

LIVING WAGES AND COMPLIANCE WITH LABOUR LAW IN THE GARMENT AND FLOWER FARMS SECTORS IN ETHIOPIA

Report of the DecentWorkCheck survey
of the WageIndicator Foundation
2018-2020

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WageIndicator Foundation

WageIndicator started in 2001 to contribute to a more transparent labour market for workers and employers by publishing easily accessible information on a website. It collects, compares and shares labour market information through online and face-to-face surveys and desk research and publishes this on national websites with information on wages and labour law, and career advice, both for workers/employees and employers. The websites and related communication activities reach out to millions of people on a monthly basis.

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Ethiopia - mywage.org/Ethiopia

This report uses data collected by the WageIndicator Foundation in Ethiopia in the garment and flower farms sectors. [Mywage.org/ethiopia](https://mywage.org/ethiopia) and mywage.org/ethiopia-am are the websites where this data and information on working conditions and labour rights are publicly available. The data collection is part of the [living wages project of the WageIndicator Foundation in Ethiopia](#).

About the author

Victor Hartman is a Bachelor's student in Political Science at the University of Amsterdam. This report is the result of an internship at the WageIndicator Foundation part of his Bachelor's thesis project. Kea Tijdens, WageIndicator's research coordinator, has supervised the internship.

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INTRODUCTION

Ethiopia is one of the biggest upcoming economies of Africa. Its garment sector is seen as the next destination for international brands to produce their products. As labour is abundant and cheap, brands such as H&M and PVH (known for Calvin Klein and Tommy Hilfinger) have already started moving their manufacturing processes to Ethiopia. In 2019 the garment sector accounted for roughly 10% of Ethiopian exports and the sector had a 700% growth between 2014 and 2019. Another big exporting sector is the flower industry, accounting for around 8% of all exports in 2019. Ethiopia provides an ideal climate to grow all types of flowers, especially roses, and together with its labour force it attracts many foreign investors. Over the past 12 years the Ethiopian economy has grown a steady average of 10% each year (Gaulier & Zignago 2010).

With the growth in production and exports, concerns about the working conditions and wages of workers also increased. With this report we want to assess the current working conditions and compliance with national labour law. The WageIndicator DecentWorkCheck is a survey that allows workers to test whether their working experiences comply with 37 topics in the national labour law. This report presents the results of the survey and tries to determine what influences compliance and wages.

The first chapter will provide a theoretical background on labour law compliance in general and in Ethiopia.

The second chapter will lay out the research questions of this report. The focus is on understanding compliance with labour regulations. We want to know what influences compliance and wages, and if freedom of association rights lead to better compliance with labour laws.

The third chapter explains how the field work was executed and who responded to the survey.

The fourth chapter shows to what extent the jobs in the garment and flower sectors comply with the 37 labour law topics. The topics have been grouped into thematic clusters and are discussed in eight subsections.

The fifth chapter analyses the factors that determine the compliance rates and level of wages by incorporating personal and factory characteristics. It also analyses the effects of freedom of association rights.

The sixth chapter draws conclusions. We find compliance rates to be in general low, with the exception of working hours regulations. Without minimum wages, most workers do not earn a liveable wage. Compliance rates are especially low for employment security and the right to organise. The last topic is especially important for workers to voice their concerns about their working conditions and wages.

Appendix 1 contains all the results of the DecentWorkCheck survey, reported separately by gender.

LITERATURE

Labour rights are notoriously difficult in developing countries. In order to stay competitive in the globalized world that we live in today, the upcoming industries in developing countries have to suppress the prices of their products. As an effect, governments in developing nations are incentivised to suppress labour rights of workers in order to keep wages low and attract foreign investments (Collingsworth et al. 1994, Berliner et al. 2015a, Ronconi 2012). This practice is supported by the widespread notion that regulations impede economic development and that deregulation is thus required for a developing country to improve their economy (Guash and Hahn 1999). Trade openness of a country however often comes paired with less protection of its labour force (Ronconi 2012).

