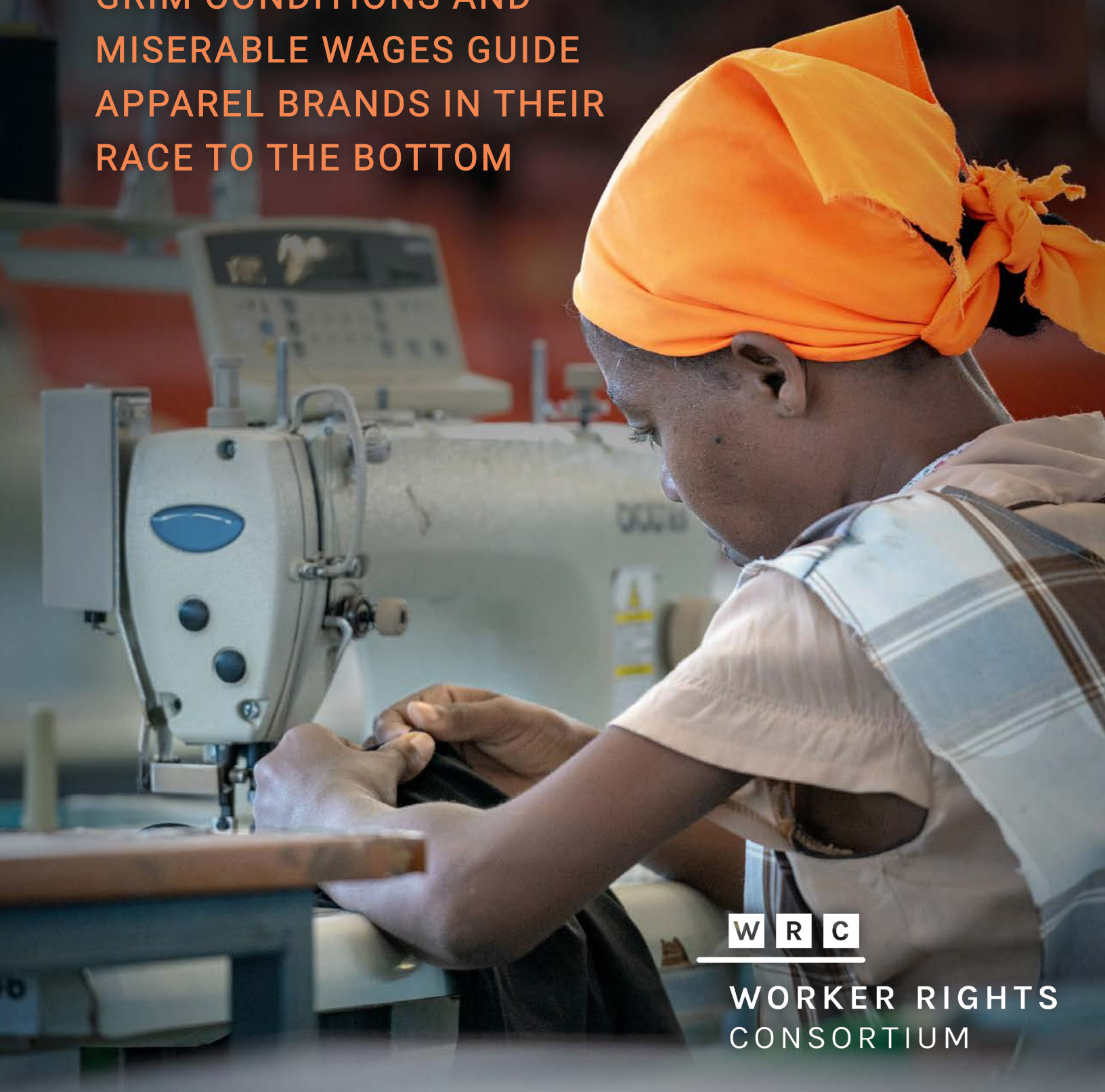


“Ethiopia is a North Star”

GRIM CONDITIONS AND MISERABLE WAGES GUIDE APPAREL BRANDS IN THEIR RACE TO THE BOTTOM



W R C

WORKER RIGHTS
CONSORTIUM

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Executive Summary

As global brands continue their relentless quest for low-cost production locations, Ethiopia is emerging as a coveted destination. This report presents the results of an investigation of the labor rights environment in Ethiopia's growing textile and apparel export sector. The investigation included in-depth interviews with garment workers at four export factories producing for leading brands. It reveals wages that are lower, by a substantial margin, than those in any other significant exporting country and grim working conditions that bear little resemblance to the standards the brands claim to be upholding in their supply chains.

THE GROWTH OF ETHIOPIA'S GARMENT SECTOR MAKES INDEPENDENT LABOR RIGHTS REPORTING ESSENTIAL

While still small in absolute terms, Ethiopia's garment export industry is experiencing substantial growth, as Asia-based manufacturers have set up operations and Western brands like H&M, PVH, The Children's Place, JCPenney, and KiK, have all begun sourcing from the country.¹ According to recent data reported by Ethiopia's government, in the last half decade, the country's textile and apparel industry has grown at an average annual rate of 51 percent, with more than 65 textile investment projects licensed for foreign investment in this time period.² According to Ethiopia's Growth and Transformation Plan II (2016 – 2020) – the government's plan for reaching lower-middle income status by 2025 – the country aims to create 174,000 jobs and generate US\$779 million in export revenue from the textile and apparel sector by 2020,³ with a goal of eventually creating over 300,000 jobs.⁴ These specific goals seem unlikely to be met; as of October 2017, only about 40,000 workers were employed in the sector, and growth over the past two years has not kept pace with yearly targets.⁵ However, significant ongoing development projects and an influx of major Asian suppliers and Western brands just beginning to source from the country indicate that the sector is poised to grow substantially in coming years.



Given Ethiopia's emerging importance as a sourcing platform, it is important for the international community to have accurate information concerning labor practices in garment factories. Yet while the growth of the sector has received increasing media attention, published research on labor conditions, particularly research involving interviews with garment workers, has been scant.

The purpose of the Worker Rights Consortium's (WRC) investigation is to help fill this gap and to test the reality for garment workers against the labor standards of the brands that are driving the growth of the Ethiopian garment industry.

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- ¹ This list is derived from apparel firms' public factory disclosure lists, worker testimony, and publicly available import data.
 - ² "Ethiopia: The Next Hub for World Apparel Investment and Sourcing," *The Ethiopian Messenger*, January – March 2018, p.11, https://issuu.com/ethiopian.messenger/docs/the_ethiopian_messenger_9
 - ³ Growth and Transformation Plan II (2015/16-2019/20), Volume I, p. 106, https://www.workersrights.org/wp-content/uploads/2018/12/gtpii_english_translation_final_june_21_2016.pdf; Michelle Russell, "Ethiopia commits to boosting apparel exports," *Just-style*, 13 December 2016, http://www.just-style.com/news/ethiopia-commits-to-boosting-apparel-exports_id129529.aspx
 - ⁴ Henok Tibebu, "Ethiopia: Effecient [sic] Textile, Garment Industries to Boost Exports," *All Africa*, 9 December 2016, <http://allafrica.com/stories/201612090860.html>; Michelle Russell, "Ethiopia commits to boosting apparel exports," *Just-style*, 13 December 2016, http://www.just-style.com/news/ethiopia-commits-to-boosting-apparel-exports_id129529.aspx
 - ⁵ "Ethiopia: 40,000 Job Opportunities Created by Industrial Parks," *2Merkato.com*, 2 December 2017, <http://www.2merkato.com/news/alerts/5313-ethiopia-40000-job-opportunities-created-by-industrial-parks>

BRANDS LIKE H&M AND PVH PROMISED HIGH LABOR STANDARDS IN ETHIOPIAN GARMENT PLANTS

It is important to understand that all of the buyers sourcing from Ethiopia have committed, as a matter of both corporate policy and public promises, to protect the rights of workers in their factories. Each of these firms has a code of conduct that requires compliance with national law and other basic labor standards.⁶ As a member of the Fair Labor Association (FLA), PVH has also committed to uphold the FLA's code of conduct.⁷ In addition, two of the factories covered in this report are certified by the Worldwide Responsible Accredited Production (WRAP), an industry-created factory certification initiative that was established in 2000.⁸ As part of this process, in addition to undergoing supposedly rigorous labor inspections, factory representatives are required to attest that they are "utilizing socially-compliant practices," including compliance with national law.⁹

One important brand, PVH, has made expansive public claims of high ethical standards in its operations in Ethiopia. Bill McRaith, chief supply chain officer for PVH, pledged in a speech at the inauguration of a major industrial park that PVH's investment in Ethiopia's garment and textile sector "will show 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."¹⁰ The corporation's CEO, Emanuel Chirico, avers that PVH is "in a unique position to make positive impacts in the places around the world where we work and live" and that "one of those places is Ethiopia."¹¹

THE WRC FOUND SEVERE LABOR ABUSES AND WAGES AS LOW AS 12 CENTS AN HOUR

Three of the four factories the WRC investigated produce for H&M, two of the four for PVH. According to news reports, PVH is an investor of one of those facilities.¹² Other buyers sourcing from at least one of these facilities include: Walmart, The Children's Place, and Gerber Children's Wear.

“ Our investigation also found the lowest wages the WRC has documented in any garment exporting country in recent years: wages as low as US\$0.12 per hour, less than US\$25 per month. ”

- 6 See, H&M, "Code of Conduct," http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/codeofconduct/Code%20of%20Conduct_en.pdf; Tchibo, "Code of Conduct," <https://www.tchibo-nachhaltigkeit.de/servlet/cb/1252988/data/-/TchiboCodeofConduct2016-2018.pdf>; JCPenney, "Supplier Principles," https://www.jcpenny.com/dotcom/images/Supplier_Principles082017.pdf; KiK, "KiK Textilien und Non-Food GmbH Code of Conduct," http://www.kik-textilien.com/unternehmen/fileadmin/user_upload_de/Tschechien/COC-Englisch.pdf; The Children's Place, "Supplier Code of Conduct," https://www.childrensplace.com/wcsstore/GlobalSAS/images/tcp/common/2014_TCP_Supplier_Code_of_Conduct.pdf; PVH, "Supplier Guidelines: Standards and Guidelines for Meeting PVH's A Shared Commitment," https://www.pvh.com/~media/PVH/Files/corporate-responsibility/PVH_CSR_SupplierGuidelines.ashx?la=en
- 7 Fair Labor Association, "Affiliates: PVH," <http://www.fairlabor.org/affiliate/pvh-corp>
- 8 Like many other third-party social auditing initiatives, WRAP has been routinely criticized by researchers and labor rights advocates for its weak labor standards, its lack of transparency, and for prioritizing corporate interests over workers' rights. A thorough critique of WRAP is beyond the scope of this report; the following sources offer critical analyses of WRAP: AFL-CIO, "Responsibility Outsourced: Social Audits, Workplace Certification and Twenty Years of Failure to Protect Worker Rights," 2013, <https://aflcio.org/sites/default/files/2017-03/CSReport.pdf>; International Labor Rights Forum, "Dangerous Silence: Why the U.S. Military Exchanges Need to Address Unsafe and Illegal Conditions in Their Supplier Factories," 2014, https://laborrights.org/sites/default/files/publications/Dangerous_Silence--Low_Resolution_for_Viewing_Online.pdf; Clean Clothes Campaign, "Looking for a quick fix: How weak social auditing is keeping workers in sweatshops," 2005, <https://cleanclothes.org/resources/publications/05-quick-fix.pdf>; Maquila Solidarity Network, "Memo: Codes Update," 2002, http://en.archive.maquilasolidarity.org/sites/maquilasolidarity.org/files/codesmemo12_0.PDF
- 9 WRAP, "Certification Program," <http://www.wrapcompliance.org/en/certification>
- 10 Bill McRaith, Speech at Production Inauguration of Hawassa Industrial Park, June 2017, in Mamo Mihretu and Gabriela Llobet, "Looking Beyond the Horizon: A case study of PVH's commitment to Ethiopia's Hawassa Industrial Park," World Bank Group, p. 38, <http://documents.worldbank.org/curated/en/576091499710902600/pdf/117230-REVISED-PVH-Case-Study-13th-July-HR-singles.pdf>
- 11 "PVH Corp. Receives 2018 U.S. Secretary of State's Award for Corporate Excellence," Business Wire, 12 September 2018, <https://www.businesswire.com/news/home/20180912006023/en/PVH-Corp.-Receives-2018-U.S.-Secretary-State%E2%80%99s>
- 12 PVH's Form 10-K (pvh.com/investor-relations/sec-filings) indicates Wuxi is one of their finished goods inventory suppliers and that PVH entered a loan agreement with Wuxi in 2016.

Despite the brands' and retailers' codes of conduct and certification schemes and the attendant public assurances about human rights in their supply chains provided by H&M, PVH, and others, the WRC's investigation of four Ethiopian garment factories uncovered numerous labor rights abuses. These include: draconian wage deductions, exacted as punishment for minor disciplinary infractions; degrading verbal abuse of workers by their supervisors; discrimination against pregnant workers; a high incidence of workers collapsing unconscious at their workstations, due to overwork and other factors; and forced overtime; among other violations of law and buyer codes. All of the abuses the WRC identified constitute violations of the brands' and retailers' own labor standards, violations they have apparently either failed to detect or chosen to ignore.

Our investigation also found the lowest wages the WRC has documented in any garment exporting country in recent years: wages as low as US\$0.12 per hour, less than US\$25 per month.¹³ The average wage at the factories the WRC investigated, exclusive of overtime hours, was US\$0.18 an hour (US\$38 per month).

The Ethiopian garment sector's rapid growth has been fueled by these extraordinarily low labor costs. The Ethiopian Investment Commission, a government body charged with attracting foreign investment, has beckoned to potential investors with promises of "[c]heap and skilled labor" with wages that are "1/7 of China and 1/2 of Bangladesh."¹⁴ These wages are possible, in part, because Ethiopia is unique among significant apparel exporting countries in the developing world in having no statutory minimum wage for workers in the private sector, including garment workers.¹⁵ Ultra-low wages, and the lack of any legal wage floor, have, unsurprisingly, been the source of significant worker unrest in the country's garment sector, as well as in other industries.¹⁶

The Ethiopian Investment Commission...has beckoned to potential investors with promises of "[c]heap and skilled labor" with wages that are "1/7 of China and 1/2 of Bangladesh."

It must be noted that many of the brands sourcing from Ethiopia, including H&M and PVH, have officially embraced "living wage" as the appropriate wage standard for workers in their global supply chains. On its corporate website, H&M states that "All textile workers have the right to a fair living wage," and as a member of the Fair Labor Association, PVH has the obligation to take meaningful action to ensure that its suppliers are paying their workers a living wage (in FLA parlance, a "basic needs" wage).¹⁷ None of these brands have commented publicly on how their living wage commitments can be reconciled with their decision to expand sourcing in a country which has no minimum wage for garment workers and to use suppliers who pay wages as low as US\$0.12 an hour and average wages of US\$0.18 an hour (see Figure 2.a below). Wage Indicator's Living Wage Series, which draws data from the International Labour Organization, the World Bank, and the Food and Agriculture Organization, estimates that a living wage in Ethiopia is between \$US0.54 and \$US0.93 per hour.¹⁸

The four factories the WRC investigated are all significant exporters, producing for major global brands. They all have different owners, and they are located in several different parts of the country. It is reasonable to assume that the abusive conditions and extremely low wages identified at these factories are generally representative of conditions in Ethiopia's garment industry as a whole.

