



BetterWork

ETHIOPIA

Annual Report

Data from 2022



International
Labour
Organization



IFC

International
Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

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IN NUMBERS



42,214

**Workers in
factories**



32

**Export and domestic
factories enrolled
with Better Work**



46.5%

**of the country's revenue
from manufacturing comes
from the textile and
garment sector**

Country Context

Ethiopia is a landlocked country in the Horn of Africa, with a population of about 117 million (2021), and it is also the fastest growing economy in the region, with a 6.3 per cent growth in FY2020/21. However, it is also one of the poorest, with a per capita gross national income of USD960 and has been destabilized in recent years by armed conflict in the north. Despite challenges, Ethiopia aims to reach lower-middle-income status by 2025.

Over the last decade, the Ethiopian apparel industry has expanded rapidly. Several waves of foreign investors have brought new capital and capabilities into the country. The country's industrial policy seeks to attract investment into the country and facilitate the integration of apparel factories in global value chains and production networks. A series of both private and government-owned industrial parks have facilitated the growth of the apparel industry. However, the sector also faces several structural challenges and has recently been suffering from severe shocks.

While the strategy of relying on foreign investment to drive growth has helped facilitate a new export industry in Ethiopia, the result is a bifurcated sector. Apparel exports are dominated almost entirely by foreign firms with previous experience in apparel manufacturing and export, while many Ethiopian firms lack the capabilities necessary to compete in demanding international markets (Whitfield, Staritz, Melese, et al., 2020; Whitfield, Staritz, & Morris, 2020).

Since 2020, the apparel sector in Ethiopia has faced two severe shocks: the COVID-19 pandemic and the ongoing conflict in northern Ethiopia. Ethiopia was severely impacted by the pandemic, and the damage was not confined to exporters. Its impact was felt through reduced sales and a sharp fall in employment. A survey of women workers in the Hawassa Industrial Park conducted between April 2020 and June 2021 found that 41 per cent of respondents who had been employed in January were no longer employed. Of these, over half were on paid or unpaid leave, while only a small fraction had been terminated. Most respondents had no savings and basic food and rent expenditures

exceeded average monthly salaries (Meyer et al., 2021). While some of the worst effects of the COVID-19 pandemic on employment and production in Ethiopia were relatively short-lived (Abebe et al., 2020), the crisis had not been overcome when the apparel sector was hit by a second shock.

This second shock was the start of a military conflict in the northern part of the country in November 2020. The conflict has resulted in enormous loss of life and mass displacement. The conflict also had a direct impact on the apparel sector: all apparel factories in Tigray closed and Ethiopia lost access to the trade privileges granted by the US African Growth and Opportunity Act (AGOA). AGOA is a system of trade preferences that eliminates tariffs for around 6,500 product types; access to AGOA had allowed apparel and footwear companies in Ethiopia duty-free access to US markets. The US Government terminated Ethiopia's access to AGOA on 1 January 2022 citing "gross violations of internationally recognized human rights being perpetrated by the Government of Ethiopia and other parties amid the widening conflict in northern Ethiopia". The impact of the suspension has been severe, resulting in the closure of factories and leading to large-scale job losses.

Our Approach

Better Work Ethiopia has been operating since 2019 in the framework of an ILO programme called 'Advancing Decent Work and Inclusive Industrialization in Ethiopia,' or 'SIRAYE'. It operates at national, regional and factory levels, involving different ILO departments and key global institutions, namely [SCORE](#), [Vision Zero Fund \(VZF\)](#), [LABADMIN](#), and [INWORK](#) (described below), to address the key challenges in advancing decent work in Ethiopia as one Programme. Moreover, gender considerations are mainstreamed across these components to deliver effective and needs-based services. In many countries, Better Work, SCORE, INWORK, and VZF operate in parallel. However, in Ethiopia, the programmes and departments are aligning their approaches and developing new models of engagement which leads the specializations of each programme to address the unique needs of the garment and textile industry in the country.