Most developing countries do have strict labour laws (Ronconi 2012). The International Labour Organisation (ILO 2013) plays an important role in the efforts of protecting workers worldwide. It has classified eight “fundamental” rights of workers and all its members, including many developing countries, have ratified these conventions. Yet despite these protections, working conditions can often be poor and labour interests are often not well represented when economic growth is prioritized (Ahmed et al. 2014).

So when studying the protection of workers in developing countries and developed countries it is only useful to look at the *de facto* compliance with labour law and not *de jure*. Actual assessments on the protection of workers can only be made when looking at real world practices. In many cases the actual enforcement of labour regulation is worse than what the law stipulates (Kanbur and Ronconi 2018).

Studies on minimum wage show that com-

pliance is dependent on a scale of factors. The level of development of a country isn't necessarily the sole driving force for the regulation of minimum wages. Rather it is important how laws are enacted, if they have a broad political support and if they're not unnecessarily complicated. Compliance requires a political process where targets and strategies are evaluated and adjusted if necessary. Setting a target too high may lead to non-compliance and setting it too low will reduce the effect of the measure (Rani et al. 2013). As for the negative economic effects of minimum wage regulations, they seem to be marginal. A small amount of workers will lose their employment and move to the informal sector. The introduction of minimum wages can also lead to a positive 'spillover effect' to the informal sectors, raising the wages there as well. Vulnerable groups (youth, low-skilled) are however more often affected negatively by unemployment. (Rani et al. 2013, Bhorat et al. 2017, Broecke et al. 2017).

Why and how governments decide to improve the treatment of workers is a complex issue. The global supply chains that workers nowadays are part of involves many actors with diverging interest and interdependent relations. It is difficult to determine what influences decision-making when international, national and economic pressures industry stakeholders (Berliner et al. 2015b).

State capacity is often used to explain the difference in compliance with labour regulation across states. Without the institutions, bureaucracy and knowledge to enforce compliance, states cannot keep track of labour law violations. More state capacity should thus lead to better market regulations and in effect better enforcement of labour rights. Berliner et al. (2015b) find however that state capacity only increases the protection of workers when the

administration finds it in their interest to support policy reform. Political will is thus equally important for the protection of workers. Ronconi (2012) also finds that the left-leaning and more democratic governments in South-America tend to increase enforcements of labour regulations. These administrations depend on the support of their working class constituencies and are thus more willing to protect the national labour force. Moving from the domestic forces to the external influences. Ronconi (2012) also finds that more trade openness and less foreign direct investments leads to less enforcement. In these cases states are more vulnerable to global competitive pressures and in effect concede labour protective measures.

More foreign direct investments can thus lead to better compliance with labour law. Multi-national companies often implement internal codes of conduct and engage in private enforcement in order to improve skills and wages of workers to increase productivity (Mosley 2010). Larger firms are often also better at enforcing compliance. They have access to more resources and manage to make better use of state policies and grants to implement protective measures. Smaller firms on the other hand can often avoid inspection and as result do not prioritize compliance with labour law (Tybout 2000).

Research on labour right compliance is however a difficult task. In an annual review on labour law studies, Berliner et al. (2015b) highlight two challenges in labour law research. First, with weak governments and poor infrastructure it is often challenging to collect reliable and accurate data over time. Additionally, because of the widespread hostility towards organised labour in developing countries, the monitoring and inspection of labour law compliance is often heavily curtailed. Second, as mentioned earlier, there is a difference between *de jure* rights of workers and *de facto* rights. Berliner et al. (2015b) criticise the

causal arguments researchers make between laws and practices. Studies implicitly assume that the one will lead to the other, which is often not the case. They also emphasize the need to research freedom of association and collective bargaining (FACB) rights separately from outcome standard (such as wages, hours, health and safety, and other conditions) rights. These rights will be the focus of this report. When workers have more FACB rights it is possible that they will achieve better outcomes in the protection of workers. Yet there is no direct causal relation and it is possible that only *de jure* workers are protected.