¹³ All conversions into US\$ were calculated using the Oanda Currency Converter, <https://www.oanda.com/currency/converter/>

¹⁴ Ethiopian Investment Commission, "Invest in Ethiopia: Emerging Manufacturing Hub of Africa," May 2016, http://www.comesaria.org/site/en/download.php?id_doc=153. Notably, with a recent increase in the garment worker minimum wage in Bangladesh, the ratio is now one to four.

¹⁵ As is further discussed below, additional factors explaining the sector's rapid growth include large swathes of land suitable for cotton production, low energy-costs, favorable trade access to U.S. and E.U. markets, and significant ongoing investment in manufacturing and logistics infrastructure.

¹⁶ One researcher has noted that the wave of labor unrest in Ethiopia since 2017 – more than a dozen large-scale labor strikes have been documented in a number of industries, including the garment industry – is the largest the country has seen since the Ethiopian Revolution in the mid-1970s. See, Samuel Andreas Admasie, "Amid political recalibrations: Strike wave hits Ethiopia," 21, *Journal of Labor and Society*, 2018, <https://onlinelibrary.wiley.com/doi/full/10.1111/wusa.12350>

¹⁷ H&M Group, "Fair Living Wages," <http://about.hm.com/en/sustainability/sustainable-fashion/wages.html>; Fair Labor Association, "Affiliates: PVH," <http://www.fairlabor.org/affiliate/pvh-corp>

¹⁸ Wage Indicator, "Living Wage Series: Ethiopia," January 2018, <https://wageindicator.org/salary/living-wage/ethiopia-living-wage-series-january-2018-country-overview>

HUMAN RIGHTS GROUPS SEE “MURDEROUS” VIOLENCE; BRANDS SEE “STABILITY”

It is important to consider the broader human rights environment in Ethiopia in order to understand the context that has helped to shape working conditions in the emerging garment sector. Over the past decade, Ethiopia has devolved into what the Global Democracy Index and Freedom House have labeled an “authoritarian” regime.¹⁹ Nominally a democracy but effectively a closed political system, the Ethiopian government is controlled by a single party, the Ethiopian People’s Revolutionary Democratic Front (EPRDF), which holds all seats in parliament. As Human Rights Watch and others have reported, in the past three years, government security forces have responded with brutal violence to peaceful protests concerning issues of democracy and industrial development, killing more than 800 protestors and detaining tens of thousands. Scores of journalists have been threatened, arrested, and jailed, and at least a dozen news outlets have been shut down, prompting at least 60 journalists to go into exile.²⁰ In February 2018, the Ethiopian government declared – for the second time since October 2016 – a state of emergency, suspending civil liberties throughout the country for nearly a year.

Abiy Ahmed, the EPRDF’s recently appointed prime minister, has taken significant steps towards greater openness and respect for human rights, including lifting the state of emergency on June 2, 2018 and announcing that Ethiopia’s 2020 election would be free.²¹ Problems remain months after the government lifted the state of emergency, thousands of people were arrested near the capital; many were then sent to military “rehabilitation camps,” as punishment for taking part in protests about ethnic violence in the country.²² The government also has left in place a law, discussed at greater length later in this report, that imposes debilitating restrictions on civil society organizations.

The negative implications of repressive political environments for the exercise of basic labor rights by apparel workers are clear. In an environment in which journalists, NGOs, and trade unions cannot operate freely, workers suffering labor abuses have few options to turn to for help.

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- ¹⁹ The Economist, “The Economist Intelligence Unit’s Democracy Index: 2018,” <https://www.economist.com/graphic-detail/2018/01/31/democracy-continues-its-disturbing-retreat>; Freedom House, “Freedom in the World: Ethiopia,” 2018, <https://freedomhouse.org/report/freedom-world/2018/ethiopia>
- ²⁰ Amnesty International, “Ethiopia: After a year of protest, time to address grave human rights concerns,” 9 November 2016, <https://www.amnesty.org/en/latest/news/2016/11/ethiopia-after-a-year-of-protests-time-to-address-grave-human-rights-concerns/>; Human Rights Watch, “Addressing the Pervasive Human Rights Crisis in Ethiopia” (Letter to United Nations Human Rights Council), 2 June 2017, <https://www.hrw.org/news/2017/06/02/addressing-pervasive-human-rights-crisis-ethiopia>; Human Rights Watch, “World Report 2018: Ethiopia,” <https://www.hrw.org/world-report/2018/country-chapters/ethiopia>
- ²¹ Aaron Maasho, “Ethiopia’s 2020 vote will be free, won’t be delayed by reforms: PM,” Reuters, 25 August 2018, <https://www.reuters.com/article/us-ethiopia-politics/ethiopia-2020-vote-will-be-free-wont-be-delayed-by-reforms-pm-idUSKCN1LA003>
- ²² Hadra Ahmed and Joseph Goldstein, “Thousands Are Arrested in Ethiopia After Ethnic Violence,” The New York Times, 24 September 2018, <https://www.nytimes.com/2018/09/24/world/africa/ethiopia-ethnic-violence-arrests.html>

The absence of effective democracy and the government's authoritarian methods for controlling the populace do not appear to have been a deterrent for apparel brands, which established operations in Ethiopia well before recent reforms and which expanded those operations during a period (2016 and 2017) when political repression, including violence against protestors, was at its peak. H&M reports having conducted an extensive analysis of the human rights situation before entering the Ethiopian market²³ and the country apparently passed muster, since H&M is now one of the industry's primary buyers. PVH's McRaith went so far as to praise the Ethiopian regime, in June of 2017, with a repressive state of emergency still in place, as "an active and visionary government," calling Ethiopia a "North Star."²⁴ On its corporate website, PVH, answering the self-posed question "So Why Ethiopia," cited the country's "stable government" as a principal factor; the company did not comment on the means the regime utilized to maintain this "stability."²⁵ McRaith predicted that PVH's investment in Ethiopia's garment and textile sector "will show 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."²⁶

THE INVESTIGATION PROVED FEASIBLE DESPITE MAJOR CHALLENGES TO INDEPENDENT LABOR INQUIRY

Ethiopia's authoritarian political environment poses significant obstacles to independent labor rights investigation. It is very difficult for foreigners to gain government-approved access to Ethiopia for the purpose of human or labor rights research. If the goal is to research the garment sector, then the support of factory owners or brands is a prerequisite. Civil society organizations generally play a central role in effective labor rights inquiry, since such inquiries must necessarily involve interviews with workers that are conducted offsite, without the involvement or knowledge of factory managers. The WRC, and other independent investigators, rely on civil society organizations that enjoy workers' trust to assist in making contact with workers and arranging interviews. In the case of Ethiopia, independent civil society organizations concerned with human rights and labor rights are either not permitted to exist or are severely restricted in their operations.²⁷ The government's penchant for arresting – and sometimes shooting – its critics also poses special risks in the context of labor rights investigation, making it imperative that workers who are interviewed can never be identified.

These circumstances precluded physical inspection of the factories whose labor practices the WRC investigated, and they posed obstacles to worker interviews, but it proved possible to overcome the latter. Thanks to the skill, courage, and perseverance of local researchers, the WRC was able to make contact with dozens of workers and conduct substantial fact gathering through detailed, offsite worker interviews, as well as review of relevant employment records. It is important to note that our purpose was not to conduct exhaustive code of conduct compliance assessments, but to identify significant labor rights violations workers have experienced and develop an accurate overall picture of labor practices in the sector.

WORKERS REPORTED GRIM CONDITIONS AT FACTORIES PRODUCING FOR PVH, H&M, WALMART, AND OTHERS

The WRC's investigation documented numerous labor rights violations at all four of the subject factories, along with wages that, as noted above, are the lowest of any significant apparel exporter. All of the abusive practices identified violate buyers' codes of conduct for suppliers; most also violate Ethiopian labor law.

- 23 Jaco Maritz, "Made in Ethiopia: Fashion retailer H&M looks to sub-Saharan Africa for suppliers," *How We Made It In Africa*, 21 January 2014, <https://www.howwemadeitinafrica.com/made-in-ethiopia-fashion-retailer-hm-looks-to-sub-saharan-africa-for-suppliers/34310/>
- 24 Bill McRaith, Speech at Production Inauguration of Hawassa Industrial Park, June 2017 (In Mamo Mihretu and Gabriela Llobet, "Looking Beyond the Horizon: A case study of PVH's commitment to Ethiopia's Hawassa Industrial Park," World Bank Group, p. 38, <http://documents.worldbank.org/curated/en/576091499710902600/pdf/117230-REVISED-PVH-Case-Study-13th-July-HR-singles.pdf>)
- 25 PVH, "Moving the Needle in Ethiopia: Building a 'Best-in-Class' Apparel Manufacturing Industry," Corporate Responsibility Report, 2015, p. 8, https://www.pvh.com/~media/PVH/Files/corporate-responsibility/2015_cr_report.ashx. In August of 2016, the human rights group Freedom House had characterized the regime's attacks on peaceful protestors as "murderous violence." <https://freedomhouse.org/article/ethiopia-security-forces-kill-dozens-protestors-block-social-media>
- 26 Bill McRaith, Speech at Production Inauguration of Hawassa Industrial Park, June 2017 (In Mamo Mihretu and Gabriela Llobet, "Looking Beyond the Horizon: A case study of PVH's commitment to Ethiopia's Hawassa Industrial Park," World Bank Group, p. 38, <http://documents.worldbank.org/curated/en/576091499710902600/pdf/117230-REVISED-PVH-Case-Study-13th-July-HR-singles.pdf>)
- 27 Civil society was drastically weakened in 2009, after the Ethiopian government passed a law barring organizations that receive more than 10 percent of their funds from foreign sources from operating in the country.

The **table** below indicates which categories of violation were identified at each facility. The four factories covered by this research are:²⁸

MAA Garment and Textiles, Kebire Enterprises Plc. (MAA)

located in the town of Mekelle in the northern Tigray province. The facility has produced goods for **H&M, Walmart (and its subsidiary Asda), Bonghwa, MOC, Edwards, Obermeyer, DVH Apparel, and Trimark Sportswear.**

Arvind Lifestyle Apparel Manufacturing Plc. (Arvind)

located in the Bole Lemi Industrial Park, situated in the outskirts of Addis Ababa. The facility has produced goods for **The Children's Place (TCP), PVH, H&M, and Gerber Children's Wear.**

Jay Jay Textiles Plc. (Jay Jay)

located in the Bole Lemi Industrial Park. The facility has produced goods for **Gerber Children's Wear, The William Carter Company, The Children's Place (TCP), and H&M.**

JP Textile Ethiopia Plc. (JP)

located in the Hawassa Industrial Park in the small southern town of Hawassa. JP Textile has produced for **PVH**, which has also loaned US\$14 million to the factory.

Among the worst abuses:

- Managers at all four factories routinely subject workers to verbal abuse, shouting at workers, calling them “stupid” or “worthless” or “trash,” and threatening to fire them. Pregnant employees at MAA are castigated as malingerers looking to avoid hard work.
- JP has an openly acknowledged policy that the company will not hire women who are either pregnant or acknowledge an intention of becoming pregnant. Managers sometimes put their hands on the stomachs of new recruits to detect signs of pregnancy.
- MAA's managers have used their power, over matters such as granting promotions, to compel some women workers to provide sexual favors.
- At all four factories, workers perform significant unpaid labor – either uncompensated overtime hours or off-the-clock work during breaks or before shifts.
- Managers in all four factories exact grossly excessive wage deductions for minor disciplinary infractions, such as docking workers up to three days' pay for such transgressions as drinking water at their workstations, speaking loudly, or arriving late to work. At three factories, the practice is standard but unofficial; at MAA it is codified as official policy.
- Jay Jay, Arvind, and MAA ignore legal and code of conduct provisions banning forced overtime.
- Workers at MAA and Arvind report that it is a common occurrence for a worker to collapse unconscious at her or his workstation, likely due to a combination of overwork, insufficient rest, and other factors. MAA's response was to enact a work rule calling for anyone who faints to be fired and prohibiting any worker from coming to their aid.

²⁸ Buyers identified for each factory sourced from that factory in 2017 or in 2018 or in both years.

Workers at all four factories are paid wages for regular work hours that are between US\$0.12 and US\$0.24 an hour (US\$25 to US\$50 per month). Across all four factories, the average is US\$0.18 cents an hour (US\$38 per month). These wages are not illegal since, as discussed above, Ethiopia has no minimum wage for garment workers. These are, however, the lowest wages by far that the WRC has observed in the global apparel industry in recent years. The workers interviewed consistently report that their earnings represent a small fraction of what they would need to support their families at a minimal level of dignity and security.

The primary moral defense offered for the low wages that characterize the global garment industry is that garment workers' earnings, while very low, are considerably better than anything workers could hope to earn if they stayed in their home villages or if they tried their luck in the informal economy. Whether this argument actually constitutes a credible moral defense for paying people less than it costs to feed and house a family is a matter of opinion, but it is notable that wages in the Ethiopian garment sector are so low that the argument may not even be applicable. Researchers at the University of Oxford and the University of Chicago found in 2017 that 77 percent of Ethiopian garment workers quit their jobs within a year to return to agricultural or informal employment. The reason, the researchers explain, is that "people who worked in agriculture or market selling earned about as much money as they could have at the factory, often with fewer hours and better conditions."²⁹

More detailed information concerning the violations at each facility is presented in Section IV of this report.

The remainder of this report proceeds as follows: in the next section, we review the broader economic, political, and legal context underlying the growth of the Ethiopian garment industry and the shaping of factory conditions. We then discuss the methodology and sources of information utilized in this investigation. This is followed by a detailed presentation of the findings at each garment factory. We conclude with a discussion of the responsibility of H&M, PVH, Walmart, and other buyers to address the identified violations and with further observations.

²⁹ Christopher Blattman and Stefan Dercon, "Everything We Knew About Sweatshops Was Wrong," New York Times, 27 April 2017, https://www.nytimes.com/2017/04/27/opinion/do-sweatshops-lift-workers-out-of-poverty.html?smid=tw-share&_r=0

SUMMARY OF KEY LABOR VIOLATIONS BY FACTORY

| | | MAA | ARVIND | JAY JAY | JP |
|--|--------------------------------------|--------------|-----------------------|----------|-----|
| Leading Apparel Brands Sourcing from Factory | | H&M; Walmart | PVH; H&M; TCP; Gerber | H&M; TCP | PVH |
| Wage & Hour Violations | Punitive Wage Deductions | ● | ● | ● | ● |
| | Mandatory Overtime | ● | ● | ● | |
| | Unpaid Overtime | ● | ● | | |
| | Off-the-Clock Work | ● | | ● | ● |
| | No Employment Contract | | | | ● |
| Harassment & Discrimination | Verbal Abuse | ● | ● | ● | ● |
| | Sexual Coercion | ● | | | |
| | Pregnancy Discrimination/ Harassment | ● | | | ● |
| Occupational Health & Safety | Fainting from Overwork | ● | ● | | |
| | Restricted Access to Water/Restrooms | ● | | ● | |
| | Unclean Restrooms | | ● | | |
| | Contaminated Cafeteria Food | | | ● | |

Economic and Political Context

A. THE EMERGENCE OF ETHIOPIA AS A HUB OF TEXTILE AND APPAREL PRODUCTION

Ethiopia's textile and apparel industry grew by 51 percent between 2011 and 2017, according to government data.³⁰ Per Ethiopia's Growth and Transformation Plan II (2016 – 2020) – the government's plan for reaching lower-middle income status by 2025 – the country aims to create 174,000 jobs and generate US\$779 million in export revenue from the textile and apparel sector by 2020,³¹ with a goal of eventually creating over 300,000 jobs.³²

These specific goals seem unlikely to be met; as of October 2017, only about 40,000 workers were employed in the sector, and growth over the past several years has not kept pace with yearly targets.³³ Figures from March 2018 show that Ethiopia earned US\$68.5 million in revenue from the export of textiles and garments over the previous eight months of the Ethiopian fiscal year beginning on July 8, 2017 – a 23.1 percent increase compared to revenue earned in the corresponding period in the previous year, but still 50 percent below the government's target.³⁴

Still, major ongoing development projects and an influx of major Asian suppliers and Western brands just beginning to source from the country make clear that the sector is poised to grow substantially in coming years. Several factors help explain the industry's rapid recent and expected growth.