During most of its implementation period, the programme faced unprecedented challenges such as the lingering impacts of COVID-19, political instability, armed conflict, and the delisting of Ethiopia from the African Growth and Opportunity Act (AGOA). Despite the challenging circumstances, the programme helped to improve compliance with international labour standards/national labour law creating an enabling environment for higher productivity, improved competitiveness, unionization, gender equality and better working conditions.

FIVE INITIATIVES WORKING TOGETHER TO ENSURE BETTER WORKING CONDITIONS

1. BETTER WORK has more than two decades of experience in advancing working conditions and competitiveness in the global garment industry.
2. SCORE is ILO's modular training and in-factory coaching, which teaches quality management, efficient use of resources and industrial engineering concepts to boost firm productivity.
3. THE VISION ZERO FUND (VZF) was founded by the Group of Seven (G7) countries and aims to prevent work-related deaths, injuries, and diseases across global supply chains.
4. LAB ADMIN/OSH BRANCH supports the strengthening of labour administration in building more effective inspection systems and enhancing the capacity of the labour inspectorate in strategic compliance planning and implementation.
5. INCLUSIVE LABOUR MARKETS, LABOUR RELATIONS, AND WORKING CONDITIONS BRANCH (INWORK) provides technical assistance to ILO constituents and expands their knowledge on issues related to wages, working hours, workplace conditions, collective bargaining, and contracts.

Impact to Date



SOCIAL DIALOGUE

One of the foundations for continuous improvement is regular dialogue between workers and managers to resolve issues that affect the workers and the factories. The programme encourages this social dialogue in factories to improve workplace issues and cooperation. Specifically, we find that Occupational Safety and Health (OSH) related dialogue is crucial in order to discuss and implement change through OSH committees. Through advisory sessions, factories have been supported to establish OSH committees with equal representation of workers and management. Better Work equips these committees with tools and methods to conduct self-diagnosis and risk assessments, among other things. Neither these committees, nor similar types of committees that equally engage workers and managers, had existed in most of the factories before Better Work interventions.

In addition, the Programme provided support and organized various meetings to bring together the government, the CETU (Confederation of Ethiopian Trade Unions), and the Investors Association to support workers to have a true voice. To date, in Hawassa Industrial Park alone, out of the 20 factories, 16 have trade unions.



WORKERS' RIGHTS AND BENEFITS

At the outset of this programme, initial factory assessment reports showed that many factories exceeded the legal limit of regular working hours and overtime work. In addition, workers were not compensated with alternate rest days in cases where they worked on weekly rest days. However, after multiple consultations with management and workers through advisory sessions, most of the factories today comply with the legal working time limits and ensure proper compensation. Further, most factories have improved in providing annual leave, compared to when the programme started. Factories have also made positive strides in regards to discrimination; customarily, vacancy announcements included gender references, which are largely now absent. This change follows Better Work-led advisory sessions that emphasize the importance of non-discrimination and gender balance.



IMPROVED MANAGEMENT SYSTEMS

Overall Human Resources systems and practices in factories are improving. During the first cycles of assessment in 2019, verbal harassment was a commonly indicated issue in factories, which has since improved significantly. Through advisory sessions, Better Work enterprise advisors have been able to share international best practices based on labour standards with factory management and enhance existing HR documents/systems or provide templates when these do not exist. The programme has observed positive changes in areas such as the age verification process (to prevent child labour), gender discrimination during hiring, pension calculation, and risk assessment.



WOMEN'S EMPOWERMENT AND VOICE

While most of the workers in factories in Ethiopia are women, most of the managers are men. In addition, the OSH committee and other social dialogue structures were previously dominated by men. The programme ensured that women are now participating in key organizational structures such as sexual harassment and grievance committees. The programme also supported the OSH committees technically and facilitated the establishment of women's committees. This has created the opportunity for women's representation, leadership, and voice in areas that concern their safety and rights at work.



