Made in Ethiopia:

Challenges in the Garment Industry's New Frontier

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On the cover:
Workers in a factory at the Hawassa Industrial Park in Ethiopia make apparel for Western brands. Photo courtesy of Enterprise Partners, Addis Ababa

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Executive Summary

In recent years, Ethiopia has launched a bold economic and social experiment by inviting the global garment industry to set up shop in the East African country. Drawn by newly built industrial parks and a range of financial incentives, manufacturers for some of the world's best-known brands—among them, H&M, Guess, and PVH (Calvin Klein, Izod, Tommy Hilfiger)—employ tens of thousands of Ethiopian workers in a nascent sector the government predicts will one day have billions of dollars in sales.

> "Ethiopia faces a choice when it comes to manufacturing clothes for Western consumers: Does it follow the trajectory of China or Bangladesh?"

This report provides a close look at the flagship Hawassa Industrial Park, a vast and still only partly filled facility which currently employs 25,000 workers about 140 miles south of the capital of Addis Ababa.

For all of its potential, the apparel industry in Ethiopia has already encountered difficulties. The government's eagerness to attract foreign investment led it to promote the lowest base wage in any garment-producing country—now set at the equivalent of $26 a month. On that amount, workers, most of them young women from poor farming families, cannot afford decent housing, food, and transportation. Even when factory owners provide additional modest payments for regular attendance and meals, workers struggle to get by. It's common for young women to live four-to-a-room, without indoor plumbing.

Given relatively little training, restive employees have protested by stopping work or quitting altogether. Productivity in the Hawassa factories typically is low, while worker disillusionment and attrition are high.

Ethiopian politics are unexpectedly disrupting factory operations. Prime Minister Dr. Abiy Ahmed, chosen in April 2018 by Ethiopia's long-time ruling party, has freed political prisoners and made peace with neighboring Eritrea. But the easing of repression has inadvertently unleashed previously bottled-up ethnic animosity. In Hawassa, local militancy has become entwined with labor issues, resulting in short strikes at individual factories and occasional park-wide closings.

Assuming its volatile politics do not chase away foreign investors, Ethiopia faces a choice when it comes to manufacturing clothes for Western consumers: Will it emulate China or countries like Bangladesh, Cambodia, and Honduras? The answer to that question points to a broader one: Under what conditions do manufacturing jobs lead to improved worker welfare and sustained economic development?

China has built a prolific textile and apparel sector that has created jobs, boosted exports, and increased foreign-exchange earnings. The Chinese moved on from simple t-shirts and trousers to produce more complicated, higher-value clothing, just as they eventually diversified into manufacturing other goods, ranging from cars to digital devices. China's economic success has not been matched by respect for human rights or political freedom. But Ethiopia could strive to emulate the Chinese approach to manufacturing while diverging politically to strengthen Ethiopian democratic institutions. A first step would be making sure that its workers are well trained, motivated, and paid enough to afford basic necessities.

(Executive Summary continued)

Alternatively, Ethiopia could follow Bangladesh's example. Unable to develop its own supply chain, Bangladesh imports all of the components of the clothing it produces. Its factories generally haven't progressed beyond cutting and sewing basic items. Bangladesh's garment industry has created many jobs, but it hasn't elevated the quality of those jobs for most workers or the value added to exports.

At a crossroads, Ethiopia can choose a future following China's approach to apparel making. This choice would encourage social and economic advancement that would help workers, as well as the broader population.

Summary of Our Recommendations

For the Ethiopian Government:

1. **Address ethnic tension in Hawassa and elsewhere.**
   Prime Minister Dr. Abiy Ahmed needs to apply his ample political skill to defusing potential violence that could threaten Hawassa and other industrial parks.

2. **Craft and implement a long-term economic plan for strengthening the apparel industry.**
   The elements include developing a domestic supply chain, shoring up industrial parks, and diversifying into other sectors.

3. **Establish a minimum wage that ensures decent living conditions for garment workers.**
   This must be done gradually so as not to drive away foreign manufacturers.

4. **Streamline infrastructure and administrative processes.**
   High rail freight rates and a recalcitrant customs service both demand attention.

For the Foreign Manufacturers and Western Brands

5. **Align business models with Ethiopian realities.**
   Western brands should develop long-term supplier relationships which allow factories to improve efficiency over time.

6. **Build worker dormitories that offer subsidized rent.**
   The lack of decent housing is the most pressing form of worker deprivation in Hawassa.

7. **Provide more extensive training on both hard and soft skills.**
   Evidence of the need for more training comes in the form of low efficiency numbers and high attrition rates.

8. **Promote more Ethiopians more quickly into middle-management jobs.**
   Doing so would alleviate the tension between managers from East and South Asia and their Ethiopian charges.

9. **Foster workers' councils that provide a real employee voice and a venue for grievances.**
   The companies should pay for expert training for council members on how to run an effective representative committee.

1. Introduction

> Can a landlocked country of 105 million people historically known for drought, famine, and ethnic unrest, become the shiny new link in the global supply chain for Western apparel?

The Hawassa Industrial Park has the orderly appearance of a manufacturing oasis in a turbulent country not known for being business-friendly. Named for the small lakeside city in south-central Ethiopia where it's located, the 300-acre park has 52 hangar-size metal factory sheds, each painted gray with orange trim and arranged in tidy rows along ruler-straight newly paved streets. Outside the park gates, donkey-pulled carts stacked high with firewood compete with rickety three-wheeled taxis, incessantly honking cars, and the occasional stray cow or goat.

Inside the factory sheds, Ethiopian workers, mostly young women from rural villages, operate digitally equipped sewing machines, producing shirts, pants, and sportswear destined for Europe and the United States. Many of the employees are pioneers of sorts—the first in their family to leave behind subsistence farming for a formal job in the city. Opened in June 2017, the park represents a high-stakes bid by the Ethiopian government to propel its poverty-stricken agricultural economy toward a more prosperous future built on providing clothing to consumers in the West.

"We will make Ethiopia the leading manufacturing hub in Africa,"Dr. Arkebe Oqubay, special economic adviser to the country's prime minister and architect of its industrial park strategy, told us in an interview. The flagship of this effort, the Hawassa park is a source of national pride, a place where visiting foreign dignitaries are taken to witness Ethiopia's new economic capability.

The undertaking is enormous and expensive. Hawassa is one of five huge publicly owned industrial parks the government has inaugurated since 2014. Ethiopia has promised to open a total of 30 by 2025. These projects depend heavily on billions of dollars in foreign loans that the country uses to pay Chinese construction companies to build factories, roads, and other infrastructure.

Ethiopia's growing industrial capacity, along with rock-bottom labor costs, has impressed some of the biggest names in the apparel industry. Ethiopian factories are producing for Guess, H&M, Hanes, JC Penney, and The Children's Place. PVH, one of the largest apparel companies in the world, with labels such as Calvin Klein, Izod, and Tommy Hilfiger, anchors the Hawassa Industrial Park. Suppliers from China, India, Sri Lanka, and other countries have opened factories at the facility.