First, as anticipated above, a major factor attracting investment is the availability of extremely low wage labor – a reality that the Ethiopian government does not refrain from marketing as an investment perk. The Ethiopian Investment Commission explicitly promotes the country as a source of cheap labor.³⁵ Investors also openly acknowledge that the low cost of labor is a major factor driving their interest in Ethiopia. The general manager of Wuxi Jinmao,³⁶ the Chinese firm that owns JP Textile, observed that “the production and labour cost is very low. This attracts our investment.”³⁷ Wuxi opened JP Textile with financing from PVH.³⁸

- 30 “Ethiopia: The Next Hub for World Apparel Investment and Sourcing,” The Ethiopian Messenger, January – March 2018, p.11, https://issuu.com/ethiopian-messenger/docs/the_ethiopian_messenger_9
- 31 Growth and Transformation Plan II (2015/16-2019/20), Volume I, p. 106, https://www.workersrights.org/wp-content/uploads/2018/12/gtpii_english_translation_final_june_21_2016.pdf; Michelle Russell, “Ethiopia commits to boosting apparel exports,” Just-style, 13 December 2016, https://www.just-style.com/news/ethiopia-commits-to-boosting-apparel-exports_id129529.aspx
- 32 Henok Tibebe, “Ethiopia: Effecient [sic]Textile, Garment Industries to Boost Exports,” All Africa, 9 December 2016, <http://allafrica.com/stories/201612090860.html>; Michelle Russell, “Ethiopia commits to boosting apparel exports,” Just-style, 13 December 2016, http://www.just-style.com/news/ethiopia-commits-to-boosting-apparel-exports_id129529.aspx
- 33 “Ethiopia: 40,000 Job Opportunities Created by Industrial Parks,” 2Merkato.com, 2 December 2017, <http://www.2merkato.com/news/alerts/5313-ethiopia-40000-job-opportunities-created-by-industrial-parks>
- 34 Mark Lane, “Mixed messages for Ethiopia textile market,” Apparel Insider, 4 June 2018, <https://apparelinsider.com/mixed-messages-ethiopia-textile-market/>
- 35 Ethiopian Investment Commission, “Invest in Ethiopia: Emerging Manufacturing Hub of Africa,” May 2016, http://www.comesaria.org/site/en/download.php?id_doc=153
- 36 PVH's Form 10-K (<https://www.pvh.com/investor-relations/sec-filings>) indicates Wuxi is one of their finished goods inventory suppliers and that PVH entered a loan agreement with Wuxi in 2016.
- 37 “Can Ethiopia be Africa's leading manufacturing hub?,” BBC News, 24 August 2017, <http://www.bbc.com/news/world-africa-41035141>
- 38 William Davison, “Park life: workers struggle to make ends meet at Ethiopia's \$250m industrial zone,” The Guardian, 5 December 2017, <https://www.theguardian.com/global-development/2017/dec/05/ethiopia-industrial-park-government-investment-boost-economy-low-wages>

Second, Ethiopia has several additional comparative advantages that make it desirable as a sourcing platform. The country has swaths of uncultivated land suitable for local cotton and thus textile production, as well as relatively inexpensive electricity primarily through a network of hydroelectric dams. Ethiopia also has preferential trade access to U.S. markets through the African Growth and Opportunity Act, which was renewed for another 10 years in 2015 and allows for the duty-free import of apparel and textile products, as well as preferential access to European markets through bilateral agreements and participation in the “Everything But Arms” program, which grants duty and quota-free access to the E.U. market for certain less developed countries.³⁹

Third, anticipating and encouraging a major influx of investment, the government has aggressively sought to build up the textile and apparel sector. This has included offering firms in these industries generous incentives, such as favorable taxation and loan conditions for companies and expatriates and duty-free import of machinery. China is currently the country’s leading foreign direct investor – with US\$10.7 billion in loans from 2010 to 2015⁴⁰ – and has enabled the Ethiopian government to invest heavily in improving logistics and production infrastructure. A land-locked country, Ethiopia is building Africa’s first electric railway system as part of investment in infrastructure to quicken the speed of delivery of finished goods from locations of assembly to the nearest port in the neighboring country of Djibouti.⁴¹ The railway is financed by the Ethiopian government and a US\$2.49 billion loan from China’s Exim Bank.⁴²

On the private sector side, a case study by the World Bank Group on PVH’s decision to invest in Ethiopia largely attributes the emergence of the country as a textile hub to industry executives’ active search for the “new China.”⁴³ The study explains that “[h]igh-profile industrial incidents in several Asian countries involving violations of safety and labor standards, coupled with rising labor costs in China, has led companies to turn to Africa as a potential production location.”⁴⁴



The case study previously referenced makes the point that, from a list of favorable factors for investing in Ethiopia – including labor and power cost advantages – the “key deciding factor was the clear commitment of the Ethiopian government to the textile and garment sector as a strategic area of investment.”⁴⁵ And on a website describing its growing operations in Ethiopia, the brand PVH explains: “So why Ethiopia? It is Africa’s second most populous country, with an average GDP growth rate of 11% for the past 11 years and a stable government with an ambitious 2025 vision to become Africa’s leader in light manufacturing.”⁴⁶ The BBC quoted the general manager of Chinese textile conglomerate Wuxi Group as follows: “Why did we choose Ethiopia? Firstly, it has a stable political situation and a peaceful society.” The same manager also cited low labor costs and large population.⁴⁷

39 See, Leonie Barrie, “TPP demise helps propel fabric mills to Ethiopia,” *Just-style*, 8 May 2017, http://www.just-style.com/analysis/tpp-demise-helps-propel-fabric-mills-to-ethiopia_id130632.aspx

40 Bill Donahue, “China Is Turning Into a Giant Fast-Fashion Factory,” *Bloomberg Businessweek*, 2 March 2018, <https://www.bloomberg.com/news/features/2018-03-02/china-is-turning-ethiopia-into-a-giant-fast-fashion-factory>

41 “Extensive development of industrial parks,” Ethiopian Investment Commission, <http://www.investethiopia.gov.et/investment-opportunities/strategic-sectors/industry-zone-development>; Michelle Russell, “Ethiopia inaugurates Africa’s first electric highway,” *Just-style*, 5 October 2016, http://www.just-style.com/news/ethiopia-inaugurates-africas-first-electric-railway_id128996.aspx

42 “The Untold Story of Ethiopian Railway,” *The Ethiopian Messenger*, Issue 4, October 2016, https://issuu.com/ethiopian.messenger/docs/magazine_4; Istvan Tarrosy and Zoltán, “China and Ethiopia, Part 2: The Addis Ababa–Djibouti Railway,” *The Diplomat*, 22 February 2018, <https://thediplomat.com/2018/02/china-and-ethiopia-part-2-the-addis-ababa-djibouti-railway/>

43 Mamo Mihretu and Gabriela Llobet, “Looking Beyond the Horizon: A case study of PVH’s commitment to Ethiopia’s Hawassa Industrial Park,” World Bank Group, p. 14, <http://documents.worldbank.org/curated/en/576091499710902600/pdf/117230-REVISED-PVH-Case-Study-13th-July-HR-singles.pdf>

44 Id., p. 15.

45 Id., p. 19.

46 PVH, “Moving the Needle in Ethiopia: Building a ‘Best-in-Class’ Apparel Manufacturing Industry,” Corporate Responsibility Report, 2015, p. 8, https://www.pvh.com/~media/PVH/Files/corporate-responsibility/2015_cr_report.ashx

47 “Can Ethiopia Be Africa’s Leading Manufacturing Hub?,” *BBC News*, 24 August 2017, <https://www.bbc.com/news/world-africa-41035141>

PVH, which self-identifies as a “supply chain pioneer,”⁴⁸ has been at the forefront of the drive to build up Ethiopia’s garment sector as a leading investor in Hawassa Industrial Park and has claimed to be motivated by the goal of social uplift, not just the drive for profit. In September of 2018, PVH received an “Award for Corporate Excellence” from U.S. Secretary of State Mike Pompeo, in recognition of what the State Department views as PVH’s “sustainable” operations in Hawassa Industrial Park.⁴⁹ Upon receiving this award, the PVH CEO said: “Today, we are seeing our vision come to life at the Hawassa Industrial Park. We have focused on protecting the local environment, using sustainable energy and ensuring sufficient supplies of clean water. Creating a safe and inclusive workplace is also a priority, which provides real opportunities for the residents of the surrounding area.”⁵⁰ Other brands, including H&M and The Children’s Place, highlight development goals, like women’s empowerment and job creation, as having played an important role in their decision to move production to Ethiopia.⁵¹

The brands’ lofty claims are belied by actual working conditions, as documented in this report.

DEVELOPMENT OF NEW INDUSTRIAL ZONES

The most significant infrastructure-development efforts involve building major new industrial parks for the assembly of apparel and other products. The number of factories serving the apparel export industry was estimated to be less than 200 in 2017 but is expected to grow rapidly in coming years. According to government figures, 1,400 factory sheds were scheduled for construction between 2015 and 2019, with the development of new parks in Dire Dawa, Kombolcha, Mekelle, Bahir Dar, Jimma, and Addis Ababa.⁵² Recent press reports from China have announced the construction of three additional parks dedicated to garment and textile production in Ethiopia by the end of July 2019.⁵³

Our research focused primarily on factories in two of the most rapidly expanding zones. The Bole Lemi Industrial Zone, situated on the outskirts of the capital Addis Ababa, has been in operation since 2014 and houses two of the factories covered in this report (Arvind and Jay Jay). With 8,000 workers presently employed, the Addis Chamber of Commerce expects the Bole Lemi zone to eventually employ 35,000 workers across dozens of factory sites. If construction goes according to plan, a second Bole Lemi II zone, which is being developed with World Bank support, is expected to accommodate 60 new production facilities by the end of 2019.⁵⁴

Our research also covered labor practices at a major facility in the Hawassa Industrial Park in the small southern town of Hawassa, an industry development which has been the subject of significant promotional and press attention – not least due to PVH’s leading investor role. The JP Textile plant is located in this zone. Stretched out over more than 1.3 million square meters, the Hawassa zone was built with the assistance of China to exclusively serve the textile and apparel industry.⁵⁵ According to media reports, during 2017 the number of operational factory sheds in the zone increased from 32 to 57 and is expected to reach 172 facilities by 2019. The government expects the zone to eventually house as many as 60,000 workers.⁵⁶



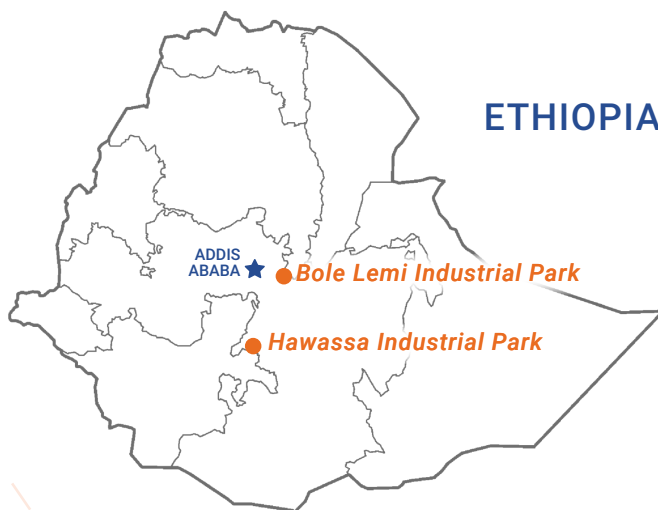
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- 48 Bill Donahue, “China Is Turning Ethiopia Into a Giant Fast-Fashion Factory,” Bloomberg Businessweek, 2 March 2018, <https://www.bloomberg.com/news/features/2018-03-02/china-is-turning-ethiopia-into-a-giant-fast-fashion-factory>
 - 49 “PVH Corp. Receives 2018 U.S. Secretary of State’s Award for Corporate Excellence,” BusinessWire, 12 September 2018, <https://www.businesswire.com/news/home/20180912006023/en/PVH-Corp.-Receives-2018-U.S.-Secretary-State%E2%80%99s>
 - 50 Id.
 - 51 H&M, “4,000 New Jobs in Ethiopia,” <https://about.hm.com/en/media/news/new-jobs-in-ethiopia.html>; Lauren Shields and Margaux Yost, “How Ethiopia’s Nascent Apparel Industry Can Build a Strong, Empowered Workforce,” BSR Blog, 11 May 2017, <https://www.bsr.org/en/our-insights/blog-view/how-ethiopia-apparel-industry-can-build-strong-empowered-workforce>
 - 52 Growth and Transformation Plan II (2015/16-2019/20), Volume I, p. 144.
 - 53 Hannah Abdulla, “Ethiopia plans three more industrial parks to grow apparel production,” Just-style, 10 October 2018, https://www.just-style.com/news/ethiopia-plans-three-more-industrial-parks-to-grow-apparel-production_id134702.aspx
 - 54 See, Ethiopia Construction, “Japanese Company to Develop Special Zone in Bole-Lemi II Industrial Park,” <https://ethiopiaconstruction.com/news/japanese-company-to-develop-special-zone-in-bole-lemi-ii-industrial-park/>
 - 55 “Best Manufacturing – Hawassa Industrial Park,” Engineering News-Record, 11 October 2017, <https://www.enr.com/articles/43032-best-manufacturing-hawassa-industrial-park>; Bill Donahue, “China is turning Into a Giant Fast-Fashion Factory,” Bloomberg Businessweek, 2 March 2018, <https://www.bloomberg.com/news/features/2018-03-02/china-is-turning-ethiopia-into-a-giant-fast-fashion-factory>
 - 56 See, website of Ethiopia’s Industrial Park Development Corporation: <http://www.ipdc.gov.et/index.php/en/resources-en>; Michelle Russell, “Ethiopia commits to boosting apparel exports,” Just-style; 5 October 2016, http://www.just-style.com/news/ethiopia-inaugurates-africas-first-electric-railway_id128996.aspx; “Foreign companies are flowing to industry parks,” Addis Chamber of Commerce; Leonie Barrie, “How Ethiopia’s flagship textile and apparel park is taking shape,” Just-style, 5 May 2017, http://www.just-style.com/analysis/how-ethiopia-flagship-textile-and-apparel-park-is-taking-shape_id130616.aspx; Arthur Friedman, “Lifting of State of Emergency in Ethiopia Could Open Door for Sourcing,” Sourcing Journal, 9 August 2017, <https://sourcingjournalonline.com/lifting-state-emergency-ethiopia-open-door-sourcing/>

Most of the Hawassa-based factories are run by Asian multinationals, many of which supply major U.S. buyers at their facilities elsewhere. As noted above, the JP factory – reportedly the largest production facility in the zone – is operated by Wuxi Jinmao, whose factories in China, Bangladesh, and Vietnam supply PVH, Gap, JCPenney, Target, and VF Corporation. JP is the largest production facility in Hawassa.⁵⁷ Wuxi reportedly hopes to use this and future manufacturing facilities in Hawassa to export US\$60 million worth of garments annually by 2019, employing 2,500 – 3,000 workers.⁵⁸

B. HUMAN RIGHTS AND LABOR RIGHTS ENVIRONMENT IN ETHIOPIA

Lack of Rule of Law and Respect for Human Rights

There have been important improvements recently in the country's human rights situation.⁵⁹ Within a few months of becoming prime minister, Abiy Ahmed has engaged in peaceful dialogue with Ethiopia's longtime adversary, Eritrea; ordered the release of thousands of prisoners; allowed banned political organizations and their leaders to return from exile; and has opened access to hundreds of websites and TV channels that were previously blocked.