Ethiopia

Ethiopia is attractive for foreign investors as it has a large labour force, a business-friendly environment and most importantly no minimum wages (Durane 2015). Currently wages are set by employers or by collective bargaining agreements between employers and employees (ILO 2014). This gives Ethiopia an “unparallel comparative advantage” as foreign investors have access to a large labour force for which they can set their own wages (Durane 2015).

The country does have labour laws protecting workers. Ethiopia has ratified the eight “fundamental” conventions of the ILO aiming to protect workers and their rights. But the convention No. 131, on minimum wage fixing, is despite encouragement by the ILO not ratified in Ethiopia. The government of Ethiopia has stated that it prefers to attract foreign investments to resolve the problem of unemployment. It considers that wage flexibility rather than rigidity is desirable for the labour market and that the ratification of the convention is unattainable (ILO 2014).

While the Ethiopian government has ratified laws that protect workers from a wide range of issues, it remains to be seen how well the-

se laws are enforced. Inspectors in Ethiopia cannot fine violations of labour regulations, but need a court order to do so. Their power is limited to warning employers to remedy unlawful working conditions within a given period. If the employer does not improve the situation, the inspector may then issue a formal order to the employer requiring him or her to do so. In general labour-related issues are considered "soft" violations in the criminal system and there is reluctance to prosecute labour law violations (Vega 2013).

As the garment industry is dependent on foreign demand, with the recent COVID-19 pandemic the demand of goods from Europe and the United States quickly reduced to a minimum. As a result the garment industry experienced a large amount of layoffs, while the direct effects of the pandemic were less strong in Ethiopia itself compared to western countries (Meyer et al 2021).

RESEARCH QUESTIONS

Ethiopia provides an interesting case as a developing country in Africa with a rapidly growing garment and flower industry. The country attracts many foreign investors as labour is abundant and cheap. At same time the government of Ethiopia has ratified labour rights aimed to protect its workers. The question remains if workers in reality are protected by these laws.

We want to determine the compliance rate of labour law regulations in the garment and flower farm sectors. We want to explicitly look at real or *de facto* compliance and not just what the law stipulates. To better understand compliance we want separately determine the compliance on freedom of association and collective bargaining (FACB) rights, outcome rights and minimum wage rights. To discover the compliance rates in practice, divided per labour topic, we will use the results of our fieldwork. The research questions are:

(1a) What is the compliance rate on outcome rights in the Ethiopian garment and flower farm sectors?

(1b) What is the compliance rate on freedom of association and collective bargaining rights in the Ethiopian garment and flower farm sectors?

Additionally we want to analyse why compliance rates differ between workers. Our next research question is:

(2) What workplace and individual factors explain the compliance rates of labour law in the garment and flower farms sectors?

We expect on the one hand that personal characteristics of workers and on the other hand factory characteristics influence the compliance rates. For the personal characteristic we expect the workers with a higher skilled occupation and higher education to achieve higher compliance. We also expect men to have a higher compliance rates than women. For the factory characteristics we hypothesise, in line with the findings of Tybout (2000) and Mosley (2010), that larger and multinational companies have a higher compliance rate. Our null hypothesis is:

H0: Personal characteristics of workers and factory characteristics do not influence the compliance rate of labour law compliance in the garment and flower farms sectors.

We also want analyse wages separately. This is an important issue for workers and Ethiopia has no minimum wage in the private sector so compliance cannot be checked for this topic. Our research question is:

(3) What workplace and individual factors explain the level of wages in the garment and flower farms sector?

Here again we expect the personal and factory characteristics to influence the level of wages. We expect workers with a higher skilled occupation and higher education to have higher wages. We also expect men to earn more than women. As for the factory characteristics, we expect multinational firms to wage their employees higher. Our null hypothesis is:

H0: Personal characteristics of workers and factory characteristics do not influence the level of wages in the garment and flower farms sectors.