The park currently has some 25,000 employees and is supposed to grow to 60,000 working two shifts. The Ethiopian government predicts that eventually, clothing exports from all of the industrial parks will total $30 billion a year—a seemingly unrealistic leap from the current level of $145 million. Progress toward these goals, according to the government, is "mainly driven by the country's wide availability of raw materials, cheap labor, [and] low energy costs."[1]

> "The main error the government made was to assure Asian suppliers and Western buyers that Ethiopian sewing machine operators would contentedly accept extremely low base pay—now set at 750 birr, or $26 a month."

For its part, PVH maintains that Hawassa "show[s] the world there is no conflict between companies doing well and companies doing right by the people, the community, and the environment they operate within."[2] In October 2018, the U.S. Department of State gave PVH its annual corporate sustainability award, singling out Hawassa. The park will inspire "responsible industrialization across Ethiopia for the betterment of the entire population," according to the department.[3]

Can a landlocked country of 105 million people historically known for drought, famine, and ethnic unrest, become the shiny new link in the global supply chain for Western apparel? Will "Made in Ethiopia" labels one day rival "Made in China"?[4]

At first blush, it seems unlikely. The World Bank ranks Ethiopia 159th out of 190 countries assessed for ease of doing business (China is 46th).[5] But with tight labor markets pushing up wages in China and other Asian manufacturing nations, Western brands and retailers have been looking for new places to have their clothes made inexpensively.

In 2012, PVH (formerly Phillips-Van Heusen) began what amounted to a multiyear audition of East African countries. Ethiopia won that contest, and suppliers to PVH have flocked to the country. So have companies that manufacture for H&M (Hennes & Mauritz), the Swedish fast-fashion giant, and a number of other major Western brands and retailers. PVH even invested directly in a factory it operates as a joint venture in Hawassa—a highly unusual move in an industry where most of the big players got out of hands-on manufacturing decades ago and today function as international apparel marketers and financiers.

Worrisome Signs

For all of the potential the apparel industry represents in Ethiopia, however, there are reasons to worry. The responsiveness of top Ethiopian government officials helped the country win the trust of PVH, but that eagerness to please has led to miscalculations. The main error the government made was to assure Asian suppliers and Western buyers that Ethiopian sewing-machine operators would contentedly accept extremely low base pay—now set at 750 Ethiopian birr, or $26 a month. (Ethiopia has no legally mandated minimum wage for the private sector.)

The problem is that $26 does not cover workers' basic needs, even in Hawassa. On an annual basis, this entry-level salary comes to only $312, or 40% of the average per capita income of $783 in Ethiopia.[6] Even when factory owners provide modest bonuses for attendance and allowances for food and transportation, most workers struggle to get by, let alone save any money or send cash home to their families in the countryside. It's common for young women employees to live four-to-a-room, without indoor plumbing, a kitchen, or a place to keep their meager belongings.

Rather than the compliant, cheap workforce they may have assumed they would hire in Ethiopia, the foreign-based suppliers have encountered employees who are unhappy with their compensation and living conditions and increasingly willing to protest by stopping work or even quitting. Suppliers have struggled to train Ethiopian sewing-machine operators to work efficiently in an industrial environment. Productivity in the Hawassa factories generally is low; attrition, high.

There are also problems with raw materials, almost all of which, for the moment, need to be imported into Ethiopia. The government advertised the availability of more than 3 million acres for cotton cultivation. In fact, only about 148,000 acres are being used to grow cotton, and that figure is falling as local farmers switch to sugar, sesame, and other more lucrative cash crops. As a result, most of the fabric used at the Hawassa park comes from outside Ethiopia.

On yet another front, Ethiopian politics are disrupting factory operations. Dr. Abiy Ahmed, a dynamic young prime minister chosen in April 2018 by Ethiopia's long-time ruling party, has won applause at home and abroad for freeing thousands of political prisoners and making peace with neighboring Eritrea. But his lifting of oppressive policies has inadvertently unleashed previously bottled-up ethnic animosity, leading to identity-based violence and mass displacement of certain populations.[7] In Hawassa, local ethnic militancy has become entwined with labor issues, resulting in short strikes at individual factories and occasional park-wide closings.

What seemed just three years ago like a manufacturing sanctuary now appears far less stable. "We didn't bargain for this," an executive at one supplier told us. "There is only so much brands will tolerate before they take their business elsewhere."

Ethiopia's Choice

Even if Ethiopia overcomes the current unrest, and relative calm returns to Hawassa, the country's leadership faces a crucial choice when it comes to the garment industry: Will it follow the dynamic model that China has applied successfully or the more static approach that has constrained progress in countries like Bangladesh, Cambodia, and Honduras? The answer to that question points to a broader one: Under what conditions do manufacturing jobs lead to improved worker welfare and sustained economic development?

Beginning in the 1980s, China harnessed foreign investment in textile and apparel factories to create jobs, boost exports, and increase foreign-exchange earnings—an approach that supported broader investment in public projects and helped drive China's transition to a market economy. China branched out from simple t-shirts and trousers to produce more complicated, higher-value apparel, just as it eventually diversified into manufacturing numerous other goods, from automobiles to digital devices. Wages paid to Chinese factory workers in all sectors have increased steadily and now average about $10,000 a year.[8] China's economic success regrettably has not been matched by greater respect for human rights or political freedom, areas where lately there has been back-sliding. But Ethiopia could strive to emulate the Chinese approach to manufacturing while diverging politically to develop Ethiopian democratic institutions. One place to start is ensuring that Ethiopian apparel factory employees are well trained, motivated, and paid enough to afford basic necessities.

Or Ethiopia can end up like Bangladesh. Entering the clothing industry three decades ago, Bangladesh has seen its apparel exports grow impressively to the point that it vies with Vietnam for second place in global market share behind China. But rather than develop its own homegrown supply chain, Bangladesh imports the components for clothing. For the most part, its factories have not progressed beyond cutting and sewing basic items to which relatively little value is added and from which profits are modest. Bangladesh's garment industry has created jobs, offered a degree of independence to rural young women, and helped prop up the country's shaky economy. But it has not made the same progress in terms of the quality of those jobs, the value added to exports, or increases to workers' real wages. Serious questions remain, as well, about the safety of many Bangladeshi factories, a topic that the NYU Stern Center for Business and Human Rights has addressed in a series of three reports. The most recent one, published in April 2018, is entitled, "Five Years After Rana Plaza: The Way Forward."[9]

As the latest entrant into the global apparel supply chain, Ethiopia can learn a great deal from the Chinese and Bangladeshi examples. Ideally, Ethiopia would draft a long-term plan that called for not only increasing the quantity of investment and jobs, but also improving job quality. The plan also should target investments to develop local suppliers and transfer skills to Ethiopian employees. Incentives to encourage value enhancement, product diversification, and technology upgrades would help propel Ethiopia along China's trajectory. That, in turn, would encourage broader social and economic development in a populous East African nation badly in need of both.