INFLUENCED LABOUR POLICY

The programme kicked off the revision of the national OSH Directive of Ethiopia in October 2021 with a team of international and local consultants. The final version of the OSH Directive was produced and submitted to MOLS (Ministry of Labour and Skills) in Nov 2022. The revised version included major topics on the organization of the OSH system at national and enterprise levels, clarifying the roles and responsibilities of different institutions including the roles of private sector service providers.



ACCESS TO JUSTICE

The government authorities (MOLS and Regional Bureaus) were not fulfilling their responsibilities regarding the issuance of heavy-duty machinery and the periodic inspection thereof. The programme has created awareness, and convened relevant stakeholders for discussions, and now the government bodies have started addressing these issues through short-term and medium-term measures.

With the support of the programme, Hawassa University has established a legal aid centre. The centre has administered 321 cases, of which 44.5 per cent are labour cases concerning issues which include contract and termination complaints. The value of the free service given by the centre is estimated to be at least USD 50,000. Private attorney firms charge on average between USD 250-380 per case. This is unaffordable for most of the workers who earn a small monthly salary. The monetary value and impact of the free service are therefore beyond estimation. In addition, the programme has provided financial support to the EWLA (Ethiopian Women Lawyers Association) to provide free legal aid services which have improved access to justice, especially for women workers.

In collaboration with the Ethiopian Investment Commission (EIC) and other partners, the programme supported the establishment of workers' call centres at the Hawassa and Bole Lemi Industrial parks. The call centre is contributing towards improved and appropriate employee-employer relations and ensures the physical, mental, and emotional well-being of workers.



How We Work: Compliance Overview

Better Work Ethiopia provides its factory engagement to registered factories for annual cycles. The factories include both local and Foreign Direct Investment (FDI) factories across the country.

After registration, factories get an initial advisory for approximately the first 100 days. An unannounced assessment is then conducted, and a report is released within one month, on the Better Work portal. Based on assessment findings, each factory, with the support of a Better Work Enterprise Advisor, works on the development of an Improvement Plan (IP) and remediation, throughout the remaining months. Depending on factory needs and identified issues, tailored training programmes and seminars are delivered. Better Work develops a Progress Report towards the end of a cycle (11th month), where achievements and challenges during the year are captured.