Finally we want to analyse how FACB and outcome rights are related. Our last research question is:

(4) What is the relation between freedom of association and collective bargaining and outcome rights.

We expect a positive relation between FACB and outcome rights. With more abilities to voice their opinions, workers should be able to negotiate better working conditions. Our null hypothesis is:

H0: There is no relation between freedom of association and collective bargaining and outcome rights.

METHODOLOGY

Data about the working conditions in the garment and flower sectors in Ethiopia was collected with the DecentWorkCheck survey. This survey allows workers to test whether their working conditions comply with labour regulations. The questionnaire is set up on the basis of labour laws, derived from the WageIndicator labour law database (see Ahmad 2010), and rephrased such that workers can agree or disagree (or indicate that they do not know the answer). Additionally the salary survey covers a wide range of work- and wage related subjects as well as socio-demographics.

The survey is presented in the Amharic language and conducted digitally with a tablet. At the end of the survey respondents can review the results and find on which topics their jobs complies with labour regulations. Survey are taken anonymously and the respondent's privacy is protected.

Fieldwork

The majority of the responses to the survey took place in two waves¹, the first from July 2018 to December 2018 and the second one from October 2019 to January 2020. In total the dataset includes 2353 responses workers of 106 factories.

The respondents of the survey interviews are selected based on the factories they work in. First the interviewers in Ethiopia collected data on the factories and firms in the garment and flower farms sectors. This data was provided by Confederation of Ethiopian Trade Unions (CETU) and the underlying Industrial Federation of Textile, Leather and Garment Workers Trade Unions and National Federation of Farm, Plantation, Fishery and Agro-industry Trade

Unions. The WageIndicator Foundation worked closely with these institutions and shared the results of the surveys with them. The interviewers randomly selected factories to visit from the data they aggregated provided by the federations. If an employer was not willing to cooperate, another nearby factory was selected. In the factories themselves, respondents were selected based on their occupation, department they worked in and gender so that they would represent the same proportions of the general working force of that factory.

Most factories are situated in the Addis Ababa region, Oromia region and Southern regions. The factories are centred around industrial parks and hubs. Hawassa Industrial Park, established in 2017, is the most recently formed industrial hub mostly housing garment industries from foreign investors. The flower farms in the dataset are exclusively located in the Oromia region, housing as well a large amount of textiles (68%) and garment (16%) factories. Most garment factories are located in the Addis Ababa region (58%), followed by the Southern regions (23%) concentrated around Hawassa.

To conduct surveys the interviewers needed permission of the employers. In many cases the employers were not interested in cooperating or allowing interviewers access to their factories. Taking a survey would mean for a worker to stop their work which could hold up the production process. At the same, the workers themselves were not interested to take a survey after working hours. Whenever the interviewers did have permission the cooperation was good. The interviewers noted that only for 1.3% of the surveys the workers did not cooperate well.

¹ The information in this section is based on accounts of the interview team of the WageIndicator Foundation in Ethiopia.