> **"Ideally, Ethiopia would draft a long-term plan that called for not only increasing the quantity of investment and jobs, but also improving job quality and targeting investments to develop local suppliers and transfer knowledge and skills to Ethiopian employees."**

Ethiopia by the Numbers

Populous and poor, the country is showing improved socioeconomic indicators

Population
105 Million
Second most in Africa after Nigeria

Percentage of population below the poverty line
23%
Down from 44% in 2000

Life expectancy
66 Years
Up from 45 in 1986

Literacy rate
49%
Up from 36% in 2004

Average annual per capita income
$783
One of the poorest nations in Africa

Gross domestic product
$81 Billion

Average annual GDP growth
10%
2006-2017

Ease of doing business
159th
Out of 190 countries

Selected annual exports

Coffee
$839
Million

Oilseeds
$424
Million

Flowers
$229
Million

Apparel
$145
Million

Sources: African Cotton, Textiles, and Apparel Monitor; Cepheus Research & Analytics; World Bank

2. How the Garment Industry Came to Ethiopia

> "The Ethiopian government identified apparel as an industry that a number of other poor countries had entered because of strong global demand for inexpensive clothes, the relatively modest cost of setting up garment factories, and the abundance of low-skilled jobs the industry could create."

Ethiopia enjoys a unique status in Africa. With the exception of a relatively brief occupation by fascist Italy from 1935 to 1941, the Ethiopian monarchy maintained its independence from colonialism. A homegrown military junta, known as the Derg, deposed the long-ruling Emperor Haile Selassie in 1974 and established a Marxist-Leninist one-party state with a notably dysfunctional command-and-control economy. It wasn't until 1991 that a coalition of rebels, the Ethiopian People's Revolutionary Democratic Front (EPRDF), freed the country from the Derg's stranglehold. Ethiopia adopted a constitution in 1994 and held its first multiparty elections in 1995, but it has remained firmly under the control of the EPRDF.

A new generation of civilian leaders had to build an economy from the ruins of the Derg's brutal, incompetent rule. They were distracted by a border war with Eritrea in the late 1990s, and it wasn't until the early 2000s that sustained economic planning got underway. At first, the government focused on expanding agriculture, which already accounted for 80% of the country's employment. By 2004, Ethiopian leaders had enlarged their ambitions to include the wooing of foreign direct investment (FDI) in manufacturing ventures, which at the time accounted for less than 5% of national employment. Specifically, the government identified apparel as an industry that a number of other poor countries had entered because of strong global demand for inexpensive clothes, the relatively modest cost of setting up garment factories, and the abundance of low-skilled jobs the industry could create.

An initial wave of FDI from 2006 to 2010 included a group of high-profile Turkish garment exporters. They were looking for opportunities abroad because of rising labor costs at home and the end of an international quota system that previously had favored production in Turkey and certain other countries. The Ethiopian government encouraged FDI by providing tax- and duty-free imports and exports and low-interest financing. The best known of the Turkish ventures was a vertically integrated spinning, knitting, and sewing operation started by a company called Ayka Addis for a reported $140 million—an enormous sum for a privately owned enterprise in Ethiopia.[10]

These early foreign investors struggled, in part because of weak transportation infrastructure and a lack of local suppliers of raw materials. The Ethiopian government turned to China to finance road building, an airport expansion, and construction of a $3.2 billion, 759-kilometer (490-mile) railway from the capital of Addis Ababa to the closest seaport, which is in Ethiopia's neighbor to the east, Djibouti.

> "The architect of the industrial park strategy, Dr. Arkebe Oqubay, led a comparative study of such parks in successfully industrialized countries—China, South Korea, and Singapore—as well as less successful ones, like Nigeria."

Despite the infrastructure improvements, however, the flagship Turkish investments stumbled further. Delinquent in paying back loans, Ayka Addis was taken over in late 2018 by the Ethiopian government.[11]

All of the public spending drove impressive-sounding GDP growth of roughly 10% a year for the decade ending in 2016. But the headline growth rate should be discounted because of Ethiopia's small GDP base at the beginning of the period in question. Moreover, some observers have questioned the veracity of statistics generated by the Ethiopian government.[12]

Even if those skeptics are correct, though, the country saw a marked increase in economic activity, and in the aggregate, its people have benefited. Poverty in both urban and rural areas has declined. In 2000, 44% of Ethiopians lived below the poverty line; by 2015, the figure was 23%. Average household health, education levels, life expectancy, and living standards all improved significantly during the same period. Primary school enrollment has quadrupled, child mortality has been reduced by half, and the number of people with access to clean water has more than doubled. That said, Ethiopia's per capita annual income of $783 still makes it one of the poorest countries in an impoverished region.[13]

The Turkish-led round of foreign investment didn't transform the Ethiopian economy. Agriculture and services (the latter consisting mostly of state-owned Ethiopian Airlines) continue to predominate. Manufacturing of all kinds remains stuck below 5% of GDP and 5% of total employment. For Ethiopia's growth to be sustainable, the World Bank has observed, labor has to shift from low-productivity sectors such as farming to high-productivity manufacturing. It was in this context that the government in 2014 decided to redouble its use of financial incentives and infrastructure improvements to attract FDI as part of an export-led growth strategy.

A 'Single Bold Vision'

In 2015, Oxford University Press published Dr. Arkebe's book *Made in Africa: Industrial Policy in Ethiopia.*[14] (Ethiopians generally are referred to by their first name.) The author argued that his homeland has the attributes needed to become the manufacturing powerhouse of Africa. In his role as the senior economic adviser to the Ethiopian prime minister, Arkebe—a former mayor of Addis Ababa who holds a PhD in development studies from the University of London—led the renewed campaign to entice foreign investors. He set as a national goal the seemingly unrealistic figure of $30 billion in apparel and textile exports "This is the single bold vision we have," he said in a media interview in 2017. "It is a challenge, but one we are confident we can achieve. We believe if Vietnam can do it, if Bangladesh can do it, Ethiopia can do it even better."[15]

The main tool Arkebe selected to accomplish the government's extraordinary goal was the industrial park—a special economic zone with streamlined regulation and centralized services designed to allow its commercial occupants to operate without getting wrapped in bureaucratic red tape. Arkebe led a comparative study of such parks in successfully industrialized countries—China, South Korea, and Singapore—as well as less successful ones, like Nigeria. Common elements of thriving parks included tax breaks on exports and duty-free imports of capital goods and raw materials. The concentration of activity in industrial parks in theory allowed for more efficient and reasonably priced delivery of electricity, which in Ethiopia comes mostly from environmentally friendly hydropower.

As it happened, PVH was scouting East Africa and proved receptive to Arkebe's pitch. With nearly $9.7 billion in annual revenue, the U.S.-based company employs some 38,000 people globally. It contracts with independent manufacturers that operate more than

2,000 factories in more than 40 countries[16] Facing rising costs for labor, materials, and energy in Asia, PVH was considering whether to encourage some of its top Asia-based suppliers to move a portion of their production to East Africa. It hoped to shift manufacturing away from countries such as Bangladesh, where building-safety standards are lax and government oversight weak. The Rana Plaza disaster, a factory collapse that killed more than 1,100 people in Bangladesh in April 2013, reinforced PVH's determination to start anew in Africa.[17]

In 2014, the American company organized a tour of East Africa with Vanity Fair, a rival whose brands include Lee, Wrangler, and Timberland. A group of suppliers also joined the excursion. The Western brands and mostly Asian suppliers evaluated factors that included cost of labor and energy, port accessibility, and political stability. Kenya and Ethiopia emerged as finalists.[18] Kenya's workforce, overall, had more industrial experience and therefore higher productivity levels. Ethiopia promised workers willing to accept unusually low wages. An Ethiopian government brochure for potential foreign investors advertised: "Cheap and skilled labor: 1/7 of China and 1/2 of Bangladesh."[19]