Coverage

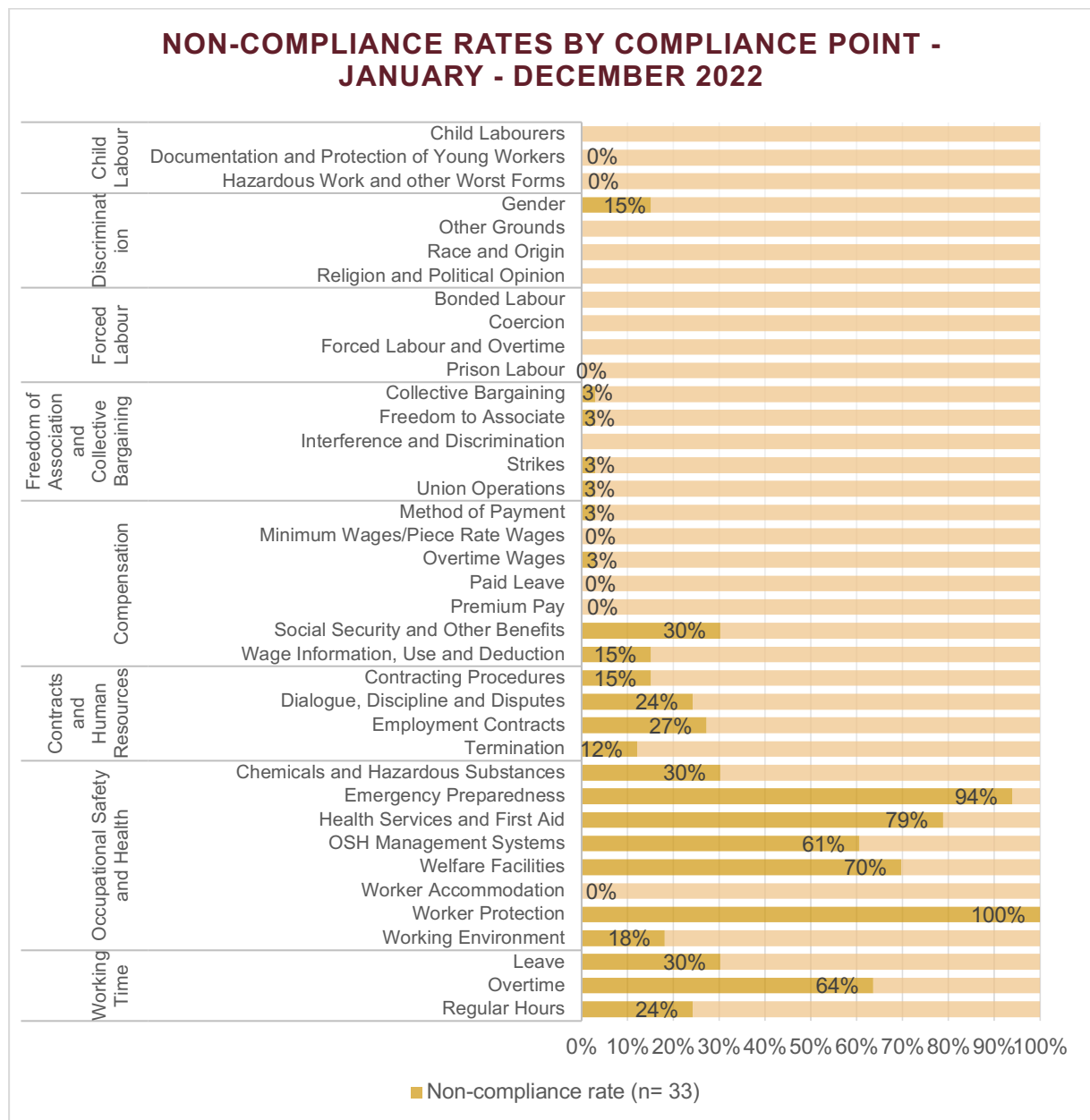
The assessments evaluate over 250 questions or issues related to eight topics on international and national labour regulations as below.

INTERNATIONAL LABOUR STANDARDS	NATIONAL LABOUR STANDARDS
Child labour	Compensation
Discrimination	Contract and Human Resources
Forced labour	Working time
Freedom of association and collective bargaining	
Occupational safety and health	



Detailed Findings

In 2022, the programme conducted 33 regular unannounced factory assessments to check the factory’s performance in meeting national and international labour standards. As a result of the assessment, the programme was able to identify non-compliance issues and support the factories in addressing them. In addition, the assessments also reveal non-compliance issues which are beyond the factory’s control and that need to be addressed by the Industry Park and national-level authorities. This has eventually led to improved compliance in the sector.



CORE LABOUR STANDARDS

The clusters on discrimination, child labour, freedom of association, and forced labour are based on the International Labour Standards. For Ethiopia, since the core ILO Conventions are ratified and considered part of the country's laws, the application is similar to that of the other clusters. As indicated in the table below, issues related to these clusters account for a very low share of non-compliance observed. In the freedom of association and collective bargaining clusters, we believe non-compliances could relate to the inadequate unionization in factories.

The registered factories are formal industries that don't hire workers under the age of 18; no child labour was indicated in assessments thus far. However, areas of improvement were needed in terms of proper age verification during recruitment. The factories have significantly improved their systems and now require several documents, such as certificates of national examination in addition to a national ID.

Furthermore, factories have averted gender referencing in job announcements which used to be a common practice.

