. Two C. Three D. Four E. _____

18. Do you feel that the wage you are earning have the possibility to support your future plan?

A. Yes B. No C. I do not Know

19. If you get enrolled in academic institutions, can you cover your tuition fee and other related expenses with your current wage? A. Yes B. No C. I do not know

III. Housing Related Questions

20. Please tell us your situation regarding housing

A. I live with my parents B. I Live alone C. I Live with my dependents D. I live with my Husband/Wife E. sharing a room with others F. _____

21. If you are sharing a room with others, why

A. I cannot cover the expense B. I love to Share a room C. I Can cover the expense but renting a house is not accessible

22. Source of the house:

A. Rented B. Purchased/Constructed with my own effort C. Usufruct from family or others D. inherited

23. If it is rented, are you able to cover the expenses?

A. Yes B. No C. I do not know

24. Please tell us Number of Rooms that you are living in

A. One B. Two C. Three D. Four E. _____

25. Does your house have its own ---- (you may choose more than one item)

A. Toilet B. Bath room C. Kitchen D. Other service room (please name it) _____

IV. Food and Medical Treatment Related Questions

26. Do you think that you are feeding yourself and your dependents properly?

A. Yes B. No C. I do not know

27. Have you experienced the following situations because of improper feeding or lack of food? (you may choose more than one item)

A. Illness

B. Failing to perform the work

C. Reduced productivity

D. None

28. Is your salary sufficient to cover cost of medical treatment? A. Yes B. No.
29. do you have medical cover by your employer?
A. Yes B. No
30. Have you ever unable to get treatment because of short of money while you are employed
A. Yes B. No
31. Who covers cost of medication
A. Myself B. My employer C. MY family D. Others_____

V. Clothing and other expenses related Questions

32. Is your salary able to buy clothes for yourself and your dependents?
A. Yes B. No
33. If your answer for the above question is yes, how many times?
A. Once a year B. twice a year C. three times in a year D. Four times in a year E.

34. Can you tell as quality of the cloth?
A. New and Original cloths from a shop B. Used cloths from local market
35. Is your salary able to purchase cosmetics you may require to use?
A. Yes B. No

VI. Miscellaneous Questions

36. Do you think that the presence of minimum wage will increase or decrease job opportunities on the side of employer?
A. It increases B. It Decreases C. I do not know
37. Have you ever engaged in strike as a result of wage related complain in the past three years?
A. Yes B. No
38. If yes, what was the result? (you may choose more than one item)
A. We got what we requested B. the employees those who initiated were fired
C. Resumed work without any effect D. I do not know
39. Is there wage increment standard and parameters for employee in the organization you are employed?
A. Yes B. No

40. If yes, what are the criteria? (you may choose more than one item)

- A. Work experience B. Educational background C. Ethnic affiliation D. Political affiliation E. being relative for the managers or the owner of the organization
F. _____

41. Do the employer have its own means of transportation?

- A. Yes B. No

Annex II: Interview Questions for MoLSA, BoLSA, Office of State Administration, Main offices of EIC and IPDC

1. Is there a way to protect the right of workers when there is no minimum wage fixed under the law? How?
2. Can the employer hire an employee with a very low salary as long as the employee agreed? Is there a forum or mechanism to challenge such practice?
3. What is the role of your office with this aspect?
4. How the amount of wage for a certain work done should be determined?
5. Have you ever experienced strike as a result of wage related complaint? How it has been administered?
6. Do you/your institution suggest the need for minimum wage standard in the country? What contribution have you made for the change?
7. What might be the ground for the determination of minimum wage? please let me know things need to be considered
8. Let us assume that statutory minimum wage has been prescribed. What gap filling measure will you have in case workers failed to obtain job that pays at least the statutory minimum?

Annex III: Interview Questions for CETU

1. Is there a way to protect the right of workers when there is no minimum wage fixed under the law? How?
2. Can the employer hire an employee with a very low salary as long as the employee agreed? Is there a forum or mechanism to challenge such practice?
3. What is the role of your office with this aspect?
4. How the amount of wage for a certain work done should be determined?
5. Have you ever experienced strike as a result of wage related complaint? How it has been administered?
6. Do you/your institution suggest the need for minimum wage standard in the country? What contribution have you made for the change?
7. What might be the ground for the determination of minimum wage? please let me know things need to be considered
8. Let us assume that statutory minimum wage has been prescribed. What gap filling measure will you have in case workers failed to obtain job that pays at least the statutory minimum?
9. Do your institution established a relation with Solidarity Center? What are you doing with them? How do you see their motive especially with regard to the trade war between China and USA?
10. Is your organization working with free legal aid centers of the universities located at Industrial Parks? Please tell us the issues you are working on with them.