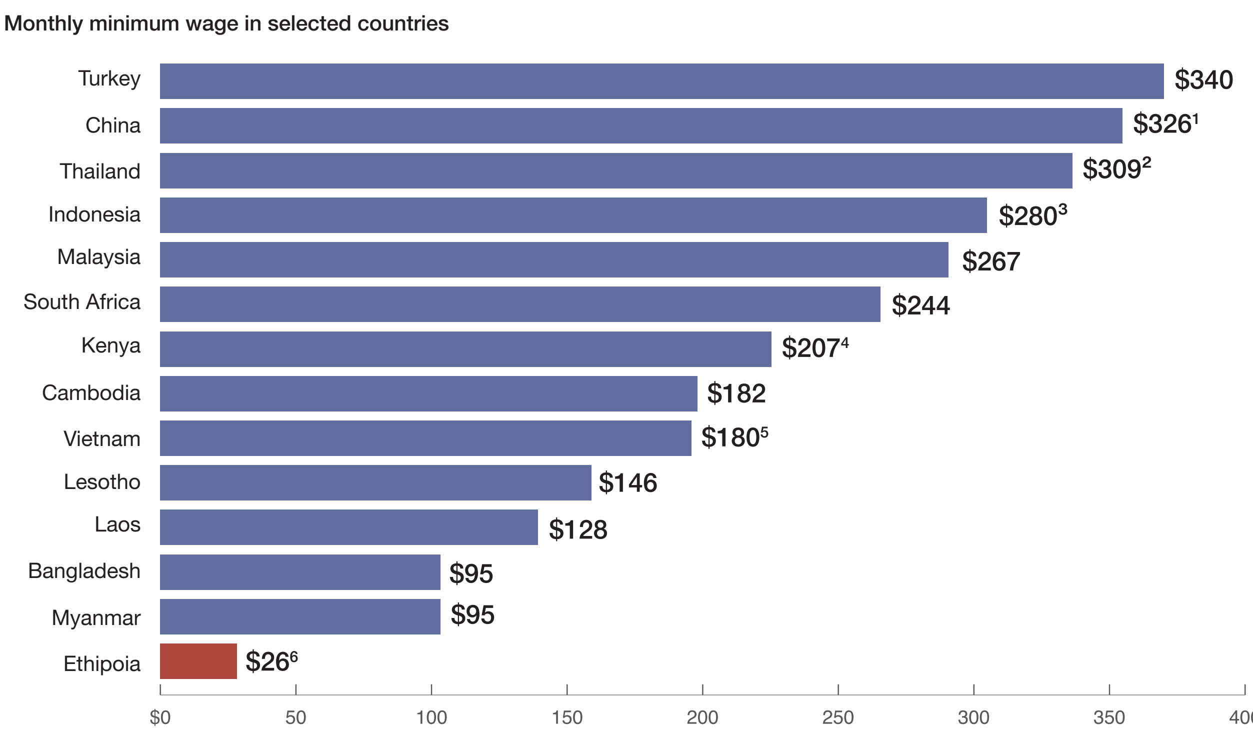
Long-standing ethnic tensions simmered in Ethiopia, but the ruling EPRDF kept a lid on them by means of draconian security measures. In terms of infrastructure, Ethiopia offered to construct industrial parks, and its Chinese-built train connection to the port in Djibouti was nearing completion. The country's plentiful, inexpensive "green" power supply also impressed PVH.[20]

International trade arrangements played an important role in encouraging PVH and its suppliers to take a chance on East Africa. In 2015, the U.S. renewed for another decade the African Growth and Opportunity Act, which allowed African goods to be imported duty-free. A trade regime known as Anything But Arms provided a similar preference for African-made goods shipped to the European Union.

But the most important reason Ethiopia won the PVH-coordinated beauty contest was the company's conviction that officials in Addis Ababa were deeply committed to making the industrial parks function smoothly. "The cooperation with the government was just unbelievable," Roy Ashurst, a retired PVH executive who worked on launching the Hawassa project, told us.[21] A Chinese company built the Hawassa park in 2015-2016 at a cost of $250 million. In 2017, just three years after the PVH-led African tour, the first dress shirts were exported.

Ethiopia: Lowest Pay in the Global Garment Supply Chain

Rising wages in Asia have contributed to Western brands' interest in manufacturing in Africa



[1]In Shenzhen; [2]In Chonburi and Rayong; [3]In Jakarta; [4]In Nairobi and Mombasa; [5]In Hanoi and Ho Chi Minh City; [6]Ethiopia has no legal minimum; $26 is the customary base wage, which is sometimes supplemented by incentive payments. Sources: *Just-Style* and NYU Stern Center research

Garment workers leave the Hawassa Industrial Park after their shift ends. Some 25,000 people work at the facility.

A Chinese construction company built the Hawassa factory complex specifically for the manufacturing of apparel.

Hawassa employees make clothing for prominent Western brands such as JC Penney, Guess, and H&M. (Photo courtesy of Enterprise Partners)

3. Working in the Hawassa Industrial Park

“Efficiency matters to corporate performance, of course, and it also matters to the lives of workers. Ethiopian government officials and industry executives point to inadequate factory efficiency as justification for the low wages paid to sewing machine operators and other employees.”

The first thing a visitor notices about the PVH factory in Hawassa is the state-of-the-art technology. A joint venture with the large Indian garment manufacturer Arvind, the facility has a system of conveyor belts and overhead rail transporters that, just at the right moment, deliver pieces of cut cloth to mostly female sewing machine operators, who assemble the pieces into men’s dress shirts. The work pace is intense, but this is not a traditional sweatshop. Ceilings are high, lights bright, and ventilation more than adequate. Fire doors and sprinklers are up-to-date. PVH has created an advanced physical plant typically not found in even well-established clothing-manufacturing centers such as Vietnam and Bangladesh.

But something’s not quite right at the PVH-Arvind facility. Workers often do not keep up with the swift tempo of the belt-and-rail system, snarling the process and causing production lines to shut down temporarily. That leads to missed deadlines and delayed delivery of product. Managers have been fired for failing to solve the problem. As of December 2018, the factory was running at only 25% to 30% efficiency and was not breaking even financially.[22]

Used throughout the apparel industry, efficiency measures expected production divided by how much time employees spend working. In Ethiopia, the calculation is adjusted to reflect the inexperience of the workforce—and yet still, PVH lags far behind the percentage in the mid-60s that is expected of a smoothly running factory.

Performance varies from company to company at the park, but there’s general agreement that low efficiency is a widespread and acute problem.

Park-wide efficiency figures vary from as low as 15% to as high as 75%, according to Anas Tazi, the Ethiopian country manager for Decathlon, a French sportswear brand that buys from four suppliers at Hawassa. “In Ethiopia,” he said, “the potential is big, but the difficulties also are big.”

Efficiency matters to corporate performance, of course, and it also matters to the lives of workers. Ethiopian government officials and industry executives point to inadequate factory efficiency as justification for the low wages paid to sewing machine operators and other employees. These low wages contribute to hardship for many young women who no longer live on family farms but instead seek to support themselves in the more expensive environs of Hawassa. To understand the connections among worker aptitudes, corporate performance, and wage levels, it helps to examine the staffing of the industrial park from the beginning of the process.