Despite these changes, the human rights environment in Ethiopia has been, and at this writing continues to be, of major concern to human rights organizations. Once considered a hybrid political system, Ethiopia has devolved into a closed political system in which the ruling party, the Ethiopian People's Revolutionary Democratic Front (EPRDF), currently holds every seat in Parliament. Beginning in November 2015, the government has responded with violence to peaceful protests, by members of the ethnic Amhara and Oromo groups, focused on issues of democracy and in some cases land disputes in areas where new industrial development projects are being planned or built. As Human Rights Watch reported, "over 800 protesters have been killed, thousands of political activists, human rights defenders, journalists and protesters have been arrested."⁶⁰

The government of Ethiopia has declared a state of emergency, curtailing assembly and speech rights, twice in recent years. It did so first in October 2016, maintaining the edict for 10 months until August 2017. In February 2018, facing unrest following the release from detention of an opposition leader and score of political prisoners, the government once more declared a state of emergency,⁶¹ which was lifted by Abiy Ahmed two months early, on June 2, 2018.⁶²

“*Limitations on human rights advocacy impact respect for worker rights in apparel factories.*”

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⁵⁷ Leonie Barrie, "TPP demise helps propel fabric mills to Ethiopia," Just-style, 8 May 2017, https://www.just-style.com/analysis/tpp-demise-helps-propel-fabric-mills-to-ethiopia_id130632.aspx

⁵⁸ Id.

⁵⁹ "Abiy Ahmed: Ethiopia's prime minister," BBC News, 14 September 2018, <https://www.bbc.com/news/world-africa-43567007>

⁶⁰ Human Rights Watch, "Addressing the Pervasive Human Rights Crisis in Ethiopia," Letter to United Nations Human Rights Council, 2 June 2017, <https://www.hrw.org/news/2017/06/02/addressing-pervasive-human-rights-crisis-ethiopia>

⁶¹ Paul Schemm, "Under a new state of emergency, Ethiopia is on the brink of crisis, again," Washington Post, 3 March 2018, https://www.washingtonpost.com/world/africa/under-a-new-state-of-emergency-ethiopia-is-on-the-brink-of-crisis-again/2018/03/03/5a887156-1d8f-11e8-98f5-ceecfa8741b6_story.html?utm_term=.0b18dbcd6950

⁶² "Ethiopia cabinet drafts early end to state of emergency," BBC News, 2 June 2018, <https://www.bbc.com/news/world-africa-44344025>

Unsurprisingly, the Global Democracy Index classifies Ethiopia's government as an "authoritarian regime."⁶³ In 2018, out of 180 countries ranked by the World Press Freedom Index, Ethiopia ranked 150th, down from 142nd in 2016. Scores of journalists have been threatened, arrested, and jailed in recent years, and at least a dozen news outlets have been shut down by the government. In December 2017, a Toronto-based research and development group revealed that over the prior two years, the Ethiopian government used spyware to target journalists, dissidents, and human rights defenders in at least 20 countries, including Canada, Germany, and Norway.⁶⁴

Limitations on human rights advocacy impact respect for worker rights in apparel factories. Among other dynamics, in an environment in which journalists and NGOs cannot operate freely, the likelihood of abusive labor practices coming to light is greatly diminished, which significantly decreases the likelihood of public pressure that would drive improvements by factory owners and brands. Moreover, the repression of peaceful political protests has an inevitable chilling effect on workers' willingness to speak out about poor conditions or otherwise seek to exercise their associational rights. Given this context, it is unsurprising that Ethiopia ranked Category 4, which translates to "Systematic violations of rights", in the International Trade Union Confederation's (ITUC) 2018 Global Rights Index: The World's Worst Countries for Workers.⁶⁵

The influx of Western brands into Ethiopia at a time when leading human rights organizations were decrying violence against peaceful protestors and mass arrests of journalists, raises serious questions about the integrity of companies' own human rights commitments.

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The lack of a minimum wage leads to adverse consequences for workers beyond low base wages.
 ”

LACK OF A MINIMUM WAGE FOR PRIVATE SECTOR WORKERS

Ethiopia is among the poorest countries in the world. In 2016, the Human Development Index ranked the country 174 out of 188. With a population of 99.4 million and an unemployed rate of about 17 percent, brands doing business in Ethiopia have at their disposal a massive population of potential workers that is especially vulnerable to exploitation. As discussed above, Ethiopia's apparel export factories pay workers the lowest wages in the global apparel industry.

Such low wages result in part from the fact that Ethiopia does not have a legal minimum wage for private sector workers. This dubious distinction sets the country apart from all other major apparel exporting countries in the developing world. Instead, Ethiopian workers' wage rates are guaranteed, if at all, only by employment contracts.⁶⁶ Given the fact that there is very little collective bargaining in the sector, employers can pay the lowest wage for which people are willing to work.



63 The Economist, "The Economist Intelligence Unit's Democracy Index: 2018" <https://www.economist.com/graphic-detail/2018/01/31/democracy-continues-its-disturbing-retreat>

64 See, The Economist, "The Economist Intelligence Unit's Democracy Index: 2018" <https://www.economist.com/graphic-detail/2018/01/31/democracy-continues-its-disturbing-retreat>; Freedom House, "Freedom in the World: Ethiopia," 2018, <https://freedomhouse.org/report/freedom-world/2018/ethiopia>; Human Rights Watch, "Journalism is Not a Crime," 21 January 2015, <https://www.hrw.org/report/2015/01/21/journalism-not-crime/violations-media-freedom-ethiopia>; 2018 World Press Freedom index, Reporters Without Borders, <https://rsf.org/en/ranking>

65 International Trade Union Commission, "2018 ITUC Global Rights Index: The World's Worst Countries for Workers," 2018, p.10, <https://www.ituc-csi.org/IMG/pdf/ituc-global-rights-index-2018-en-final-2.pdf>

66 Ethiopia Labour Proclamation No. 377/2003, Art. 4, <https://www.ilo.org/dyn/travail/docs/247/proclamation>

The lack of a minimum wage leads to adverse consequences for workers beyond low base wages. One function a statutory minimum wage typically plays in an employment law system is as a backstop to prevent excessive deductions from workers' wages; in most labor regulation schemes, a deduction is unlawful if it results in workers earning less than the minimum wage. In Ethiopia, in the absence of such a wage floor, the apparel factory managers have attempted to take advantage of the lack of a minimum wage to impose on workers myriad forms of punitive wage deductions or wage penalties, which result in workers being paid nothing for the labor they have performed.

Low wages are a source of anger among workers and have been the subject of a wave of labor unrest since 2017, with over a dozen labor strikes recorded across a number of industries, including the garment sector.⁶⁷ Starting on May 11, 2018, garment workers at the Bole Lemi Industrial Park went on strike for five days, demanding better working conditions and higher wages – a strike workers were able to launch despite the legal obstacles. Management of the factories allegedly responded that they would agree to salary increments if they saw an increase in worker productivity.⁶⁸

RESTRICTIONS ON HUMAN RIGHTS ADVOCACY

As discussed above, the Ethiopian government severely restricts the ability of nongovernmental organizations to engage in human and labor rights advocacy. These restrictions have had the effect of shrinking Ethiopian civil society drastically and placing significant obstacles to labor rights monitoring and enforcement.

In 2009, the government adopted the Proclamation to Provide for the Registration and Regulation of Charities and Societies (known as the Charities and Societies Proclamation or "CSP"). The CSP established draconian rules concerning the creation and operation of nongovernment organizations. Among numerous other measures, the law labels any nongovernmental organization that receives more than 10 percent of its funding from outside of the country as "foreign." Such organizations are forbidden from engaging in advocacy related to human rights, gender equality, democratic governance, children's rights, the rights of the disabled, and other issues.⁶⁹

This restriction has effectively throttled the flow of funds to organizations working on these key issues. Because Ethiopia is one of the world's poorest countries, there is little opportunity for domestic fundraising for the activities of nongovernmental organizations. At the time the law was enacted, for example,

an estimated 95% of Ethiopian NGOs received more than 10% of their funds from foreign sources.⁷⁰ The Charities and Societies Proclamation thus effectively cut off the only viable means of funding human rights advocacy in Ethiopia and barred organizations based outside of the country, like Human Rights Watch and Amnesty International, from doing human rights work within the country.

The restrictions on NGOs have significant implications for code of conduct monitoring and enforcement work by the WRC and its affiliates, among other stakeholders. Because of these restrictions and other repression by the Ethiopian government, there are no local NGOs in Ethiopia that work on worker rights issues.⁷¹ In other countries, such organizations play a critical role in defending worker rights. Among other roles, NGOs serve as a critical conduit to the outside world by documenting labor abuses, assisting workers in filing complaints with international organizations, and engaging with international brands, thereby helping to hold employers and brands accountable to the law and to applicable private labor rights standards.

The Ethiopian government's restrictions on civil society help to create an environment of impunity in which unscrupulous employers know that violations are less likely to come light.⁷² The Prime Minister's recent reforms have not included the repeal of the CSP.

67 Samuel Andreas Admasie, "Amid political recalibrations: Strike wave hits Ethiopia," 21 *Journal of Labor and Society*, p.431, <https://doi.org/10.1111/wusa.12350>

68 Berhane Hailemariam, "Ethiopia: Labour Strike Rocks Bole Lemi Industrial Park," *All Africa*, 19 May 2018, <https://allafrica.com/stories/201805220677.html>

69 See, e.g., Amnesty International, "Ethiopia: The 2009 Charities and Societies Proclamation," 2012, <https://www.amnesty.org/download/Documents/16000/afr250072012en.pdf>; Human Rights Watch, "New Law Ratchets up Repression: Government Outlaws Most Human Rights Work, Imprisons Opposition Leaders," 8 January 2009, <https://www.hrw.org/news/2009/01/08/ethiopia-new-law-ratchets-repression>

70 FIDH – Worldwide Movement for Human Rights, "Ethiopia: Freedom of association in jeopardy," Press release, 1 September 2009, <https://www.fidh.org/en/region/Africa/ethiopia/Ethiopia-Freedom-of-association-in>

71 Mondiaal FNV, "Quick Scan Of The Linkages Between The Ethiopian Garment Industry And The Dutch Market," 2017, p. 9, <https://www.somo.nl/wp-content/uploads/2018/01/Quick-scan-Ethiopian-Garment-industry.pdf>

72 As part of his promises towards openness and reform, Ethiopian Prime Minister Abiy Ahmed has committed to revisit this repressive law. In July 2018, the Federal Attorney General's office established a 13-member justice reform advisory council to address the CSP among other repressive laws. The council held public consultations for the first time in August 2018; they finalized the first draft to amend the CSP in November 2018. There is, however, skepticism on the part of human rights advocates as to whether the incremental improvements proposed in this draft will be sufficient to compel the fundamental change needed to reverse the restrictions on human rights advocacy. See, Human Rights Watch, "Joint Letter on Ethiopia's New Draft NGO Law," 29 November 2018, <https://www.hrw.org/news/2018/11/29/joint-letter-ethiopia-new-draft-ngo-law>.

RESTRICTIONS ON FREEDOM OF ASSOCIATION

In addition to barring the sorts of nongovernmental organizations workers might turn to for advocacy, Ethiopian law also places significant restrictions on the ability of workers to organize trade unions and undertake collective activity to improve their working conditions, including severe restrictions on the right to strike.⁷³

The ability of garment and textile workers to improve conditions through organizing and collective bargaining is further hampered by restrictions on rights of association in other sectors. In most developing countries, the apparel and textile sectors tend to be among the least organized of major industries, and garment workers seeking to unionize often depend on the infrastructure and support of labor unions in other industries, including the public sector. In Ethiopia, however, the law prohibits union organization by workers in industries where labor tends to be strongest, including teachers and healthcare workers, as well as among private security workers, domestic workers, and seasonal and part-time agricultural workers.⁷⁴

Moreover, the government has the power to unilaterally cancel the registration of any trade union. Trade unions are prohibited from acting in a political manner and the law allows administrative authorities to appeal to the courts to cancel union registration for engaging in such activities.⁷⁵ In the context of a highly repressive government, these authorities give labor unions significant cause to avoid attempting to rock the boat and demand legal reforms necessary to protect workers.

Moreover, by prohibiting the operation of foreign-based NGOs and local NGOs that receive more than nominal international support, the Ethiopian government, through the CSP, effectively bans international labor organizations or labor-sponsored nongovernmental organizations from performing the sorts of capacity building work among textile and apparel worker unions that is common in many developing countries.

Despite these obstacles, the Confederation of Ethiopian Trade Unions (CETU) – to which the IndustriALL Global Union affiliate, the Industrial Federation of Textile, Leather and Garment Workers Union (IFTLGWU), is affiliated – has reported that it is doing significant new organizing of workers and have been leading a public effort to press for the establishment of a minimum wage.⁷⁶



⁷³ Labour Proclamation, Art. 158 (3).

⁷⁴ USDOS, "US Department of State: Country Report on Human Rights Practices 2014: Ethiopia," 25 June 2015, https://www.ecoi.net/local_link/306259/429638_en.html

⁷⁵ Labour Proclamation, Art. 120. Union registrations may also be canceled if the government finds them to have been obtained through fraud, mistake, or deceit, or where any objective of the organization is found to be illegal.

⁷⁶ IndustriALL, "Ethiopian textile unions campaign to end poverty wages," 10 May 2018, <http://www.industriall-union.org/ethiopian-textile-unions-campaign-to-end-poverty-wages>

Methodology

The WRC gathered information concerning code of conduct compliance at the four apparel factories noted below through the following sources of evidence:

- Initial and follow-up interviews with 45 currently employed garment workers (including at least 10 workers at each factory), amounting to approximately 80 interviews in total. The interviews were conducted during March and August 2017. All interviews were carried out onsite, in locations of workers' choosing or by telephone, in the workers' native languages of Tigrinya, Oromo, and Amharic. The workers interviewed ranged in age from 17 to 30 years, with half of the workers between 17 and 20 years old. All are women. Each worker occupied the position of sewing machine operator, cutter, or quality control auditor. The interviews were recorded and then translated and transcribed in English; interviewers made clear to interviewees that all content would be aggregated and anonymized, with workers' names kept strictly confidential.
- A review of factory documentation, shared by workers with the WRC, including pay stubs, employment contracts, personnel policies, and factory identification cards. Additionally, in the case of the MAA factory, where the WRC sought to verify complaints concerning nonpayment of wages, the WRC arranged for a group of workers to keep a detailed daily record of hours worked over the course of a month, which could then be compared with the hours reflected in the employees' pay stubs.
- A review of applicable Ethiopian labor law, including relevant provisions of the country's Constitution and Labour Proclamation No. 377/2003 (as amended) (herein, "Labour Proclamation"), as well as those conventions of the International Labour Organization that have been ratified by or are otherwise binding upon Ethiopia and applicable buyer codes of conduct.
- A review of secondary source materials concerning labor practices and human rights practices and the development of its apparel export sector in Ethiopia, including reports by Ethiopian government agencies and nongovernmental organizations as well as articles in the media.
- A review of U.S. Customs shipping data on apparel goods imported into the United States from Ethiopia, of lists of supplier factories published voluntarily by brands, and of related material – for the purpose of identifying brands producing at the factories investigated.