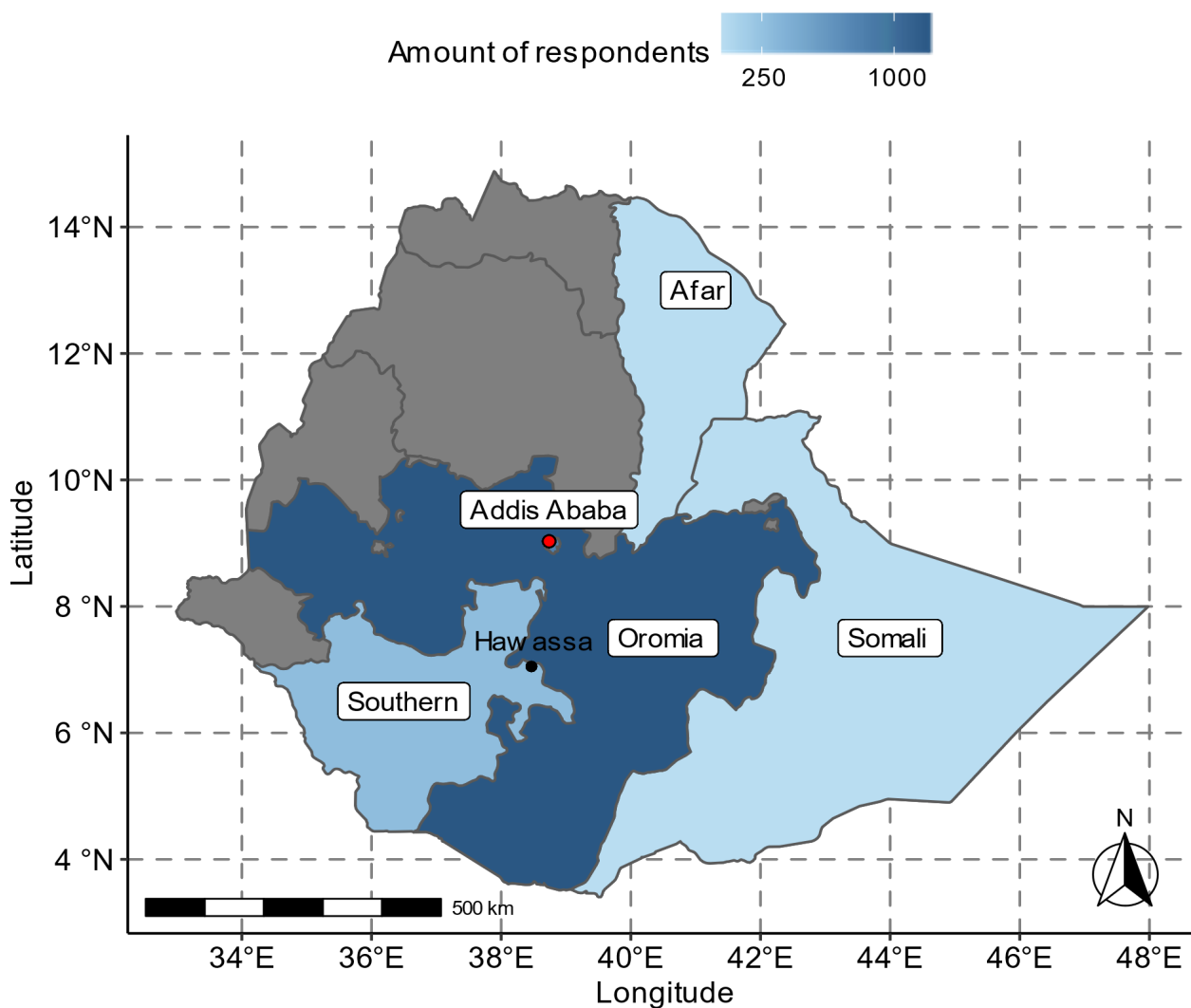


Figure 1, Map of Ethiopia with amount of respondents per region.

Representativeness of the sample

This report provides a cross-sectional snapshot of working conditions between 2018 and 2020. The results of this report are based on the experiences of workers, instead of third party observations, which could lead to human estimation errors in the data. The employers of the workers were not involved during the survey itself, so we assume that the workers were able to answer the surveys freely without external pressures.

As data on the working force of Ethiopia is sparse, it is difficult to estimate the representativeness of the sample used in the report.

The data includes 2353 respondents that work in 106 factories employing in total 34.976 workers. 76 of those factories are part of the garment and textile sector and 29 of the flower farms sector. It is estimated that Ethiopia has around 100 flower farms², while for the garment sector the estimates ranges from 78 factories in 2016 to 200 in 2020. In October 2017 the garment sector provided work for 40.000 people and the Ethiopian government estimated in 2018 that around 174.000 people would work in the garment industry in 2020 (Theuws & Overeem 2019). Based on these rough estimates, the dataset in this report covers around 30% of the flower farms and half of the garment factories.