Deception and Frustration

The starting point is the question of how the Ethiopian government arrived at a monthly base wage for apparel workers, now set at 750 birr, or $26. The answer is that government officials matched the salary typically paid to entry-level Ethiopian public employees. Garment manufacturers, enticed by this wage—the lowest in the worldwide industry—based their business plans on having to pay most of their Ethiopian workers only $26 a month. But the fact that government-paid floor sweepers earn so little doesn't make $26 a fair base wage for sewing-machine operators employed by foreign manufacturers. (To be fair, Ethiopian wages are low across the board. A government survey in 2013 found that 52% of salaried employees earned less than 1,000 birr a month, the equivalent of $35.[23])

Confusion about the base apparel wage materialized right away in 2017 and has persisted since then. At least some government-employed job screeners sent to small towns and villages have told prospective applicants that they would earn amounts considerably more generous than $26 a month, according to interviews we conducted with employees at Hawassa Industrial Park. Based on what screeners said, one female worker told us via an interpreter, "I thought the salary would be much higher. I was not told the truth." She decided to stay, nonetheless, and had been working at the park for seven months when we spoke to her. (We are not naming factory workers we interviewed to protect them against retaliation.)

An Ethiopian employee with the industrial park's grading center, which evaluates job applicants, attributed some of the misunderstanding over wages to new employees' naiveté. "People from the countryside look at this beautiful place with its big buildings, and they expect to receive everything—3,000, 4,000 birr, whatever they dream," he said.

The two explanations for the muddle over wages—screeners' distortions and some workers' unfounded expectations—seem plausible and are not mutually exclusive.

For many young women, frustration over their pay, combined with homesickness and other unfavorable aspects of factory life, has led to a sense of alienation and lack of commitment to working productively. Unfamiliar with industrial custom, they don't understand why they would be disciplined for lateness, absenteeism, or chatting with workstation neighbors at the expense of completing their sewing tasks—all behaviors that might be acceptable in a family-agricultural setting. Workers receive five days of training on "soft skills," such as timeliness and personal hygiene, but for many, it hasn't been enough.

> **"Unfamiliar with industrial custom, many workers don't understand why they would be disciplined for lateness, absenteeism, or chatting with workstation neighbors at the expense of completing their sewing tasks—all behaviors that might be more typical in a family-agricultural setting."**

Enterprise Partners, a U.K.-funded Ethiopian nonprofit that has worked on labor issues at Hawassa, commissioned a survey of line workers and management employees published in October 2017. The research, conducted not long after the park began operation, found that "a lack of [worker] time-management skills and tardiness were identified as big issues by the management in all companies." This perception "was supported by the survey results, in which a significant percentage of the workers answered that they did not believe there would be problems for the factory if they missed working days and also said that they believe it is okay to be a little bit late to work."[24]

Five days of training often hasn't been sufficient to change ingrained personal habits and attitudes, Ashurst, the retired PVH executive, told us. "We underestimated what we needed to do on soft skills." This underestimation appears to have continued to the present.

Applicants for Hawassa factory jobs must be at least 18 years old and have an eighth-grade education or better. The park's grading center administers a dexterity test that separates the more nimble-fingered, destined to run sewing machines, from those who will have simpler roles, such as sweeping up fabric cuttings or boxing finished garments. The grading center maintains a database that categorizes applicants by age, gender, education, and aptitudes. Suppliers hire from the database, putting in requests for a certain number of workers with particular characteristics. The companies keep a lid on wages by agreeing not to recruit workers from each other by offering higher pay.

Once newly hired employees arrive at a factory, they typically receive two weeks of hands-on training in their job function. Some employers offer longer periods of instruction. But even after this preparation, many employees have struggled to maintain the pace expected of them. "You cannot have skilled labor with two weeks training," said Decathlon's Tazi. "You need long-term plans to succeed in Ethiopia."[25]

Making matters worse, cultural clashes between foreign middle managers and Ethiopian line workers are common, according to people in the park. Expat supervisors from South and East Asia have to use translators to communicate with workers, most of whom speak

Amharic. The high volume and aggressive delivery of management instructions injects more tension into the relationship. “In India, there is always shouting,” an Indian manager of a Hawassa factory told us. Indian supervisors “think if you don’t shout, workers don’t work.”

But Ethiopians consider shouting deeply insulting, said the grading center employee. “In Ethiopia, this is not acceptable. Turnover increases because of this.”

During its first year of operation in 2017-2018, overall attrition at the park hovered around 100%, meaning that, on average, factories were replacing all of their workers every 12 months. That pushed training costs up and efficiency rates down. Profits suffered. Some company executives feared that the Hawassa experiment would collapse altogether. “Investors were panicking,” recalled Arkebe, the government economics guru.

Research on Ethiopian industrial workers more generally suggests high rates of attrition are common. A study published in 2018 in *American Economic Journal: Applied Economics* found 77% annual attrition among employees of five Ethiopian firms: a water-bottling plant, vegetable farm, flower farm, shoe manufacturer, and garment factory. “Those who quit described the jobs as difficult, poorly paid, and rigid,” the authors wrote. Surprisingly, informal work opportunities, such as selling goods at street markets or doing construction, paid about as much as formal industrial jobs, the researchers found.[26]

Clashing Perspectives

There are contrasting ways to assess these developments, according to Nebil Kellow, managing director of Enterprise Partners, the Ethiopian nonprofit. Viewed from the manufacturers’ perspective, Nebil told us, Ethiopian labor turned out to be considerably more costly than the government had initially advertised. That’s primarily because of low levels of worker efficiency and high attrition rates. Viewed this way, it costs more to make a basic t-shirt at the Hawassa park than in Bangladesh, he said.

But things look very different from an Ethiopian employee’s vantage point. The typical worker’s wage has barely covered her expenses for food, transportation to and from the factory, and housing, Nebil noted. In the months after Hawassa’s opening, living expenses actually rose, as the influx of workers caused severe inflation in the region surrounding the park. Prices skyrocketed for basics like lentils and teff, the grain from which Ethiopians make injera, a spongy flatbread.

The cost of housing within a few kilometers of the park similarly increased—from 400 or 500 birr ($14 or $17) a month for a single bare room to as much as 1,500 birr (more than $52). This didn’t present a problem for the minority of workers who came from the city of Hawassa and continued to live at home with their parents. But for the large majority, who had moved from rural areas, it created a serious hardship.

One young woman showed us the concrete ground-floor room she and three fellow workers rent from a home-owner. There is no toilet, only an open-air latrine nearby. The woman said she and her roommates work different shifts, and she’d had some of her belongings stolen. Sometimes, she added, there is no food left for her when she returns from the factory. All four women sleep on thin mattresses on the floor, and when it rains, water seeps into the living space. We heard from others at the park that some employers hand out plastic sheets, which employees place between their mattresses and the concrete floor in an attempt to stay dry.[27]

Personal safety presents additional concerns. Many workers take buses to get to work and home again. But armed thieves periodically stop buses and hold up everyone onboard for their cell phones and whatever meager amounts of cash they’re carrying. In addition, workers who live long distances from the industrial park routinely have to walk the last mile or two or three beyond the bus route. At night, women walking on foot on remote roads are vulnerable to attack, according to Hewan Habte, a former counselor focusing on women’s issues at the park. For this reason, some companies have cancelled their night shift, she added.