It should be noted that, while consultation with unions, worker organizations, and civil society groups is generally a core element of WRC investigations, our security assessment led us to conclude that seeking input or cooperation from the unions in the sector during the investigative phase of this engagement would expose them, as well as the WRC's investigators, to an unacceptable level of risk of reprisal. We are sharing our findings with the Confederation of Ethiopian Trade Unions (CETU) and the Industrial Federation of Textile, Leather and Garment Workers Union (IFTLGWU).

As noted, the statements in this report concerning working conditions in these factories reflect findings reached by the WRC based on interviews with factory workers and other evidence-gathering discussed above, which were conducted at various points in 2017. The WRC does not possess any evidence, however, that would suggest that conditions in any of these factories have changed materially since our investigation was conducted.

Findings and Observations

Ethiopia is an unusually challenging context in which to conduct worker interviews due to harsh restrictions on freedom of association, speech, and assembly – in particular, on the ability of non-governmental human rights organizations to function freely. The government’s history of employing repressive tactics against journalists and peaceful protesters also has an inevitable chilling effect on workers’ willingness to speak out about the labor conditions they are facing. This political landscape in Ethiopia also effectively prevented the WRC from performing onsite inspections of the facilities covered in this report.

Despite these limitations, the WRC was able to conduct significant fact finding, via offsite worker interviews, at four major apparel export factories. In this section, we present the findings of our field research, including the labor standard violations we documented in each factory investigated.

A. FINDINGS ON WAGES

The WRC documented the actual pay and hours of workers interviewed at all four factories, in order to determine wage rates at these facilities. The WRC found, at all four factories, that workers’ base pay was as low as US\$0.12 per hour, with workers sometimes taking home less than a dollar a day. The highest wages we found were a base wage of US\$0.24 per hour, with peak take-home pay (including overtime, bonuses, other allowances, and payroll deductions) of US\$2.52 per day. On average, the base wage paid at the four factories was US\$0.18 per hour.

The figures to the right compare the lowest wage rates the WRC documented (the effective minimum wage for workers in these factories) with the legal minimum wage in other major garment exporting countries.⁷⁷

⁷⁷ The WRC calculations for wage rates in Ethiopia are based on an analysis of pay stubs obtained for MAA, Arvind, and Jay Jay, as well as worker testimony from all four factories. While the WRC did not obtain pay stubs for JP, worker testimony at the facility was clear, credible, and consistent. The wage levels reported by JP workers are similar to the wage levels reflected in pay stubs from the other three factories. For wage figures for Honduras, we used the minimum wage rates for export processing zones (<http://www.trabajo.gob.hn/tabla-de-salario-minimo-2018/>). For China, we used an average of the minimum wage rates for Beijing, Shanghai, Jiangsu Province, Zhejiang Province, and Guangdong Province, where China’s garment export industry is concentrated (http://www.mohrss.gov.cn/SYrlzyhshbzb/gongzishourufenpei/fwyd/201804/t20180404_291579.html). For India, we used the minimum wage rate for Karnataka State. For all other countries in the table, the minimum wage figure is the official national minimum, as set and reported by the relevant governmental authorities.

FIG. 2.A

HOURLY MINIMUM WAGE for garment workers by country compared to the lowest garment worker wage in Ethiopia (USD)

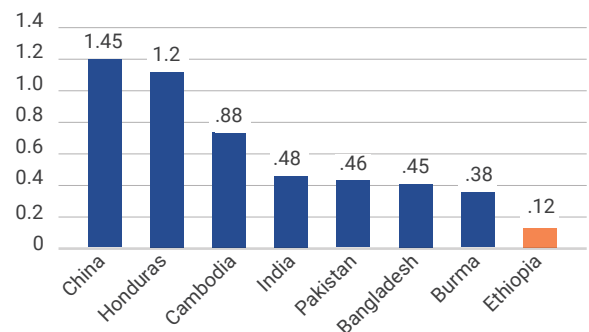
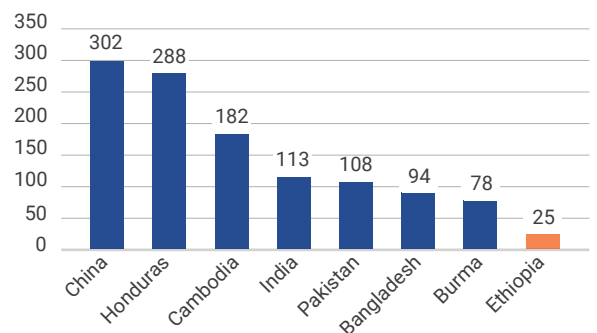


FIG. 2.B

MONTHLY MINIMUM WAGE for garment workers by country compared to the lowest garment worker wage in Ethiopia (USD)



The ratio between wage levels in Ethiopia and Bangladesh is especially noteworthy. Bangladesh, a country with a cost of living comparable to Ethiopia's,⁷⁸ has been notorious for having the lowest wages among the large garment exporters. Bangladesh's new legal minimum wage of US\$0.48 per hour, which has been decried by union leaders in the country as a "joke" and a "slap in the face" and has drawn mass worker protest,⁷⁹ is four times the actual minimum being paid to workers at the Ethiopian factories investigated by the WRC.

These wage levels are not illegal, because employers are not constrained by any minimum wage law. Also, although many brands now officially embrace living wage as the proper wage standard for their supply chains, no major brand explicitly requires its suppliers to meet any specific wage standard except for minimum (or prevailing) wage. Thus, the extremely low wages being paid at Ethiopian suppliers do not violate the brands' codes of conduct. (Other wage-related practices of these suppliers do violate brands' codes, as discussed below.)

While exploiting wages as low as US\$0.12 an hour, in a country where prices for consumer goods and services are roughly one-third of the level of the United States,⁸⁰ may not put the brands in violation of their codes of conduct, it does place the actions of brands like PVH and H&M in abject contradiction of their claim to recognize living wage as a worker right and to be taking meaningful steps toward paying it.

**“
MAA subjects workers to draconian
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one to 10 days' pay, often for minor
infractions like arriving five minutes
late or "talking in hallways."
”**

B. FINDINGS BY FACTORY

MAA Garment and Textiles, Kebire Enterprises Plc. (MAA)

Based in the northern Tigray province in the town of Mekelle, MAA Garment and Textiles ("MAA") employed 1600 employees as of 2016.⁸¹ As one of Ethiopia's 17 vertically integrated factories, the Ethiopian-owned facility has the capacity to weave and spin cotton products as well as assemble (cut, make, and trim) garments. Its output includes trousers, underwear, blouses, t-shirts, and home textiles.

According to U.S. Customs data,⁸² online sources, and worker interviews, the factory's current and recent buyers have included H&M – for which customs data indicates the factory is the single largest source of apparel exported to the United States from Ethiopia – as well as Walmart (and its subsidiary Asda), Bonghwa, MOC, Edwards, Obermeyer, DVH Apparel, and Trimark Sportswear.

The industry-created certification organization WRAP certified the facility with highest status of "platinum" through November 2020.⁸³

78 See, The World Bank Data, "PPP conversion factor, GDP (LCU per international \$)" <https://data.worldbank.org/indicator/PA.NUS.PPP>

79 Faisal Mahmud, "Protests over Bangladesh's minimum wage for garment workers," Asia Times, 17 September 2018, <http://www.atimes.com/article/protests-over-bangladeshs-minimum-wage-for-garment-workers/>

80 See, The World Bank Data, "PPP conversion factor, GDP (LCU per international \$)" <https://data.worldbank.org/indicator/PA.NUS.PPP>

81 Mondiaal FNV, "Quick Scan Of The Linkages Between The Ethiopian Garment Industry And The Dutch Market," 2017, p. 17, <https://www.somo.nl/wp-content/uploads/2018/01/Quick-scan-Ethiopian-Garment-industry.pdf>

82 This information was obtained from reviewing U.S. Customs records of apparel goods imported into the United States, accessed through the web-based service ImportGenius, <https://www.importgenius.com/>.

83 Worldwide Responsible Accredited Production, Certified Facility List <http://www.wrapcompliance.org/wrap-facilities-worldwide>. WRAP states: "Platinum certifications are awarded to facilities that have demonstrated full compliance with WRAP's 12 Principles for 3 consecutive certification audits. Platinum facilities must successfully pass every audit with no corrective actions or observations and maintain continuous certification with no gaps between certification periods." See <http://www.wrapcompliance.org/certification>

1. Wages and Hours

Punitive Wage Deductions/Unpaid Labor: Punitive wage deductions are prohibited by most national laws, including Ethiopian law, as well as most brands' codes of conduct. Indeed, applicable codes of conduct incorporate the specific rule that employers must not deprive workers of any substantial portion of their income through punitive wage deductions.⁸⁴

In violation of this standard, the MAA factory subjects workers to draconian wage deductions, including penalties ranging from one to 10 days' pay, often for minor infractions, like arriving five minutes late or "talking in hallways".

These outsized punitive deductions are an officially codified policy of the factory, as reflected in MAA's employee handbook, which sets forth the following schedule of offenses and penalties (with the particular penalty imposed in each case depending on the number of prior infractions):

- "Leaving work station and moving around without permission [or] standing and talking in hallways": one to five days' wages;
- Arriving "five to 30 minutes late without a sufficient reason": one to three days' wages;
- "Being reckless with the factory's property and causing repairable damage": five to 10 days' wages.

Additional information concerning infractions and punishments has been communicated to workers verbally. For example, workers reported that they risked being fined a day's wages if they were caught drinking water at their work station.

A production error can also result in the deduction of wages. A 22-year-old MAA employee told the WRC's investigators, "my supervisor scolds me when I work too slow, but when I pick up the pace it's hard to not make mistakes. One time I accidentally ruined some cloth. As a result, they fined me with a two-day wage cut. There really is no winning." Workers also reported that requesting a day of leave, to which they have a legal right, can result in a large punitive wage deduction.

Punitive deductions at MAA are sometimes arbitrary as well as excessive. One worker testified that she was fined a day's pay for following a manager's instruction to work in a different production line, because she failed to notify her supervisor of the other manager's directive.

Under MAA's Dickensian regime of wage penalties, a worker who, on a given day, has a passing chat with a friend in the hallway, makes the mistake of cooling herself in the factory's reportedly sweltering conditions with a sip of water, and makes a small production error can be fined well over a week's wages.

Notably, MAA's wage deduction practices are so egregious, they violate even Ethiopia's weak law concerning wage deductions, which allows any deduction that is part of a factory's formal policy as long as it does not deprive workers of more than one-third of their monthly pay.⁸⁵ Since a single peccadillo (talking, being five minutes late) at MAA can cost a worker 100 percent of that day's pay – or far more – and MAA's employee handbook does not set an upward limit on the amount of wage deductions a worker can accrue in a given month, the factory's policies are, on their face, a violation of national law as well as buyer codes and international standards.

Workers also reported that managers frequently confiscate workers' cell phones if they are caught using the phone during working hours and do not return such items for two or three days. Managers, reportedly, sometimes also cut workers' headphones in half if they catch a worker using them. Seizing workers' personal property and denying them access to it or destroying it is another form of financial penalty that violates applicable standards as well as a form of psychological harassment.

⁸⁴ For example, Walmart's Standards for Suppliers bars suppliers from "[making] illegal or excessive wage deductions" <https://cdn.corporate.walmart.com/bc/8c/97ac8c9b43229f17480057fd684e/standards-for-suppliers-english-updated-6-30.pdf>

⁸⁵ Ethiopia Labour Proclamation Art. 59 (1) provides that "The employer shall not deduct from, attach or setoff the wages of the worker except where it is provided otherwise by law or collective agreement or work rules or in accordance with a court order or a written agreement of the worker," with Art. 59 (2) specifying that "The amount in aggregate that may be deducted at any one time, from the worker's wage shall in no case exceed one-third of his monthly wages."

Mandatory Overtime: In violation of domestic law and applicable codes of conduct requiring that overtime be voluntary,⁸⁶ worker testimony indicates that MAA regularly obliges workers to perform overtime as a mandatory aspect of employment. The obligation to perform overtime is reinforced through another set of illegal wage deductions imposed on workers who decline to work beyond their regular shifts. One worker recalled being fined two days of pay, because she left at the end of her regular shift to attend a school class without permission. Another worker testified that her manager denied her a raise and told her explicitly that this was punishment because of her decision, several weeks earlier, not to perform overtime work. In general, workers at this facility reported that the penalty for refusing overtime is the loss of two to three days' wages.

Unpaid Overtime and Non-Compliant Payment Practices:

Evidence gathered shows that the factory's practices with respect to overtime pay violate provisions of domestic law and applicable codes of conduct requiring that workers be paid, at a premium rate (125 percent of normal wages, under Ethiopian law),⁸⁷ for all hours worked in excess of the regular work schedule.

These unlawful practices are, in part, codified in MAA's official employee handbook, which stipulates that the first 20 minutes after regular shifts end do not count as overtime. Workers can thus be required to perform up to eight hours of unpaid labor, per month, by managerial edict.

Workers testified that the failure to pay workers properly for overtime hours extends beyond the 20 minutes per day of wage theft authorized by formal policy. After being informed of the

“My supervisor scolds me when I work too slow, but when I pick up the pace it's hard to not make mistakes. One time I accidentally ruined some cloth. As a result, they fined me with a two-day wage cut. There really is no winning.”

problem by MAA workers, the WRC asked several workers to keep careful records of their working hours for a month and share the data with us, which the workers agreed to do. We compared the records thus collected with the hours reported by management on workers' official pay stubs for the month in question (which were also provided to the WRC by the workers). The data show that workers performed up to 56 hours of overtime work, over the course of the month, which was neither recorded on the pay stubs issued by management nor compensated in workers' monthly wages. Workers indicated that they sometimes receive late “make-up” payments, long after the fact, for such uncompensated labor, and the WRC maintained contact with these workers for several months to quantify any further compensation. Some “make-up” pay was received by some of the workers, but in no case was it sufficient to compensate them for the total hours worked, even at regular pay levels, much less at the premium rate at which management is obligated to pay for overtime labor.

In addition, the payment practices reported by workers – payment made late and without adequate documentation of what payment corresponds to which hours worked – violate provisions concerning timeliness of pay and proper communication of payment calculations commonly found in buyer codes and the codes of buyer-backed monitoring entities – including, for example, the standards of Fair Labor Association – as well as the Labour Proclamation and the rules set forth by the MAA in its own handbook.⁸⁸ MAA's pay practices, in addition to their other illegal aspects, are not sufficiently clear, transparent, and well-documented to enable workers to know whether they are being paid the appropriate wages corresponding to their hours worked.