KEY IMPROVMENTS AND CHALLENGES

100%

Comply with the minimum age requirement



Factories do not hire workers below the age of 15. All the factories have proper age verification systems in place.

15%

Factories have issues with gender compliance



Whereas gender awareness and sensitivity are improving in factories, 9 per cent of the assessment findings indicate that factories still refer to applicants' gender. Sexual harassment was also found in one of the assessments.

NATIONAL LEGISLATION

OCCUPATIONAL SAFETY AND HEALTH

Since the inception of the programme, enterprise advisors have observed that most of the factories are not fulfilling their OSH legal obligation. In 2022, out of the 35 factories that were assessed, about 72 per cent of the non-compliances were related to OSH. Most of the legal requirements, especially those relating to OSH, such as the National OSH Directive and OSH Committee Establishment Directive, were not known to factory management. This is also the area where factories demonstrated significant improvements with the support of the programme. The knowledge of factory managers and staff on legal requirements (both local and international) has improved since the outset of the programme. As a result, as per the law, most of the factories (28 out of the 32 active factories) now have OSH committees that are registered with the authorities. These committees meet regularly to discuss issues and have started the exercise of conducting risk assessments. Almost all factories recognize the importance of and need for having OSH officers and have hired/appointed dedicated staff. A few local factories that are financially challenged in hiring full-time safety officers, have assigned the work as an additional task to staff. One other significant improvement is the accident recording system now in place in most factories, which had not been implemented before. Factories need to further improve in reporting accidents periodically to the appropriate authority.

In general, over the course of Better Work Ethiopia interventions, factories' attitudes/outlooks changed from a quick-fix mentality towards seeking sustainable change, hence the improvement in OSH management systems. In addition, factories are demonstrating improvement in their OSH practices. A few of the issues where the programme saw significant improvements include the provision of appropriate Personal Protective Equipment (PPE) to workers; ergonomic requirements; conducting periodic emergency drills; emergency preparedness through proper monitoring of fire alarm systems; chemical management (labeling and MSDS); conducting OSH inductions during entry; and the provision of first aid items and supplies.

KEY IMPROVEMENTS AND CHALLENGES

77%



Factories have full-time OSH officers.

97%



Factories have proper recording mechanisms for work-related accidents and dangerous occurrences.

94%

Factories periodically report work-related accidents to the labour authorities.

54%



Factories don't have **clearly** marked and unobstructed **emergency exits**.

45%



Factories don't have adequate fire-fighting equipment. Most factories have enough of this type of equipment, but they have problems with either accessibility, sufficient water supply, or functioning.

67%



Factories don't have an adequate fire detection and alarm system. Most of the factories are operating in Industry Parks where the fire alarm and detection systems are centralized. Factories don't have direct access to the system and rely on the management of the park to identify errors/malfunctions and fix them.

Emergency Preparedness

Health services

67%



Factories do not adequately make health services available in the workplace. They face challenges in finding first aid and first aid room items and supplies in the local market and making qualified staff available for the health facilities. Factories also inquire about the necessity of having first-aid rooms (clinics) in the workplace, when there are adequate and accessible medical facilities within the industrial parks.

Welfare facilities

45%



Factories don't have hand and face washing facilities with adequate soap. Some 35 per cent of the factories also lack adequate and accessible toilets.

Worker protection

69%



Factories don't effectively train and encourage the proper use of personal protective equipment and machines. Some 39 per cent of the factories don't even sufficiently provide the necessary personal protective clothing and equipment.

60%



Factories don't have the legally required permits/certificates for the installation and operation of heavy-duty machinery such as generators, boilers, compressors, and lifting equipment. This is mostly because the labour administration authorities that are legally mandated to carry out the inspection and provide such permits are not yet providing the services.