> **“Some foreign managers from South and East Asia shout at workers to get their attention. But Ethiopians consider shouting offensive. This and other cultural clashes increase employee attrition rates.”**

Apart from whatever animosity might exist between foreign supervisors and workers, the October 2017 survey found that managers identify the deprivation of line employees as among the main obstacles to success in the factories: “They expressed that one of their biggest challenges was the living conditions of operators (housing, salary, food) because it generated a dissatisfaction and unhappiness among the workers. [And there were] other difficulties, such as being too tired from walking three hours a day to come to work and to go back home [and] the lack of energy and fainting due to the workers not eating properly because they cannot afford to eat two meals per day.”[28]

Unions have played virtually no role in organizing workers or advocating for better pay or conditions at Hawassa. Ethiopian law, in theory, guarantees freedom of association, but the country has a weak trade union movement, which hasn’t attempted to organize employees at the industrial park.[29]

> In place of traditional union representation, 'workers' councils' are supposed to promote factory employees' interests at Hawassa. But according to our interviews, active councils operate in only a handful out of 21 manufacturing companies.

In place of traditional union representation, "workers' councils" are supposed to promote factory employees' interests at Hawassa. But according to our interviews, fully functional councils operate in only several of the 21 manufacturing companies. Moreover, the councils serve under the supervision of company executives and often appear to constitute the eyes and ears of management, as much as the voice of workers. In a comment typical of council members we spoke to, one woman said that all employees should work as hard as she has to advance. Disobedient workers should be disciplined, she added. Council members at different factories said workers who complain are merely less motivated and should focus more on their assigned tasks. In short, there is clearly more work to be done in developing employee representatives who can confidently speak on behalf of other workers.

Despite the absence of pressure from organized labor or the workers' councils, most Hawassa employers eventually responded, at least to some extent, to their employees' predicament. Over the course of 2018, the companies introduced small bonuses for consistent attendance, high individual and team efficiency, and willingness to work overtime. Some also began offering allowances to defray the cost of transportation and food. A number of workers told us that they preferred to receive a free lunch at the factory—an option some employers offer—rather than modest food allowances.

China-based Indochine Apparel, a supplier to Guess, Levi's, and Wrangler, occupies six factory sheds at Hawassa and is the park's biggest exporter by both value and volume. As of December 2018, it had an efficiency percentage in the high 60s, one of the best in the park. These accomplishments may trace to its diverse range of worker incentives. A white board placed prominently in one Indochine factory shed indicated that moderately productive employees can qualify for bonuses and allowances equal to their monthly base pay, for a total of 1,529 birr ($53). According to an executive with a different factory, 1,500 birr is a typical wage for an experienced worker at the park. At Indochine, a highly productive employee can receive as much as 2,180 birr ($76). Even this larger amount, however, still falls far short of what garment factories routinely pay in Bangladesh, Cambodia, Vietnam, and other supplier countries (see chart on p. 9).

'Generational Sacrifice'

Park-wide, relatively few workers receive the top pay level available at Indochine. The hard reality, according to Enterprise Partners' Nebil, is that some degree of "generational sacrifice needs to take place" in Ethiopia. By that he meant today's workers likely will have to endure exceptionally low wages and inhospitable living arrangements while they accumulate industrial skills and achieve productivity levels that in the future will bring them, and their children, higher pay and better circumstances.

The notion that one generation's toil will lay a foundation for future improvement seems less than self-evident, especially when workers, at least for the moment, have no means to organize. But senior members of the Ethiopian government made similarly unsentimental observations. Arkebe, the architect of the industrial park strategy, estimated that it would take 15 to 30 years for the country's workforce to acclimate itself fully to the global garment industry. "Pace is critical," he added. "We need to improve before [foreign] firms become frustrated" and give up on Ethiopia.

Fitsum Arega, the former head of the Ethiopian Investment Commission, which shares oversight responsibility for the industrial parks with other governmental bodies, agreed with Arkebe's timeline but added that the harsh transition to an industrial economy will have broader benefits. "This is bringing a new culture, a culture that is bringing its citizens into a more formal way of life," Fitsum told us, a tone of approval in his voice. Given sufficient time and respect for human rights, he added, employment in manufacturing will provide large numbers of Ethiopians with a path out of poverty. (Fitsum recently became the country's Ambassador to the United States.)

Some current workers said they've already benefited. One young woman employed by Indochine told us that at first, she didn't like the hectic factory environment, but after four months, she changed her mind because she started to enjoy learning how to operate different machines. Raised in a milk- and butter-producing village 100 kilometers from Hawassa, she said her friends back home assumed that factory life is more arduous than it really is. Countering that misimpression, she has persuaded several contemporaries and a sister to take jobs at the Hawassa park. Her next goal: "I want to be promoted to supervisor."

We also spoke to women who had used their jobs at the industrial park as springboards to more entrepreneurial pursuits, including opening roadside cafes and, in one case, a tailoring business. Some, but not all, of these former Hawassa employees said they'd recommend factory work to a friend or relative.

To help apparel suppliers retain workers like the aspiring supervisor, the Ethiopian government is experimenting with policies meant to ease the burdens of low-paid employees at Hawassa. In 2018, the government introduced a program that has provided small subsidized loans to homeowners willing to build extensions to their houses, which they're supposed to rent to young women from the park. Four thousand homeowners have signed up for the microloan initiative, according to Fitsum, the former Investment Commissioner. But far fewer than that number have actually built additions. Rent prices remain inflated, and most workers are still forced to live three or four to a room lacking any amenities.

Under a possibly more promising plan, the government has offered manufacturers free land on the grounds of the industrial park if the companies will use it to build dormitories for their employees. The idea is for the manufacturers to offer their employees clean, dry rooms, with ready access to a toilet—and all at a subsidized rent. So far, at least three suppliers—Arvind, Hong Kong-based Epic Group, and Isabella, a sock manufacturer headquartered in Sri Lanka—have indicated they want to take advantage of this opportunity. PVH is exploring a planto provide financial incentives that would attract an outside private investor to build affordable housing on the Hawassa campus.

It remains to be seen, of course, whether dormitory construction actually happens. If it does, it's unclear when the first dorms will be completed and whether a longer list of companies eventually will agree to participate. Finally, there's the question of whether new residential buildings will provide enough of the sort of decent accommodations the Hawassa employees deserve. It's worth noting that hundreds of foreign middle managers already live in utilitarian dormitories on the park grounds, which are set aside for their exclusive use.

In another potentially salutary development, the Ethiopian government is actively considering imposition of a minimum wage for private sector employees. In the garment industry, the government's intent is to boost the amount paid to the lowest-compensated laborers, while giving suppliers greater predictability in their budgeting. Fitsum, the former Investment Commissioner, said government officials are already discussing such questions as how a minimum wage would be periodically adjusted. Tazi of Decathlon views the establishment of a minimum wage as inevitable. He said his company is already including higher base pay levels in its financial projections for supplier costs in future years.