Annex IV: Interview Questions for Courts

1. Please tell us type of cases frequently instituted in relation to industrial parks, either civil or criminal cases?
2. How many of them have been convicted for the criminal charges?
3. What are the driving factors for their involvement in the criminal acts?
4. How many of them were assisted with a lawyer/legal aid?
5. If they were not assisted with a lawyer/legal aid, what was the main reason?

Annex V: Interview Questions for Branch offices of EIC, IPDC and BoLSA of City Administration at Industrial Parks

1. Is there a claim or grievance concerning wage?
2. What are the main problems raised in relation to wage?
3. Is there transport allowance in the companies?
4. Is there house allowance or house provided by employers for the employees?
5. Is there work place meal or allowance for cost of meal?
6. Is there a clinic in the institution? Do the companies cover cost of medication?
7. Have you ever experienced strike as a result of wage related complaint?
8. How strikes have been administered?
9. What are the problems being claimed by employers?
10. How many workers and companies are working in the park?

Annex VI: Interview Questions for Representatives of Employers Association

1. Is there a claim or grievance concerning wage?
2. What are the main problems raised in relation to wage?
3. Do you think that the wage being paid at the parks is sufficient to cover cost of basic needs?
4. What are the weaknesses of the employees?
5. Is there transport allowance in the companies?
6. Is there house allowance or house provided by employers for the employees?
7. Is there work place meal or allowance for cost of meal?
8. Is there a clinic in the institution? Do the companies cover cost of medication?
9. Have you ever experienced strike as a result of wage related complaint?
10. How strikes have been administered?
11. What are the problems being claimed by employers?
12. How many workers and companies are working in the park?

Annex VII: Interview Questions for Employers or Their Representatives

1. Please tell us the minimum wage being paid at your institution?

2. Is there a transportation service provided for employees?
3. Do you cover cost of medication, other than for occupational injuries?
4. Is there a house or house allowance for your employees?
5. Is there a labour union in the organization? A. Yes B. No C. I do not know
6. If yes, what is the role of the union in determining the wage of the workers
A. Have say in the process B. Have No role C. Provides Non-Binding Recommendation for the Employer D. I do not know
7. Is there a mechanism that let the employees directly bargain on the wage in your organization?
Yes B. No C. I do not know D. I do not want to give an information
8. If your answer for the above question is yes, what kind of mechanism is being implemented?

9. Please tell us the average wage being paid at your institution?
10. What will be the effect of having minimum wage?
A. That decreases the total job in our organization B. That increases the total job in our organization C. It does not have effect on the total job in our organization D. I do not know
11. If it results in reduction of employees, what will be your option to substitute the workers reduced? _____
12. How do you rate the wage your organization is paying for the employees?
A. Sufficient and it is livable wage
B. Insufficient and even cannot cover necessary costs
C. I do not know
D. I do not want to give an information
13. What is the base to determine the wage of the employees in your organization
A. Our profit
B. The experience of our competitors
C. the experience of other states
D. other_____

14. Have you ever experienced strike, in the past, three years as a result of wage related complain?
- A. Yes B. No
15. What is your position if the government wants to set minimum wage and proclaim it accordingly?
- A. I will agree with the idea B. I will disagree with the idea C. It does not matter me
- D. I have no opinion on the issue E. I do not want to reveal my position
17. Do you agree with the argument that low wage reduces productivity?

Annex VIII: Interview Questions for Trade Union Representative

1. When was your trade union established?
 2. Do you think that the wage being paid sufficient to cover cost of basic needs?
 3. What you have done to improve the wage system in the organization?
 4. What kind of challenges your TU encountered with?
 5. Have you ever engaged in strike as a result of wage related complain in the past three years?
- If yes, what was the result?

Annex IX: Interview Questions for Political Parties

1. Have you ever used or do you have a plan to make minimum wage as part of the election campaign? What amount?
2. What shall be done to protect the right of workers in relation to the wage being paid at the manufacturing sectors? How to protect the right of workers when there is no minimum wage fixed under the law?
3. What are the existing challenges and limits of absence of minimum wage?
4. Do you think the absence of minimum wage correlates with the political choice of the ruling party?
5. What is the base to determine the relevance of minimum wage in our country? How the amount of wage for a certain work done should be determined? What might be the ground for the determination of minimum wage, and how high is too high?

6. Do you think that having minimum wage rate affects FDI and total number of works in the country?
7. Do you think the absence or presence of minimum wage correlates with productivity?
8. Do you think lack of minimum wage law ensure competitiveness of Ethiopia in foreign trade and the products in local market?
9. Let us assume that statutory minimum wage has been prescribed. What gap filling measure will you have in case workers failed to obtain job that pays at least the statutory minimum?