⁸⁶ Ethiopia Labour Proclamation Art. 67 (1) provides that “A worker may not be compelled to work over-time,” while H&M's Code of Conduct states “Overtime work must always be voluntary and compensated in accordance with the law.”

⁸⁷ Labour Proclamation, Art. 68.

⁸⁸ FLA Monitoring Guidance and Compliance Benchmarks, Section 9, C.4 states that “All wages, including payment for overtime, shall be paid within legally defined time limits. When no time limits are defined by law, compensation shall be paid at least once a month”, while C.5 states that “All payments to workers, including hourly wages, piecework, fringe benefits and other incentives shall be calculated, recorded, and paid accurately.” See: http://www.fairlabor.org/sites/default/files/fla_complete_code_and_benchmarks.pdf; The Labour Proclamation, Art. 58 states that: “Wages shall be paid at such intervals as are provided for by law or collective agreement or work rules or contract of employment.” The absence of a collective agreement and contract of employment implies that the MAA employee handbook is the controlling standard regarding the issue of timely payment. The MAA employee handbook states: “The employee has the right to get paid his salary and other legal payments on due time.”

Off-the-Clock Work during Meal Periods: Ethiopian law does not specify the quantity or duration of breaks which must be provided to workers. However, the MAA employee handbook specifies that regular workers are entitled one unpaid meal period of one hour. Under Ethiopian law, such formalized work rules constitute binding contracts with workers. Workers, however, consistently reported that they were regularly required to work through part or all of their meal break in order to meet the company's production demands. In testimony echoed by many workers interviewed, one woman stated, "I always rush through lunch to get back to work and only use half of the break time." This work during meal breaks is neither recorded nor compensated by management.

2. Harassment and Abuse

Applicable codes of conduct require that workers must be treated with dignity and respect, and that no worker shall be subjected to physical, sexual, psychological, or verbal harassment or abuse. Applicable codes of conduct also prohibit discrimination in employment on the basis of sex. The Labour Proclamation does not specifically prohibit sexual harassment but prohibits discrimination in employment on the basis of sex and requires generally that employers must "respect the workers' human dignity."⁸⁹ Sexual harassment by employers is barred under Ethiopia's Criminal Code, which makes the conduct punishable by imprisonment.⁹⁰ The WRC's research uncovered various forms of abuse and harassment in violation of domestic law, as well as applicable codes of conduct,⁹¹ including:

Quid Pro Quo Sexual Coercion: Several workers at the MAA factory reported the existence of sexual coercion, in which managers use their power, over such issues as the granting of leave, in order to obtain sexual favors. One 22-year-old woman told the WRC:

"I have been asked out for a date or for sex by my supervisors. I know this has happened to other girls too. If we say yes, they will easily cooperate with us when we are late or ask for annual leave or other things, but if not, they will use what they can in their power to make us miserable. If we ask for annual leave they will hold our refusal to their sexual advances against us saying that 'this all could be avoided.'"

It was also reported that women who agree to the managers' requests are given favorable treatment, such as promotions.

Needless to say, sexual coercion of this sort is among the most serious violations an employer can commit. Because most instances of sexual harassment and coercion in the garment industry go unreported – due to embarrassment, fear of social stigma, fear of retaliation, and/or skepticism that lodging a complaint will lead to corrective action – the fact that multiple workers, among a modest interview sample, disclosed these abuses to the WRC's investigators, identifying several different managerial employees as perpetrators, indicates that the practice is not limited to a few incidents or a single manager but is extensive.

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Workers reported that managers or supervisors addressed them with terms like “stupid” and “trash” and said they were “dumb,” “deaf,” and “worthless.”

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⁸⁹ Labour Proclamation Art. 12 (3).

⁹⁰ Criminal Code Proclamation No. 414/2004, Art. 625.

⁹¹ H&M's Code of Conduct, 4.1.3, provides that "Every employee shall be treated with respect and dignity. Under no circumstances do we accept the use by our suppliers, their subcontractors or other business partners of humiliating or corporal punishment, and no employee shall be subject to physical, sexual, psychological or verbal harassment or abuse."

Pregnancy-Related Harassment: Discrimination due to pregnancy, while not specifically barred under Ethiopian law, is generally understood to be a form of unlawful sex discrimination⁹² and is prohibited by virtually all buyer labor codes.⁹³ Several workers at the MAA factory reported that management has a practice of harassing women who become pregnant by accusing them of abusing pregnancy benefits, which, by law, include 90 days of paid maternity leave.⁹⁴ Several workers testified that most women do not inform management of their pregnancies until they are visibly showing, because they are afraid managers will accuse them of becoming pregnant in order to get lighter work duties or other supposed benefits that come with pregnancy. As one worker put it, most women “wouldn’t dare to tell their supervisor, because they would be shouted at [and] accused of looking for ways to take rest.” The management attitude described creates a hostile environment that interferes with the ability of workers to freely access their statutory leave rights. Such harassment also suggests a high risk of discrimination in hiring, promotions, and dismissal of employees, something that both the WRC and other researchers have found at other facilities in the sector.⁹⁵

Verbal Abuse: Applicable buyer codes’ provisions barring harassment extend to verbal abuse. Yet verbal abuse is a widespread problem at MAA, as fully half of the workers interviewed complained of such management conduct. Workers are typically subjected to such abuse when the managers find workers speaking to one another during work time, when they are dissatisfied with their pace of work or performance, or when they arrive late for work. Workers reported that managers and supervisors addressed them with terms like “stupid” and “trash” and said they were “dumb,” “deaf,” and “worthless.” A worker also related that managers yell at workers if the workers request a day of leave or make complaints about wages or working conditions.

2. Occupational Health and Safety

Ethiopia’s Labour Proclamation provides generally that employers must ensure a safe and healthy work environment including: maintaining a work environment that does not cause danger to the health and safety of employees; providing appropriate guidance to employees to avoid injury or accidents; establishing health and safety committees; and providing appropriate protective equipment.⁹⁶ Virtually all buyer codes also include a general standard requiring suppliers to protect worker health and safety.

Because the WRC was not in a position to conduct onsite inspections at the four factories, a comprehensive assessment of occupational safety and health conditions was not possible. Far more than most other categories of labor rights compliance, occupational safety and health issues are difficult to measure through worker interviews alone. The WRC did, however, hear sufficient testimonial evidence on some health and safety issues at MAA to warrant findings.

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MAA management responded to the prevalence of workers fainting by announcing new work rules, designed not to protect workers’ health and safety, but to punish workers who collapse and those who come to their aid.

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⁹² See, for example, ILO Convention 183, which states that, “[e]ach Member shall adopt appropriate measures to ensure that maternity does not constitute a source of discrimination in employment” (Art. 9(1)). This convention has not yet been ratified by Ethiopia.

⁹³ H&M’s Code of Conduct, 4.1.5, states “No employee shall be discriminated against in employment or occupation on the grounds of sex, race, colour, age, pregnancy, sexual orientation, religion, political opinion, nationality, ethnic origin, disease or disability.”

⁹⁴ Constitution of Ethiopia Art. 35 (5), Labour Proclamation, Art. 88.

⁹⁵ See, Hagos, Tesay, “Ethiopia: Decent Working Condition for Women,” *The Ethiopian Herald*, 24 January 2017, <https://allafrica.com/stories/201701240617.html>

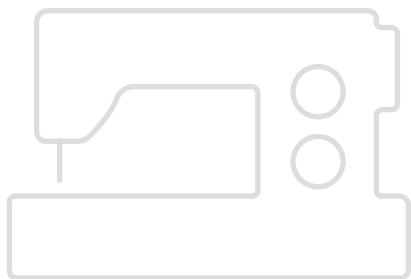
⁹⁶ Labour Proclamation, Arts.12, 92.

The WRC identified the following violations of applicable health and safety standards at MAA:

Workers Collapsing Unconscious from an Apparent Combination of Heat, Overwork, and Insufficient Rest and Hydration:

Of greatest concern, workers reported that, over their tenures at the factory, they have witnessed numerous incidents of employees fainting at their work stations. Workers' testimony shows that this is a chronic problem at the factory. Workers collapsing unconscious at a garment factory, with such incidents occurring over an extended period of time, is evidence of a grossly unsafe workplace. The cause of chronic fainting among a manufacturing workforce is typically a combination of excessive workloads, insufficient rest, insufficient hydration, and high ambient temperatures, and there are references to all of these phenomena in worker testimony. The WRC did not hear sufficient evidence to draw conclusions as to the exact combination of factors that is causing workers to collapse at MAA, though lack of access to drinking water is clearly one major factor (see below). Thus, while the presence of the problem is proof of unsafe conditions, further inquiry will be required to determine the nature and extent of the underlying factors.

In mid-2017, according to workers, MAA management responded to the prevalence of workers fainting by announcing new work rules, designed not to protect workers' health and safety, but to punish workers who collapse and those who come to their aid. Specifically, management decreed that anyone who faints at work will be fired, as will anyone who attempts to help the person. This approach derives from management's explicitly stated opinion that any worker who appears to faint is faking illness in order to avoid work. This policy, in addition to its cruelty and absurdity, compounds the violation of applicable standards by denying sick workers proper care.



Restricted Access to Drinking Water: Workers reported that management, as a matter of unofficial but standard practice, prohibits employees from obtaining drinking water except during the infrequent breaks the factory provides. One sewing machine operator, for example, stated that "they threaten to fire us if they catch us [drinking water at our work station]." As noted above, other workers reported that they could lose an entire day's pay if they were caught drinking water outside of break time. Further, as noted above, workers complained that they were not always able to obtain water during their breaks because of the need to complete production quotas. The factory's restrictions on access to water represent a serious threat to workers' health and are a contributor to the high incidence of fainting discussed above.

Restricted Access to Restroom Facilities: Workers reported that, as with access to drinking water, MAA factory management enforces an informal rule that workers cannot use the restroom facilities except during breaks. Workers also reported that, as with access to drinking water, pressure to meet production quotas caused them to regularly work through their breaks, further limiting access to sanitation facilities and causing discomfort. Moreover, when they did use the restroom facilities during their breaks, long lines to use the facilities sometimes caused them to return late to their work stations, resulting in scolding from supervisors, thereby discouraging further their use of the facilities.⁹⁷ Denying workers access to bathroom facilities places their health at risk, violating legal and buyer standards on health and safety, and also constitutes a form of psychological abuse.

⁹⁷ See, ILO Recommendation 164 (Occupational Safety and Health) Art. 10(f) ("[T]he obligation [is] placed on the employer [...] to ensure that work organisation, particularly with respect to hours of work and rest breaks, does not adversely affect occupational safety and health."). For a detailed discussion of the adverse health and safety effects of restroom use restrictions for workers, see, U.S. OSHA, Memorandum on Interpretation of 29 C.F.R. 1910.141(c) (1) (i) (Apr. 6, 1998) ("[M]edical studies show the importance of regular urination, with women generally needing to void more frequently than men. Adverse health effects that may result from voluntary urinary retention include increased frequency of urinary tract infections (UTIs), which can lead to more serious infections and, in rare situations, renal damage (see, e.g., Nielsen, A. Waite, W., "Epidemiology of Infrequent Voiding and Associated Symptoms," Scand. J Urol Nephrol Suppl., 157). UTIs during pregnancy have been associated with low birth weight. See, Naeye, R.L., "Causes of the Excess Rates of Perinatal Mortality and the Prematurity in Pregnancies Complicated by Maternity Urinary Tract Infections," New England J. Medicine 300-315, 819-823 (1979). Medical evidence also shows that health problems, including constipation, abdominal pain, diverticulitis, and hemorrhoids, can result if individuals delay defecation (See National Institutes of Health (NIH) Publication No. 95-2754, July 1995.)."

Arvind Lifestyle Apparel Manufacturing Plc. (Arvind)

Arvind Lifestyle Apparel Manufacturing Plc., located in the Bole Lemi Industrial Park, is one of two textile and apparel factories in Ethiopia owned by the Indian multinational Arvind Lifestyle Apparel. The facility's buyers include The Children's Place, PVH, H&M, and Gerber Children's Wear. The plant primarily manufactures jeans, trousers, and shirts. (A second Arvind facility recently commenced operations in the Hawassa Industrial Park; the facility, which was not the subject of labor rights investigation for this report, has recently produced goods for H&M and PVH.)

1. Freedom of Association

Restrictions on Worker Communication: Arvind management issues employment contracts to employees with confidentiality provisions restricting workers' ability to communicate with other workers or outside parties about their working conditions. Under these provisions, employees are forbidden from communicating, disclosing, and divulging, directly or indirectly, "to any person, firm, corporation, or other entity any information concerning matters affecting or relating to the business of Employer." The employment contracts also state that employees may be terminated for "[b]ringing the company into disrepute."

These contract provisions violate relevant standards both because they thoroughly undermine workers' associational rights, and because they impede meaningful labor rights monitoring. Broad confidentiality provisions of this sort, with no carve-out for matters related to working conditions, preclude workers from communicating with each other and with union representatives concerning issues workers must be able to discuss in order to carry out collective action.⁹⁸ Such restrictions also directly impede the operation of buyers' own labor rights monitoring programs, including those of H&M,⁹⁹ since the rights of workers to speak freely with

factory monitors and to bring complaints to buyers, are fundamental elements of these programs. Where workers are prohibited, as a condition of employment, from speaking ill of their employer, as they are at Arvind, the elements of buyers' monitoring programs that necessitate worker involvement are rendered meaningless.

Thus, Arvind's use of contractual employment requirements to prohibit workers from speaking to other parties about the factory's working conditions violates workers' associational rights, as protected by Ethiopian law,¹⁰⁰ international standards and buyer codes, and further violates buyer codes by preventing workers from providing information to buyers essential to the meaningful enforcement of those codes.

Notably, Arvind's workers displayed, in the course of the WRC's research, great reluctance to speak about the factory's labor practices – more so than the workers employed at other factories covered in this report.

2. Wages and Hours

Punitive Wage Deductions / Unpaid Labor: As noted previously, international labor law and applicable codes of conduct incorporate the specific rule that employers' must not deprive workers of significant portions of their income through punitive wage deductions.¹⁰¹ Furthermore, as noted above, Ethiopian labor law forbids any deduction that is not part of a factory's formal policy and that deprives workers of more than one-third of their monthly pay. In violation of these standards, management at the Arvind factory – like others that are the subject of this report – subjects workers to draconian wage deductions, often for minor infractions, which can result in workers being paid nothing for labor they have performed over a given period of time.

⁹⁸ Rules like these have been held to illegally interfere with workers' exercise of freedom of association under both U.S. law and international law. Under U.S. labor law, an employer generally may not prohibit employees from discussing their wages and working conditions with third parties. See, Flamingo Hilton-Laughlin, 330 NLRB 287, 292 (1999). Furthermore, prohibiting workers from communicating with one another or with union representatives constitutes a violation of ILO Convention 98, concerning the right to organizing and collective bargaining.

⁹⁹ H&M's Sustainability Commitment outlines suppliers' "fundamental" requirement to ensure that "There is a grievance mechanism in place enabling employees to put forward complaints without risk of retaliation." http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/Sustainability%20Commitment/Sustainability%20Commitment_En.pdf

¹⁰⁰ Labour Proclamation Art. 125 stipulates that "Trade union shall have the right to bargain a collective agreement with one or more employers or their organization."

¹⁰¹ For example, H&M's Code of Conduct, 4.2.1., states that "No unfair deductions are allowed"

Arvind prohibits workers, as a condition of their employment, from speaking out about the factory's working conditions.