Some manufacturers at Hawassa also support the notion of a minimum wage. The manager of one supplier acknowledged that this may seem counterintuitive. "You know very well this industry chases low-cost labor," he told us. But worker discontent and high attrition rates in Ethiopia have been disruptive. "A minimum wage would stabilize everything," the manager predicted.

Labor Unrest

Stability, or the lack of it, is very much on the minds of the executives overseeing Hawassa factories. Just before we arrived for a visit at Best Corporation, a majority of the India-based supplier's 950 employees had walked out over a pay dispute. A manager was on the phone imploring a park staff member to come to the factory and talk to the remaining workers.

Best has been working on a long-term contract to make Hanes t-shirts. This basic garment is relatively easy to sew together and provides simple tasks suitable for inexperienced employees. Still, the factory is achieving an efficiency rate of only 47%.

On the day we visited Best, it was one of several suppliers in the park hit by strikes. At issue was workers' demand that they receive pay for three days of the prior week, when the park was largely shut down by a city-wide protest organized by local militants. Untangling this complicated situation, requires a brief digression on Ethiopian ethnic politics and how it has disrupted work at Hawassa.

Before Prime Minister Abiy assumed office in April 2018, Ethiopian security forces used harsh measures to suppress ethnic rivalries. When Abiy eased repressive policies and freed political prisoners, he also removed restrictions that had kept ethnic-group animosities in check. One such group, the Sidama, who number about 3.5 million people, live in the ethnically diverse Southern Nations, Nationalities, and Peoples Region, one of nine regional states in Ethiopia's federal system. Hawassa is the regional capital of the Southern Nations.

Many Sidama view the industrial park as an unwelcome imposition by the federal government. At the same time, however, a militant Sidama youth group called Ejeto has insisted that only Sidama be employed at the park. Companies have rejected this demand, but Sidama agitation has distracted other employees and slowed work at some factories, according to managers.

> **"We spoke to women who had used their jobs at the industrial park as springboards to more entrepreneurial pursuits, including opening roadside cafes and, in one case, a tailoring business."**

> “Many Sidama view the industrial park as an unwelcome imposition by the federal government. At the same time, however, a militant Sidama youth group called Ejeto has insisted that only Sidama be employed at the park.”

Beyond the park gates, the Sidama have a much broader aspiration: to break away from the Southern Nations region and live in their own ethnically exclusive state, with Hawassa as its capital. They have gone to violent lengths to express this ambition. In one bloody spasm in June 2018, 15 people were killed in and around Hawassa, scores were injured, and thousands displaced as a result of Sidama targeting of a rival ethnic group, the Wolayta. Subsequently, many Wolayta workers quit their jobs at the industrial park because they feared for their lives, according to Hawassa factory managers.

In March 2019, Hawassa experienced another surge in Sidama militancy. Reiterating their call for a Sidama regional state, Ejeto activists organized a city-wide strike that forced local businesses and the industrial park to close for three days. Most garment workers stayed home, while employees of several factories announced that their absence should be regarded as a strike over low wages and other grievances. In this manner, two streams of protest, political and industrial, converged.

The employee actions against Best and several other suppliers during the several-day period in March when we visited the park focused on the question of whether workers would be paid for the three days missed because of the most recent Ejeto shutdown. At first, the suppliers indicated that they did not intend to pay, but they eventually changed their minds and agreed to compensate their employees as a way of promoting labor peace.

Small-scale work stoppages and one-factory wildcat strikes likely will continue at Hawassa. The park’s sole labor conciliator, who reports to park management, can’t effectively cover all 21 manufacturers and 25,000 employees—and, in any event, lacks the authority to resolve grievances with any finality.

Even a better-staffed labor unit might struggle to sort out the park’s problems. Company management and park administrative employees told us that young Sidama men—probably Ejeto members—had gone through the job-screening process and taken positions at various factories with the aim of fomenting unrest. The companies face a dilemma in how to deal with the threat of ethnically motivated interference. On principle, manufacturers shouldn't embrace the Sidama agenda of ethnic exclusivity in the Hawassa factories. But keeping Sidama out of the factories would be discriminatory and impractical. They are the dominant group in the area surrounding the park and deserve access to jobs, the disruptive behavior of Ejeto members, notwithstanding.

The danger is not that all work at the park will suddenly grind to a halt. Rather, it’s that episodic labor and political unrest will undermine productivity and hence wage increases. It could also discourage additional suppliers from opening factories in Ethiopia and eventually cause some or all of the companies already operating at the Hawassa park to leave.

In early April, a massive march led by Sidama women caused the park to shut down again for a day, losing two shifts. “We came here, in part, because the country seemed stable,” one manager told us. “Now we’re caught in the middle of something we can’t control.”

4. Conclusion and Recommendations

Approaching two years of operation, the Hawassa Industrial Park isn't delivering all that the government of Ethiopia promised or that foreign clothing companies expect.

Much ballyhooed local cotton crops haven't materialized, and neither have local supplies of fabric. The manufacturers at Hawassa still have to import nearly everything they need—from cloth to buttons—in order to make finished apparel. This means that as a nation, Ethiopia is selling only its people's labor, rather than developing a domestic supply chain that would feed goods to exporters and keep more profits at home. This is the Bangladeshi, not Chinese, model of using imported materials to make inexpensive clothing for Western brands and retailers.

Bureaucratic red tape, which was supposed to be untangled at a "one-stop shop" on the Hawassa park campus, remains very much in evidence. The one-stop shop exists, but dealing with recalcitrant customs officials to get raw materials in and finished clothes out remains as tortuous as ever. For example, exporters aren't allowed to consolidate smaller orders into one shipping container, resulting in the shipment of money-wasting partly full containers.

For workers, the picture is mixed. There are 25,000 jobs at the park that didn't exist before and tens of thousands more at other parks. But to generate these jobs, the Ethiopian government promoted wage levels that are clearly inadequate to sustain workers.

Now, through its consideration of a minimum wage, the government seems poised to take corrective action. That would be welcome. Some manufacturers likewise are offering financial incentives in the form of performance-based bonuses. That's welcome, too. And there's an opportunity for the companies and government to collaborate on building worker dormitories—a potential answer to one of the least-humane aspects of factory life in Hawassa.

At most factories, absenteeism and attrition have come down from the heights of the first year, although they're still not at acceptable levels for efficient manufacturing. Attrition at Hawassa factories runs at 5% to 10% a month, according to employers. On an annual basis, this translates to 60% to 120%, the latter meaning there's more than complete turnover in just one year.

Anas Tazi of Decathlon, an optimist, sees gradual improvement accompanied by unsurprising growing pains. Starting a new industry is difficult work. China's mighty textile and apparel sector required decades of development and featured similarly high rates of labor turnover, Spartan worker accommodations, and wildcat strikes. On a smaller scale, Ethiopia's experiment with industrialization will succeed in the end, including for employees, Tazi predicted. The labor supply in Ethiopia is enormous. Sixty percent of the population is under the age of 25, and the unemployment rate for women runs about 50%.[30] Still, Tazi believes the government's goal of a $30 billion apparel industry isn't realistic. "It will be billions," he said, "not $30 billion."