The analysis of non-compliance levels among 20 factories that have been with Better Work for over three to four cycles reveal a positive trend of improvement in compliance. Seventeen out of the 20 factories demonstrated a consistent decrease in non-compliance percentages over time. For instance, a factory with the most significant change reduced its non-compliance percentage from 19 per cent in the first cycle to 6 per cent in the fourth cycle. Similarly, another two factories improved from 15 per cent to 3 per cent and from 13 per cent to 4 per cent. These figures highlight the substantial improvements achieved by these factories in meeting compliance standards. While three factories exhibited fluctuating patterns, the overall trend indicates a reduction in non-compliance levels and a commitment to compliance improvement.

CONTRACTS AND HUMAN RESOURCES

The Better Work service focuses on strengthening the management systems of factories as drivers of sustainable change. In most of the factories, issues surface in the first assessment. These concern, for example, the absence of contracts for workers, the availability of contracts in the language the workers understand; lack of accurate payroll records; verbal abuse; and workers' limited knowledge of wage information, policies, and procedures. Verbal harassment, which was commonly indicated in factories during the first assessments, has fortunately decreased significantly.

The programme provides advisory sessions and training to address the gaps that have been identified. As a result, Better Work observed improvements in the HR management systems of factories. Currently, most factories provide inductions during the entry period and provide appropriate contracts that are understandable by workers (translated into local languages); they have improved their payroll system and recruitment procedures and provide pay slips. In addition, factories are improving their grievance handling as well as disciplinary and termination procedures. The compliance assessments conducted in 2022 show the average compliance level for the contracts and human resources cluster to be 95 per cent.

KEY IMPROVEMENTS AND CHALLENGES

15%



Factories' assessments indicated that workers are subject to verbal harassment and humiliation.

15%



Factories are not in compliance with the working time limits of security personnel. In most cases, the security service is outsourced, where the companies hiring the personnel have 24 hours of work and 48 hours of rest arrangement.

15%



Assessments indicated that in 15 per cent of the factories, workers still don't understand the terms and conditions of work.

91%



Factories do provide contracts for all persons who perform work.

100%



Factories comply with the limit on workers' probationary period.

94%



Factories keep one accurate payroll record.

WORKING TIME AND COMPENSATION

At the start of the programme, awareness of the requirements of the law was very low, and factories were adhering more to their internal HR rules and procedures than to labour law requirements. Issues like excessive overtime, going beyond the working hour arrangements, and not providing necessary compensatory rest days for work done on weekends were indicated frequently. With continuous advisory, training, and seminars, and the factories' efforts, the occurrence of these issues is declining moderately. Factories that do have trade unions are also engaging in consultation with unions in terms of rearranging weekly working hours. The compliance assessments conducted in 2022 show the average compliance level for working time and compensation clusters are 88 per cent and 97 per cent respectively. This is a key area of improvement for workers and a gain toward decent work.

KEY IMPROVEMENTS AND CHALLENGES

100%



Factories provide required maternity and paternity leave as well as prenatal visits.



Testimonials

“This training is special for me. It helped me understand who I am, what my strengths are, my unique qualities and how to understand people and influence them positively. My communication and problem-solving skills have improved. I know now how to relate to people and the power of sharing your experience. In addition, it helped me to lead meetings effectively end to end and convey messages using simple language. Generally, having ILO training in my files helped me to promote from supervisor to executive just recently.”

Facilitation skills training participant, Likawent Yohannes, Cutting Executive- Helaindochine factory

“After taking this training, I have developed better communication skills and the skills to professionally manage workers that have different behaviour, and I actively participate in meetings and discussions. I found the training to be very helpful in my new role as an HR officer.”