- Workers consistently reported that, under the company's policy employees who arrive late for work on a particular day are required to complete the rest of their shift but are paid nothing for the entire day. Several workers interviewed by the WRC testified that they have personally been victimized by this policy, losing a full day's pay due to a minor delay in arriving at work. Other workers testified that they have observed this punishment being imposed on coworkers.¹⁰²
- Additionally, as a related matter concerning the taking of personal property, workers complained that management had a practice of confiscating workers' personal cell phones and keeping them for two or three days if workers are caught using their phones during working hours, even if only to check the time of day. While it is within management's rights to ban the use of cell phones during work time, confiscating workers' personal property, as a means of punishment, is abusive and illegal, since it constitutes confiscation of property without lawful basis.

Mandatory Overtime: As noted above, Ethiopian law (barring exceptional circumstances) and applicable codes of conduct require that overtime work be performed on a voluntary basis. Worker testimony shows, however, that Arvind requires workers to perform overtime as a mandatory aspect of employment. This illegal practice is actually explicitly codified in the employment contracts that Arvind issues to workers, which stipulate that management reserves the right to change workers' "daily starting and finishing times" in accordance with business demands, with no caveat that such alterations are constrained by the length of the statutory work day. During the period in which the interviews were conducted, the factory was not having workers perform overtime. However, in prior months, workers reported that factory management required workers to perform overtime, typically amounting to six to eight hours of work per week, and workers were not allowed to decline.

Unpaid Overtime: Ethiopian law requires that workers be compensated at a premium of 125% of ordinary wages for work performed in excess of eight hours in a day or 48 hours in a week.¹⁰³ Several workers reported that they were not paid for overtime they performed at the Arvind factory. Workers reported an instance in which management promised that workers would be compensated at some unspecified future time for a sizable block of overtime they had performed, but then never paid workers for these hours. The WRC did not obtain sufficient information to assess the frequency and prevalence of this problem, but the testimony was sufficient to support the finding that Arvind has committed this form of wage theft.

3. Harassment and Abuse

Verbal Abuse: Workers report that supervisors frequently yell at them in a demeaning fashion, doing so when they consider workers' pace of production to be too slow and when workers request leave, among other circumstances. One quality control worker stated, "they shout at us when we work too slow for them, which brings many of us to tears."

4. Occupational Health and Safety

Despite general provisions in Ethiopia's Labour Proclamation that employers must ensure a safe and healthy work environment, worker testimony confirmed the manifestation of occupation health and safety violations at Arvind.

Faintings: Several workers reported that they have witnessed multiple incidents of workers fainting at the factory, estimating that there were several cases of individual workers fainting per month, with more during the hot season. As noted in the discussion of the same violation at MAA, ongoing incidents of fainting are proof of a grossly unsafe workplace. While we do not have sufficient information to determine the specific combination of factors leading to workers fainting at the Arvind facility, the problem is typically a product of all or several of the following: excessive heat, overwork, insufficient rest, and insufficient hydration. The higher incidence of fainting workers described as occurring during the hot season points to heat as a significant causal factor.

Poor Condition of Restroom Facilities: Workers decried the condition of the restroom facilities as poorly maintained and unhygienic. Many interviewees complained that a nauseating odor emanates from the restrooms and is so strong and pervasive that it reaches their work stations, some located at a substantial distance. Workers find the conditions of the restrooms degrading.

“ They shout at us when we work too slow for them, which brings many of us to tears. ”

¹⁰² As was the case in MAA, Arvind's policy and practice violates even Ethiopia's weak law concerning wage deductions, as there is no upward limit on the amount of wage deductions a worker can accrue in a given month.

¹⁰³ Labour Proclamation Art. 68. This standard is reinforced by applicable codes of conduct. For example, H&M's Code of Conduct, 4.2.2., provides that "Overtime work must always be voluntary and compensated in accordance with the law."

Jay Jay Textiles Plc.

Jay Jay Textiles (“Jay Jay”) is located in the Bole Lemi Industrial Park (Phase I). Occupying some 27,500 square meters, the Indian-owned factory is one of the largest facilities in the zone. Specializing in children’s apparel, the facility manufactures apparel goods for Gerber Children’s Wear, The Children’s Place, The William Carter Company, and H&M.

The industry-created certification organization WRAP certified the facility with a “gold” accreditation, which is current through November 2019.¹⁰⁴

1. Wages and Hours

Punitive Wage Deductions / Unpaid Labor: As with other factories reviewed in this report, workers at the Jay Jay factory reported that management has a practice of deducting pay from workers’ salaries (or threatening to do so) as a means of enforcing discipline, despite such practice being barred by international and domestic law, as well as applicable codes of conduct. There was some variation in terms of the amounts of the reported penalties and consistency which they were imposed, suggesting that the practice may vary by department or supervisor.

Furthermore, these wage deduction practices violate even Ethiopia’s weak law concerning wage deductions, as there is no limit on the amount of wage deductions a worker can accrue in a given month, whereas the law caps such deductions.

- Workers reported that management punishes employees who arrive late by deducting from their pay amounts ranging from US\$1.10 to US\$4.30. To put these amounts into perspective, the WRC found that workers at Jay Jay were paid an average of US\$0.27 an hour. The amounts of pay that workers at Jay Jay are penalized – for even marginal tardiness – thus represent up to two days’ wages. Workers reported that management warned them that it would soon be increasing these penalties to higher levels, though management did not provide specifics.

- Several workers reported that management deducts pay from employees’ salary in the case of an unexcused absence – not just docking workers the day’s pay, which would in some circumstances be appropriate, but imposing an additional large wage penalty, which violates buyer labor codes and international law. For example, in the case of one worker, who reported that she was not able to report for work one day because she was sick, the company took US\$6.60 from her salary (i.e., the equivalent of three days’ wages), in addition to paying nothing for the day she missed.
- Workers also reported that management deducts pay from workers’ paychecks if a worker makes a production error or accidentally mars a piece of production material.
- Finally, as a related matter concerning the confiscation of workers’ personal property, workers complained that Jay Jay management enforces a rule prohibiting the use of cell phones at work by confiscating the phones of workers caught using them. Workers reported that management typically keeps workers phones for multiple days and, as one worker put it, only returns the phones if workers “beg” for them to return them. Some workers reported that management has threatened to keep workers’ phones for a month. As with MAA, the confiscation of workers’ personal property as a form of discipline is not only abusive, but it also lacks a lawful basis and as such is illegal.

“
[My] supervisor will shout at me if he sees me trying to take a break when there is a stack of clothes to be processed.
”

104 Worldwide Responsible Accredited Production, Certified Facility List, <http://www.wrapcompliance.org/wrap-facilities-worldwide>

“
Several workers described finding insects, including what they believed were maggots, in the food served to them.
”

Failure to Provide Rest Breaks and Meal Periods / Off-the-Clock Work: According to worker testimony, factory management promises workers one 30-minute meal period and two 15-minute rest breaks during each eight-hour shift. The ability to take such breaks, while not required by Ethiopian labor law, is thus legally required as a matter of contract at the factory. However, most workers reported that they were regularly required to forgo all of their rest breaks and some or most of their meal periods in order to meet management’s production demands. Workers reported that taking the promised breaks will result in production backlogs for which they may be subject to discipline. One worker, for example, stated that her “supervisor will shout at me if he sees me trying to take a break when there is a stack of clothes to be processed.”

Mandatory Overtime: While Ethiopian law and applicable codes of conduct require that overtime work be performed on a voluntary basis, all workers interviewed at Jay Jay uniformly testified to their inability to refuse overtime. According to worker testimony, management’s practice of imposing overtime, which typically added about 1.5 hours to workers’ work days, ceased in early 2017. Workers reported that, since this change, they have been required to complete the same or similar production quotas but do so within only an eight-hour period, making it virtually impossible to take any breaks in the course of a day.

2. Harassment and Abuse

Verbal Abuse: As discussed above, applicable codes of conduct require that workers must be treated with dignity and respect and that no worker shall be subjected to physical, sexual, psychological, or verbal harassment or abuse.¹⁰⁵ The Labour Proclamation requires generally that employers must “respect the workers’ human dignity.”¹⁰⁶ Workers reported that managers and supervisors regularly shout at them as a means of pressuring them to increase their pace of work. One worker who works as a line leader stated: “I will be shouted at whenever a worker in my line is not carrying out her work properly and when we struggle to meet our daily quota.” Describing the conduct of supervisors, another worker commented: “They will shout at us [in English] ... to the point that some of us break into tears.”

3. Occupational Health and Safety

Worker testimony revealed two violations at Jay Jay of legal and buyer standards requiring the maintenance of a safe and healthy workplace.

Restricted Access to Restroom Facilities: Workers reported that Jay Jay management imposes restrictions on workers’ ability to access the restroom during working hours. Workers reported that they are not allowed to use the restroom without permission and stated that their supervisors sometimes deny their requests. One worker, a 21-year-old woman, stated that her supervisors “won’t allow [us to use the restroom] when there is work to be done, which is always.” As a result, the worker stated that she just “tries to hold it” until an assigned break time. The problem of restrictions on access to the restroom appeared to have worsened over the course of 2017; whereas in March 2017, most workers interviewed stated that they were usually able to use the restroom when they needed to, by August 2017 – when management had imposed increased production demands – workers reported they increased restrictions and denied requests to use the facilities.

Unhygienic Cafeteria Food: Every worker interviewed raised serious complaints regarding issues of hygiene related to the preparation of food in the factory’s cafeteria. The conditions described were alarming. Several workers described finding insects, including what they believed were maggots, in the food served to them. Management did not address workers’ complaints on the issue. One worker, a 17-year-old girl, reported that when she complained to her manager after finding “hairs and odd substances” in her meal, the manager dismissed her concerns, suggesting that whatever she found in her food must have come from one of her colleagues, rather than from poor kitchen hygiene. The worker stated, “He told me not to complain again.” Another interviewee reported contracting food poisoning that she believed was caused by her factory-provided lunch, leaving her sick for several days. Worker testimony is sufficiently detailed and mutually consistent to support the conclusion that Jay Jay is providing meals to workers so unhygienic as to constitute a threat to their health.

¹⁰⁵ For example, The Children Place’s Supplier Code of Conduct, 5, states that “Suppliers will treat each worker with dignity and respect, and will not use or tolerate corporal punishment, threats of withholding wage payments, threats of violence or other forms of physical, sexual, psychological or verbal harassment, abuse or bullying.” H&M’s Code of Conduct also includes a provision (4.1.3) against verbal abuse and harassment: “Under no circumstances do we accept the use by our suppliers, their subcontractors or other business partners of humiliating or corporal punishment, and no employee shall be subject to physical, sexual, psychological or verbal harassment or abuse.”

¹⁰⁶ Labour Proclamation, Art. 12.

JP Textile Ethiopia Plc.

JP Textile Ethiopia Plc. (“JP”) is located in Hawassa Industrial Park in the small southern town of Hawassa. The 40,000 square meter facility is owned by JP (Ethiopia) Textile Company, a subsidiary of Wuxi Jinmao, a Chinese conglomerate with factories in China, Bangladesh, Cambodia, and Vietnam. The plant includes the zone’s only textile mill, as well as a garment assembly facility producing cotton shirts, which was the subject of the WRC’s research. Wuxi Jinmao reportedly intends the facility to employ 2,500 to 3,000 employees in 2019.¹⁰⁷

The garment facility presently produces for PVH. The textile mill reportedly supplies fabric to other factories in the zone, which produce for a variety of brands.

1. Wages and Hours

Failure to Provide Employment Contract: Ethiopian law requires that employees are provided with an employment contract that sets forth terms of employment, specifying such issues as the type of employment, rate and manner of calculation of wages, interval of payment, and duration of the contract.¹⁰⁸ If a contract is consummated verbally, the employer must within 15 days provide the worker with a signed document stating the same substance as would be incorporated into a written contract and provide an opportunity for the worker to object to the terms included. In violation of these requirements, half of the workers interviewed – all of whom had worked at the factory for at least six months – reported that the JP facility had not provided them with any labor contract, written or verbal, or appropriate substitute document. The failure to provide contracts, in addition to violating the law, contributes to a high level of fear on the part of workers over their job security.

JP has an openly stated practice of not hiring workers who are pregnant...managers touch prospective employees to check for signs of pregnancy.

Punitive Wage Deductions / Unpaid Labor:

As discussed above, applicable codes of conduct and international law prohibit punitive wage deduction practices. In violation of these standards, the JP facility, like other factories that are the subject of this report, maintains a practice of enforcing discipline through a variety of grossly punitive wage deductions. In doing so, the factory is effectively withdrawing pay for labor workers have already performed.

- Workers reported that managers deduct pay as punishment if workers arrive late for work. Based on worker testimony, the WRC found that a typical penalty for tardiness is US\$5.30, which represents about a day and a half of pay for a machine operator at the JP facility, a penalty management defines as the loss of an attendance bonus. One worker reported, “If we come late, we will be considered absent and up to 150 Birr will be deducted from our salaries.” Another worker stated: “Usually, we are supposed to be at our work station 20 to 30 minutes before work starts at 8:00 AM. One time, I only got there at 7:55 and was fined 150 Birr.”¹⁰⁹

Failure to Provide Pay Stubs: None of the workers the WRC interviewed at the facility had ever received a pay stub informing them of their hours, pay, deductions, etc. – a violation of applicable buyer codes.¹¹⁰

¹⁰⁷ “How Ethiopia’s flagship textile and apparel park is taking shape,” Just-style, 5 May 2017. https://www.just-style.com/analysis/how-ethiopia-flagship-textile-and-apparel-park-is-taking-shape_id130616.aspx

¹⁰⁸ Labour Proclamation, Art. 1 (3).

¹⁰⁹ This testimony suggests that, in addition to the pay deductions, workers are required to be present on a daily basis for a pre-work period, for which they are not paid. However, the WRC gathered only limited testimony on this issue. If true, this would constitute unpaid off-the-clock work, a violation of buyer codes; this testimony suggests that workers are required to appear at their work stations and, therefore, are subject to the control of the employer before their shifts begin. Additional testimony would be necessary to confirm whether this is, in fact, company practice.

¹¹⁰ Policies of the FLA, of which JP-buyer PVH is a member, provide for employers’ obligation to “provide workers a pay statement each pay period and not less frequently than once a month,” which must include: earned wages, wage calculations, total number of hours worked, regular and overtime pay, bonuses, all deductions, and final total wage. See: FLA Monitoring Guidance and Compliance Benchmarks, Section 5 (C.13): http://www.fairlabor.org/sites/default/files/fla_complete_code_and_benchmarks.pdf, as well as the PVH code of conduct, “Compensation and Benefits”, p.89, https://www.pvh.com/~media/PVH/Files/corporate-responsibility/PVH_CSR_SupplierGuidelines.ashx?la=en

Failure to Provide Uninterrupted Meal Periods:

Worker testimony indicated that workers are entitled to a one-hour meal period during each shift. Workers stated, however, that they frequently have to work during their meal period in order to fulfill the factory's production demands. Workers explained that the pressure to satisfy these demands had intensified; in the months prior to our interviews, the factory had increased production quotas. One sewing machine operator commented, "we are now required to produce as much as we used to in four days in only two days' time."