² Based on estimates from flowercompanies.com in 2020

In the selection process of factories to survey, trade union membership of the factories played an important role to gain access for surveying. The textile and garment factories were randomly sampled and only when the employers were not willing to cooperate, another factory selected. For the flower farms only farms affiliated with the trade union were selected. Additionally, international firms did often not cooperate making only 10% of the factories in the survey multinational companies. The workers in the factories themselves however were stratified sampled from the personnel list of the factories based on gender and occupation.

The effects of the selection bias in the sample could mean that in general working conditions are worse than what the data will show in this report. Employers could refuse access to monitoring and analysing as they fear the reaction of their workers when their conditions become publicly known and can be compared to other factories. The same could be true for international companies that may fear an international response if the conditions in their companies is not up to regulation standards. In general it is said however that compliance with labour laws by international companies is higher compared to locally owned companies (Mosley 2010). As a result it is difficult to estimate the effects of the selection of the factories in the sample.

WHO RESPONDED TO THE SURVEY

Of the 2353 respondents, 7 out of 10 are female. Both the male and female workers are mostly (70%) in their twenties and 82% of all respondents is between 20 and 40 years old. Around a quarter of the respondents finished only primary education and around 36%, the largest group, finished a basic education. More than half of the respondents did thus not follow an vocational education. One in five of the respondents finished an upper secondary education and one in 10, the smallest group, finished the first stage of a tertiary education. Of the males 20% finished a tertiary education compared to only 7% of the females.

Around half of the respondents is a sewing machine operator or tailor, and another quarter is an agricultural worker. A quarter of the respondents has a supervisor position, 38% of the males and 21% of the females hold these positions. On average supervisors are 2 years older than the non-supervising workers.

88% of the workers have a permanent contract. The next largest group of 3% works on temporary employment agency contracts.

Firms

The respondents for this survey are employed in 106³ different factories employing in total 34.976 workers, with an average size of 393 workers and median size of 60. One large flower farm employed around 12.000 workers, while the next largest firm employed around 4500 workers in the garment and textiles sector. For 84 factories at least 10 or more workers participated in the survey. We consider ten workers as the lower boundary to provide reliable information about a factory. Eight in ten of these factories have been established

in the last 20 years, with half of that between 2000 and 2009, and the other half between 2010 and 2019. For 32% of the factories, workers say that all machines are in good state of repair. For almost half of the factories, workers state that most machines are in a good state of repair. In the remaining 18% of the factories, the machines are in a bad state.

³ We use the median value of all responses on factory data in case of inconsistent figures reported by respondents.

COMPLIANCE WITH LABOUR LAW

This section will detail the *de facto* compliance with labour in the Ethiopian garment and flower farm sector. This will cover our first research question about the *de facto* compliance with outcome and FACB rights. We will report the results of the survey which covers 37 topics of the National Labour Law grouped into eight thematic clusters:

- Minimum wage
- Employment security
- Working time
- Maternity
- Health and safety
- Social security
- Fair treatment
- Right to organise

The first seven clusters are considered 'outcome rights' and the last cluster 'freedom of association and collective bargaining' (FACB) rights. Each cluster consists of different variables that test the compliance with national labour law. The amount of variables varies per cluster as some topics are more diverse than others. Additionally, the amount of responses on different questions varies as some questions are not applicable for all respondents and some respondents did not know how to answer some questions. We report only the results on questions with less than 20% missing values.

In this section we will also partially answer our research question about what influences compliances. We expect that male workers have a higher compliance than female workers. For all topics we perform an unpaired t-test between

the male and female respondents to test for significant ($p < 0.05$) difference between genders. Per topic the significant differences are highlighted.

Perfect compliance rates are rare, even in developed economies, however the WageIndicator Foundation considers a compliance lower than 90% as unsatisfactory and a reason for change in labour compliance.

Summary of the results

We find the highest compliance rates in general for the topic of working hours. 98% of the workers report that their employers provide them with compensated annual days off during public holidays or that they are compensated with a premium when working during public holidays (93%). 88% of the workers report as well that they have weekly days off and 90% reports that they are not forced to work more than 60 hours a week.