Supervisory Skills Training participant from JP Garment

“Before I took training under the WLDP program, I had very few ideas about leadership and did not fully implement what I knew. Besides, my communication skills were low. After taking the training, my self-confidence and communication skills increased to implement the learnings in the workplace. In addition, at the request of the management, I provided one training to other supervisors based on the training modules and practical cases shared with us. The training has helped me to be promoted to technical assistant, where I manage both the production section as well as technical training of new workers. In my new role, I see a lot of changes in my decision-making and problem-solving skills. Personally, Supervisory skills training gave me the tool to motivate my young siblings and be a good model”

WLDP training and coaching participant Harge Gameda- JP Garment

Looking forward

During its next strategic phase (2022 – 2027), Better Work will build on its impact to date with the following broad objectives:

1. ACCELERATE IMPROVEMENTS IN WORKING CONDITIONS AND BUSINESS COMPETITIVENESS IN THE GARMENT SECTOR

- ▶ Over the course of Better Work Ethiopia interventions, factories' attitudes/outlooks changed from a quick-fix mentality towards seeking sustainable change, evidenced by the improvement of OSH management systems. In addition, factories are demonstrating improvement in their OSH practices, and hence, in working conditions.
- ▶ The programme is working towards accelerating these improvements. To this end, continuous engagement and consultation of key stakeholders on national-level programmes are ongoing to increase ownership and commitment of the stakeholders to strengthen the changes and to ensure sustainability.

2. STRENGTHEN NATIONAL STAKEHOLDERS AND ENCOURAGE SOCIAL DIALOGUE

- ▶ The programme will continue to strengthen local and regional coordination between labour administration and other tripartite social partners to build trust and foster regular tripartite plus social dialogue.
- ▶ Strengthening the coordination of capacity-building activities and implementing partners involving the same beneficiary target groups helps improve effectiveness and promotes sustainability. This is particularly the case with activities aimed at strengthening the institutional capacity of government and social partners over a longer term.
- ▶ To this end, the programme will continue supporting enforcement mechanisms and capacities in government organizations and social partners. It will promote the coordination of trade unions at the park/regional level, as well as more regular/structured engagement with employers/investors associations and trade unions respectively on programme activities. Enforcement mechanisms and capacities within government organizations and social partners need to be strengthened.

3. EMPOWER WOMEN AND GENDER EQUALITY

- ▶ As the workforce in the garment industry is predominantly made up of young women from rural areas, most of them are new not only to formal employment but also to the regions or locations in which they are working and living. The programme is committed to promoting gender equality and women's economic empowerment in the textile and garment industry. In 2022, the factory-level intervention of the programme focused on women's empowerment and leadership interventions. At sectoral and national levels, the focus has been on establishing a gender-sensitive grievance-handling system and supporting stakeholders in mainstreaming gender.
- ▶ The programme has been implementing a Women's Leadership Development Programme (WLDP) which is a collaborative intervention between Better Work and SCORE aiming to equip female textile and garment factory workers with relevant knowledge and skills to take up senior leadership positions. This intervention aims to build the capacity of potential/women supervisors, create a pool of trained women supervisors, offer career progression opportunities for women workers, increase line productivity, and reduce gender imbalance at managerial levels. This intervention targets potential women supervisors/line leaders/operators, who will take on supervisory or managerial roles in the future. The training programme comprises both soft skills/leadership training and technical training which is delivered during five days. The classroom training is followed by an intensive three months of mentorship and coaching.
- ▶ During the reporting period, 46 trained women leaders officially graduated, with more than 65 per cent of them promoted to the next highest position. Factories also reported improved productivity, quality, and workplace organization, and a reduction of absenteeism in the lines led by the newly trained supervisors.
- ▶ The programme intends to scale up this intervention and start an advanced programme to support women workers in advancing further in their careers.

Better Work Ethiopia is supported by the following development partners:

- ▶ Austria Development Agency (ADA)
- ▶ Germany, Federal Ministry for Economic Cooperation and Development
- ▶ Netherlands, Ministry of Foreign Affairs
- ▶ Swedish International Development Cooperation Agency (SIDA)
- ▶ Switzerland, State Secretariat for Economic Affairs (SECO)
- ▶ United States, United States Department of Labor, Bureau for International Labor Affairs, Office of Trade and Labor Affairs



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