2. Discrimination

Discrimination against Pregnant Workers: Discrimination in employment on the basis of sex is prohibited by buyer codes of conduct and by Ethiopian law.¹¹¹ It is widely understood that such provisions bar discrimination against women workers due to pregnancy.¹¹² Ethiopian law also specifically provides that women shall have the right to 90 days of paid maternity leave¹¹³ and prohibits employers from terminating a worker during pregnancy and for four months after giving birth absent a showing of just cause unrelated to the pregnancy.¹¹⁴

The WRC found that JP factory has an openly stated practice of not hiring workers who are pregnant at the time they apply for work or who admit, in response to management questioning, a near-term intention of becoming pregnant. Without exception, all women workers interviewed by the WRC reported that they had been warned about this practice by management during the recruitment and screening sessions they underwent before commencing their jobs. Several workers reported that managers go so far as to touch and inspect the stomachs of prospective employees to check for signs of pregnancy. One worker, for example, reported that "they almost fired a girl with a big belly, because they thought she was pregnant."

The JP factory's openly acknowledged practice of not hiring pregnant workers constitutes a violation of applicable codes of conduct and Ethiopian law. This unlawful conduct both denies work opportunities for pregnant workers and constitutes a blanket threat of discriminatory treatment

toward all women employees at the facility. Management's physical touching of women's stomachs also constitutes a prohibited form of physical harassment of employees. While discrimination of this sort persists in some factories throughout the global apparel industry, its prevalence has lessened over time. JP's conduct is among the most brazen and severe the WRC has seen in recent years.

3. Harassment and Abuse

Verbal Abuse: As reviewed above, applicable codes of conduct require that workers must be treated with dignity and respect, and that no worker shall be subjected to physical, sexual, psychological, or verbal harassment or abuse. The Labour Proclamation requires generally that employers must "respect the workers' human dignity," while applicable buyer codes contain specific provisions pertaining to the prohibition of verbal abuse.¹¹⁵ Workers reported that supervisors regularly shout at them in the workplace, typically to reprimand them for not returning quickly enough from visits to the restroom, for talking to one another while working, or for not working at a sufficiently fast pace. Workers also complained that managers have castigated them by stating that if they do not perform adequately or made mistakes, the country is "filled with unemployed people" who could easily replace them.

¹¹¹ Labour Proclamation Art. 14, 87.

¹¹² For example, policies of the Fair Labor Association, of which JP-buyer PVH is a member, provides that instances of prohibited sex-based discrimination include, inter alia, that: "Employers shall not, on the basis of a woman's pregnancy, make any employment decisions that negatively affect a pregnant woman's employment status, including decisions concerning dismissal, loss of seniority, or deduction of wages." FLA Monitoring Guidance and Compliance Benchmarks, Section 5 (D.8). http://www.fairlabor.org/sites/default/files/monitoring_guidance_and_compliance_benchmarks_0.pdf

¹¹³ Constitution Art. 5(5); Labour Proclamation Art. 88.

¹¹⁴ Labour Proclamation Art. 87(5,6).

¹¹⁵ Labour Proclamation, Art. 12. See also PVH Supplier Guidelines, stating that "No employee can be subjected to any physical, sexual, psychological or verbal harassment and/or abuse."

C. ADDITIONAL OBSERVATIONS RELATING TO OCCUPATIONAL HEALTH AND SAFETY

As explained earlier in this report, the authoritarian political environment in Ethiopia, worse at the time the WRC conducted its research than it is now, made it impractical for the WRC to perform onsite inspections of the facilities assessed in this report. Occupational health and safety is an area of labor practice where physical factory access is far more important to compliance assessment than in other areas (e.g., freedom of association, verbal harassment and abuse, discrimination), where offsite interviews are often sufficient, in and of themselves, to support well-evidenced findings. While it is sometimes possible to reach firm findings of occupational safety and health violations via worker interviews alone, and while the WRC was able to do so at the four factories in a number of areas, workers raised concerns about additional health and safety issues on which they were unable to provide sufficient evidence to support firm conclusions. Their testimony is, however, a basis for concern that violations may exist in these additional areas, and we summarize these concerns below.

Workers at Arvind expressed fear that they would be unable to escape in the event of a fire, describing a main factory door that is operated electrically and that workers cannot open if the power is off.

In addition to revealing the chronic problem of workers systematically fainting at their workstations, as outlined in the findings section above, several workers at Arvind reported a particular case, in which they said more than 20 workers had fainted on a single day during 2017. Workers described a chemical odor present in the factory that day. While workers were not able to provide sufficient information to enable the WRC to conclude whether this episode was a product of the misuse of toxic chemicals by Arvind, the testimony is worrisome and further inquiry is required.

Nine of 10 workers interviewed at MAA complained that the quality of the water the facility provided was poor and inadequately filtered. The testimony was of a general nature, and the WRC concluded it would be necessary to test water samples to determine whether the water quality represents a threat to workers' health.

A major complaint of workers at Arvind is the unhygienic preparation of food served in the factory cafeteria. The factory serves lunches free of charge to newly hired workers, who do not receive a monthly food allowance. Workers with longer tenure have the option of purchasing food in the cafeteria

or using the allowance to pay for food they bring to work. Workers complained that the cafeteria is unclean and that the food is also of poor quality. A worker observed that workers "often find insects and hairs" in the food served to employees. The problem is most acutely experienced by the recently hired workers who do not have other food options. While evidence was insufficiently detailed to determine whether the problem constitutes a violation of applicable health and safety standards, the WRC notes that it is an area of significant concern to workers.

At three of four factories, the majority of workers interviewed complained about excessive temperatures in the workplace (the exception is JP Textile). During the first round of interviews conducted in March 2017, when temperatures are generally hotter in the country, workers at Arvind complained variously that the temperature at the facility was "unbearable" and "hot like a fire" and that they took to splashing water on their bodies to try to cool down. During this round of interviews, workers expressed optimism that the situation would improve, because they understood a new ventilation system would be installed. However, workers raised similar complaints during follow-up interviews conducted five months later, when outside temperatures were cooler.

Jay Jay workers complained about heat and also what they perceive as a high level of textile dust in their work areas. Several workers reported experiencing facial skin irritations which they attributed to the combination of high heat and dust. As one worker described the problem, "the heat burns our skin."

Nearly all MAA workers interviewed complained about excessive temperatures and a ubiquitous presence of textile dust in the facility. Workers reported that the dust irritated their eyes and caused them to cough throughout the day. One worker said the dust, together with high temperatures, felt "like acid on [her] eyes." Workers also complained about being subjected to foul odors from textile dyes. Workers reported that the factory provides personal protective equipment (e.g. masks, goggles) only when representatives of buyers visit the factory.

The WRC could not reach firm conclusions concerning whether heat and dust levels in particular factories are high enough to constitute violations of applicable standards. Doing so would require direct measurement, via onsite inspection. However, it is clear that workers' experience substantial discomfort and their testimony raises serious concerns that heat and/or dust levels may be at dangerous levels in these three factories.

Brand Responsibility for Corrective Action

The brands sourcing from one or more of the four factories where the WRC has documented labor rights abuses are responsible, under their own codes, for the labor practices of their suppliers. They have, at these four facilities, failed to honor that responsibility. They have an obligation to take action to correct the abuses.

The corrective action on many issues is obvious. Brands should, for example, prohibit any further use of punitive wage deductions, undertake a good faith calculation of arrears owed to workers as a result of past deductions, and ensure that workers are fully compensated. The calculations should be shared with independent labor unions or advocacy groups to ensure their veracity. On health and safety issues, where factory access is required to carry out a comprehensive assessment, brands should commission inspections by qualified industrial hygienists, informed by the WRC's findings, and ensure that factory owners take all recommended corrective actions. They should make the findings and the status of corrective actions available to workers and to the public. Some issues, including verbal harassment, are more complicated to address, particularly in a country where the active involvement of civil society in addressing workplace issues

is unfeasible – but brands should begin with a firm directive to suppliers that such abuses must stop, and future exposure of such abuses will result in economic penalties.

The WRC is sharing these findings with leading buyers from each factory and will seek to engage the buyers in a detailed review of the findings and of necessary corrective actions. The WRC will subsequently report on whether buyers have responded appropriately and taken meaningful action to restore and protect worker rights.

Finally, all buyers sourcing from Ethiopia should insist upon the prompt establishment of a minimum wage, at a level far above existing wage levels, and should publicly commit to accept higher prices from suppliers in order to facilitate compliance.

Conclusion

The WRC's findings at the MAA, Arvind, Jay Jay, and JP facilities reveal a bleak reality for workers in Ethiopia's emerging garment sector. There is a deep dissonance between the labor conditions workers have related to the WRC and brands' stated aspirations for promoting sustainability in the country, like PVH's pledge to "show 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."¹¹⁶

Our findings also shed light on the limited power of private codes of conduct and voluntary certification schemes when it comes to protecting workers' rights. All the brands sourcing from Ethiopia have codes of conduct, and two of the factories studied in this report are certified under WRAP. Yet these mechanisms, many of which articulate a robust set of labor standards, have failed to prevent numerous labor abuses in the factories in Ethiopia to which they apply.

Brands sourcing from Ethiopia must take responsibility for the conditions faced by garment workers in their supplier factories. This obligation is especially important in a context like Ethiopia, where labor rights are severely curtailed by an authoritarian government and where workers' earnings are not protected by a wage floor. If brands shirk this responsibility, the forms of labor abuse documented in this report will continue.

¹¹⁶ Bill McRaith, Speech at Production Inauguration of Hawassa Industrial Park, June 2017 (In Mamo Mihretu and Gabriela Llobet, "Looking Beyond the Horizon: A case study of PVH's commitment to Ethiopia's Hawassa Industrial Park," World Bank Group, p. 38, <http://documents.worldbank.org/curated/en/576091499710902600/pdf/117230-REVISED-PVH-Case-Study-13th-July-HR-singles.pdf>)

Tables and Figures

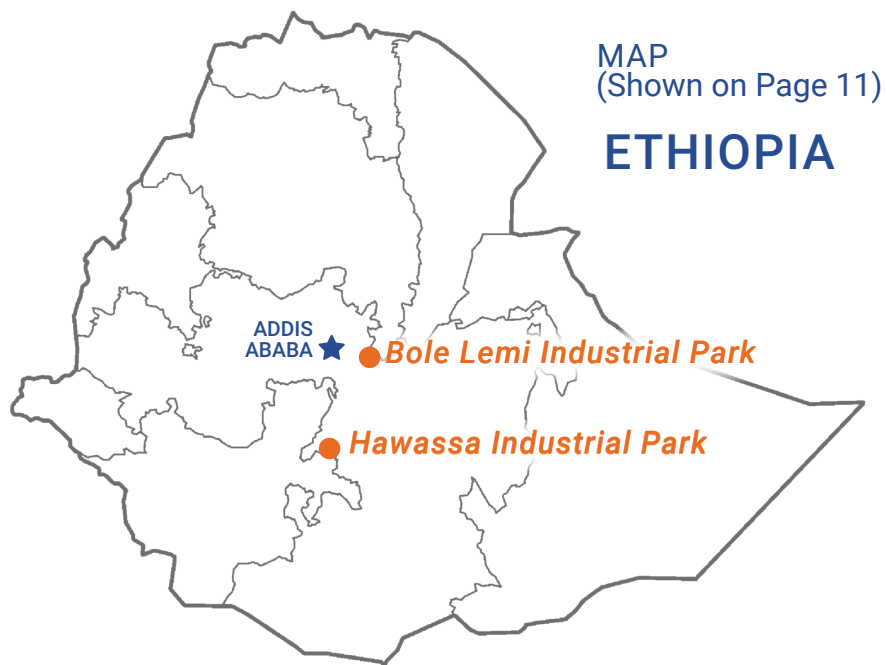
TABLE 1 (Shown on Page 6)

| | |
|--|--|
| <p>MAA Garment and Textiles, Kebire Enterprises Plc. (MAA)</p> <p>located in the town of Mekelle in the northern Tigray province. The facility has produced goods for H&M, Walmart (and its subsidiary Asda), Bonghwa, MOC, Edwards, Obermeyer, DVH Apparel, and Trimark Sportswear.</p> | <p>Arvind Lifestyle Apparel Manufacturing Plc. (Arvind)</p> <p>located in the Bole Lemi Industrial Park, situated in the outskirts of Addis Ababa. The facility has produced goods for The Children's Place (TCP), PVH, H&M, and Gerber Children's Wear.</p> |
| <p>Jay Jay Textiles Plc. (Jay Jay)</p> <p>located in the Bole Lemi Industrial Park. The facility has produced goods for Gerber Children's Wear, The William Carter Company, The Children's Place (TCP), and H&M.</p> | <p>JP Textile Ethiopia Plc. (JP)</p> <p>located in the Hawassa Industrial Park in the small southern town of Hawassa. JP Textile has produced for PVH, which has also loaned US\$14 million to the factory.</p> |

TABLE 2 (Shown on Page 7)

SUMMARY OF KEY LABOR VIOLATIONS BY FACTORY

| | | MAA | ARVIND | JAY JAY | JP |
|--|--------------------------------------|--------------|-----------------------|----------|-----|
| Leading Apparel Brands Sourcing from Factory | | H&M; Walmart | PVH; H&M; TCP; Gerber | H&M; TCP | PVH |
| Wage & Hour Violations | Punitive Wage Deductions | ● | ● | ● | ● |
| | Mandatory Overtime | ● | ● | ● | |
| | Unpaid Overtime | ● | ● | | |
| | Off-the-Clock Work | ● | | ● | ● |
| | No Employment Contract | | | | ● |
| Harassment & Discrimination | Verbal Abuse | ● | ● | ● | ● |
| | Sexual Coercion | ● | | | |
| | Pregnancy Discrimination/ Harassment | ● | | | ● |
| Occupational Health & Safety | Fainting from Overwork | ● | ● | | |
| | Restricted Access to Water/Restrooms | ● | | ● | |
| | Unclean Restrooms | | ● | | |
| | Contaminated Cafeteria Food | | | ● | |



FIGURES 2.A & 2.B
(Shown on Page 16)

FIG. 2.A

HOURLY MINIMUM WAGE for garment workers by country compared to the lowest garment worker wage in Ethiopia (USD)

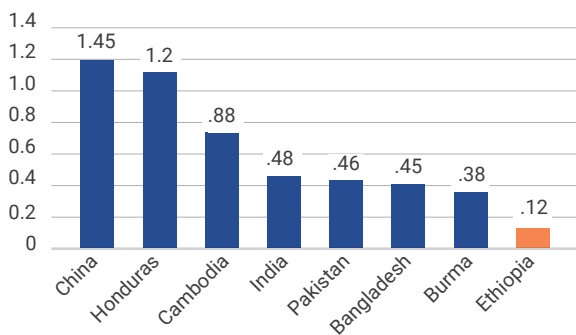
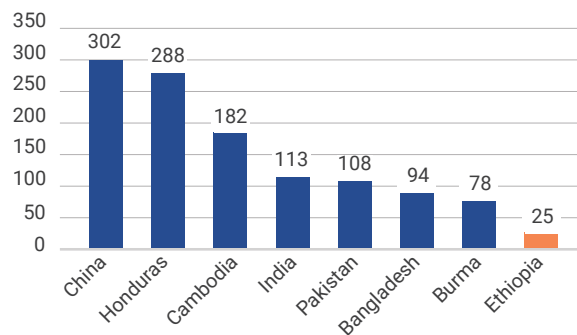


FIG. 2.B

MONTHLY MINIMUM WAGE for garment workers by country compared to the lowest garment worker wage in Ethiopia (USD)





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