We also find high rates of compliance for the provision of compensated maternity leave (97%) and the protection of children by not employing children under the age of 15 (97%) and not employing adolescents under the age of 18 in hazardous conditions (93%).

The lowest compliance rates are among the topics of social security and the right to organise. Only 53% of the workers report that they get compensated for injuries or disabilities and 54% reports that they will receive survivors dependants benefits. The employers acknowledgement of workers' right to strike is rated at the lowest of all compliance checks at 24%. 38% of the workers also report that their employers discriminate based on the membership of unions.

Other topics that score low on compliance is the job security for workers when they become ill (29%) and the practice of employers to hire fixed-term contract workers for tasks of permanent nature (50%).

For a majority of the topics we find no gender differences in compliance, but for twelve topics there is a significant ($p < 0.05$) difference between male and female workers. For most of these differences, the male workers have a higher compliance rate. The largest difference is for the topic of equal pay where male workers report a 13 percentage points higher compliance than female workers. The topics that have the most gender differences in compliance are for the clusters of 'maternity' and 'health and safety'. For the cluster of 'working hours' we find no significant differences.

Minimum wages

The DecentWorkCheck survey includes three questions on minimum wages. As no national law exists on minimum wage in the private sector, it is not possible to check if employers comply. The wages will be further analysed in the analysis section of this report.

Almost all workers report that they get paid an overtime premium and 81 percent reports that they get paid on a regular basis. For this topic we find no significant gender differences.

Employment security

The DecentWorkCheck survey includes six questions on employment security. Compliance with the provision of a probation period is high at 91%. At a slightly lower rate is the compliance with the employers providing the workers with written contracts (88%). Here a significant ($p < 0.01$) difference is present between male (91%) and female (87%) workers, with male workers having on average a 4 percentage point higher compliance. For the termination of a contract, 81 percent of the employers provide a notice beforehand and 76% of the workers say that they can terminate a contract freely. A lower 61% percent of the employers pay severance packages and half of the employers uses fixed term contracts for tasks of permanent nature.