If that's correct—if pay and working conditions improve, if ethnic tensions ease rather than intensify—it's possible that a multibillion-dollar industry will develop in Ethiopia. What seems certain is that even if the garment industry takes hold there, the path for workers won't be smooth. The recommendations that follow address the challenges facing the Ethiopian government and foreign companies in the garment industry, with an eye toward bettering the lot of workers.

> **"For workers, the picture is mixed. There are 25,000 jobs at the park that didn't exist before and tens of thousands more at other parks. But to generate those jobs, the Ethiopian government promoted wage levels that are clearly inadequate to sustain workers."**

Recommendations For the Ethiopian Government

1 Address ethnic tension in Hawassa and elsewhere.

Ethnic clashes that have occurred in the vicinity of some of the new industrial parks pose perhaps the greatest short-term threat to Ethiopia's fragile apparel industry. Prime Minister Abiy needs to apply his ample political skill and energy to addressing these tensions, which too often flare into violence. Viewed as symbols of the federal government, Hawassa and the other parks could easily become targets themselves. The government also should do more to protect workers. Another crisis like the clash between the Sidama and Wolayta last June in Hawassa could result in manufacturers rethinking their commitment to the Ethiopia experiment. The potential loss of jobs and economic activity would be devastating to the country.

2 Craft and implement a long-term economic plan for strengthening the apparel industry.

Such a plan ought to have several elements. First, the government should focus on the absence of a local Ethiopian supply chain for textiles and garments. This would involve targeting investments and creating incentives to promote formation of domestic yarn and textile mills; accessory suppliers; and dyeing, washing, printing, and finishing operations. Development of an Ethiopian supply chain would facilitate the transfer of knowledge and skills from foreign manufacturers to local business owners and their employees. Second, the government needs to shore up existing industrial parks before opening new ones. Having a total of 30 parks by 2025 is too ambitious a goal and would strain the country's resources. Before branching out further, it would be better for the government to prioritize the filling of current facilities and make sure that workers' concerns about pay and living conditions are addressed. Third, assuming the challenges of the apparel industry are met, the government should continue to expand its initial forays into new industry sectors, such as pharmaceuticals and agro-processing. Product diversification and technology upgrades would help Ethiopia emulate China's impressive economic development.

3 Establish a minimum wage that ensures decent living conditions for garment workers.

Government officials and executives with some foreign apparel manufacturers and Western brands have recognized the necessity of establishing an official minimum base salary which would need to be substantially more than $26 a month. Once the government works out procedural details—such as how a minimum wage would be periodically adjusted—a legally mandated salary floor should be enacted. The government will have to be careful to raise the private-sector wage gradually, so as not to drive away foreign apparel suppliers. Even after a standardized increase, Ethiopia likely would remain one of the lowest-wage apparel-producing countries in the world. Despite this dubious distinction, the country must ensure that its garment workers are able to afford decent food and housing, enabling them to lift themselves out of the ranks of the working poor.

4 Streamline infrastructure and administrative processes.

The promise of improved infrastructure helped Ethiopia attract the attention of the global apparel industry in the first place. But progress has stalled. High freight costs have deterred some foreign manufacturers from using the new electric railway to the seaport in Djibouti. The government needs to reduce these costs, either by refinancing the Chinese loans used to build the railway (negotiations are underway) or unilaterally cutting freight prices. Reduced rates probably would lead to greater volume, which, in turn, would compensate for lower prices. On another front, the Ethiopian customs service remains an obstacle to efficient importation of raw materials and export of finished goods. The government needs to complete the digitization of all customs services, allow for online customs declarations, update tariff schedules, and scrap antiquated rules, such as the prohibition of combining smaller shipments into a single shipping container. Individually, these changes may sound narrow, but in aggregate, they would help make the industry more competitive and better able to treat workers humanely.

Recommendations
For the Foreign Manufacturers and Western Brands

5 Align business models with Ethiopian realities.

As a first principle, we favor the establishment of a profitable apparel industry in Ethiopia—one that will create sustainable jobs and help build the country's economy. But the foreign companies involved in this process also need to shape their strategies to fit local circumstances. For Western brands that buy clothing made in Ethiopia, this means developing longer-term supplier relationships which allow factories in Hawassa and other parks to gradually improve their efficiency. In the short term, such relationships may not offer the least-expensive production costs or contribute to the largest-possible profit margins. But only patient brands are likely to succeed when buying apparel in Ethiopia. Brands also will have to consider whether certain product categories are well suited to the country. In the Ethiopian industry's early stages, factories are more likely to succeed if they receive multi-year contracts for relatively simple products, so that workers can learn basic skills. Over time, brands can have their suppliers make more complicated styles without any loss in productivity. In contrast, long lead times in Ethiopia make last-minute "fast fashion" orders less likely to be feasible in the near term, although that kind of work could be phased in slowly

6 Build worker dormitories that offer subsidized rent.

Apart from extremely low salaries, the lack of decent housing is the most pressing form of worker deprivation in Hawassa. The government's plan to provide free land for employee dormitories holds great promise—but only if foreign manufacturers step up and build decent dorms with enough beds to accommodate workers at rents they can afford. The World Bank and/or International Finance Corporation could facilitate construction by providing loan guarantees to suppliers, as they have done in Bangladesh. Built in proximity to the factories, worker dorms would not only provide reasonably priced shelter; they also would enhance the safety of young women, some of whom now must walk long distances on dark roads to get home. A sense of physical security is the least factory operators owe their employees.

7 Provide more extensive training on both hard and soft skills.

When they start at a factory in Hawassa, the vast majority of Ethiopian workers lack a firm understanding of industrial life and how to operate the machinery used to make clothing. The five days of coaching they receive on soft skills (timeliness, personal hygiene) and two weeks on hard skills (the mechanics of the job) do not seem adequate. Evidence of the need for more training comes in the form of low efficiency numbers and high attrition rates. If suppliers made a larger upfront investment in training, they would increase the potential for greater productivity and higher profits in the long run. We recommend, as well, that over time, employers rotate workers through multiple functions in the factory as a way to broaden their array of skills and make them more valuable as employees. Another way to promote worker satisfaction and efficiency would be to hire a counselor at each factory who is available to help resolve personal problems that may otherwise intrude on the workplace.

8 Promote more Ethiopians more quickly into middle-management jobs.

The interaction of Ethiopian workers with mostly East and South Asian middle managers is a persistent source of tension in most factories. A sensible way of alleviating that stress would be for employers to make a concerted effort to elevate more Ethiopians into supervisory and line management roles. This would ease language and cultural barriers and over time should increase output. It would also underscore the availability of a factory career path and create an incentive for more ambitious sewing-machine operators to stick around long enough to get promoted.

9 Foster workers' councils that provide a real employee voice and a venue for grievances.

In the absence of union representation, a circumstance that will take time to change in Ethiopia, functioning workers' councils must be developed. Unfortunately, only a handful of active councils now exist in the Hawassa Industrial Park, and even those need to become more independent and representative. To lift workers' morale and provide a means for the airing of legitimate complaints, all manufacturers should ensure that their employees are able to choose council members in legitimate elections. The companies also should provide expert training for those who are elected on how to run an effective representative committee. And employers must refrain from any hint of retaliation if councils do their job and raise objections to management policies or practices that workers consider ill-advised. On a related point, the park should beef up its labor-conciliation unit so that it can play a meaningful role in resolving grievances.

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