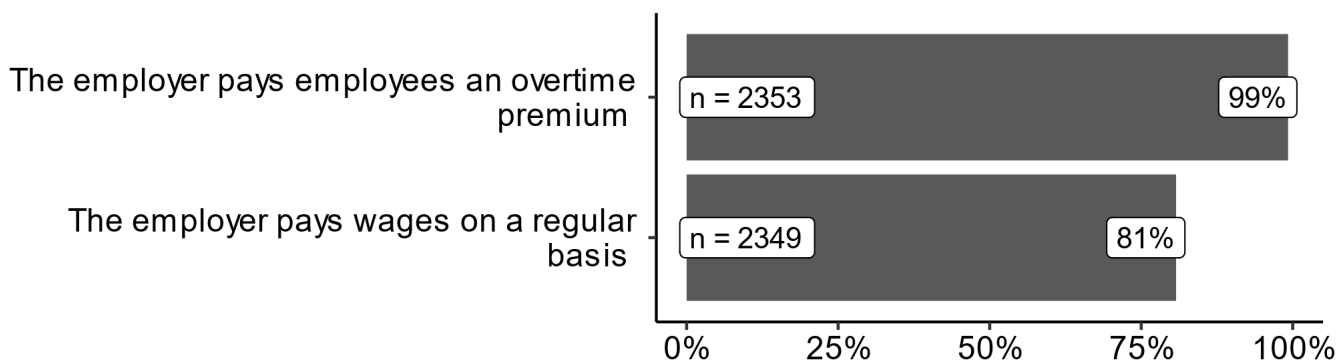


Figure 2, Compliance with minimum wage labour law - reported by workers

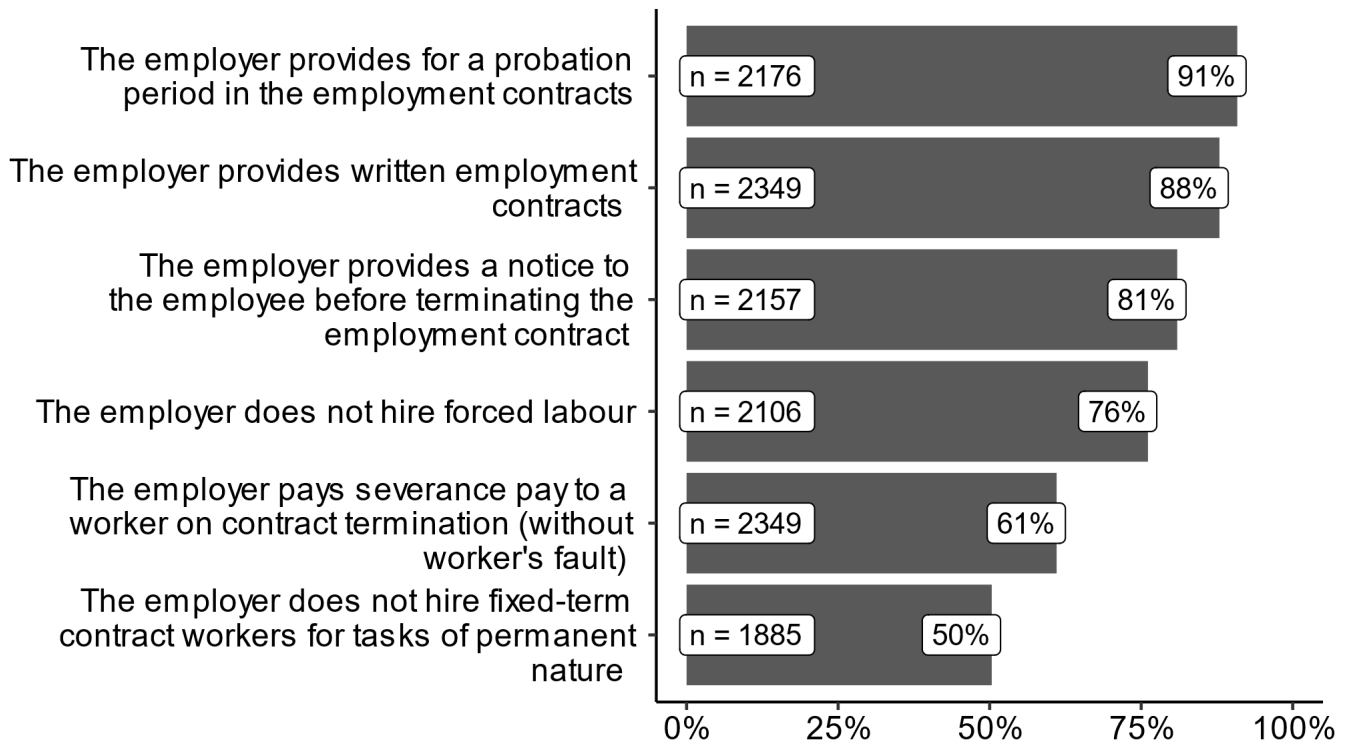


Figure 3, Compliance with employment security labour law - reported by workers

Working times

The DecentWorkCheck survey includes six questions on working times. The compliance for this cluster is on average high. Employers provide workers with 16 days of annual leave (94%) and when they do they pay for this leave (98%). Employers also compensate for working on weekly rest days or on public holidays with a premium payment (93%) and give paid days-off during national public holidays (90%). The lowest compliance is for the provision of weekly rest days (88%). Employers also mostly do not force workers to work inhumane overtime hours of more than 60 hours a week (90%). We find no significant differences between gender in these variables.

While workers report a high compliance on humane working hours, the average working week is still relatively long. Most (62%) workers have a 48 hour working week and 13% work longer than that. These hours are still within the boundaries of 'humane' working hours of

60 per week according to Ethiopian law. The ILO however states that the upper limit of humane working hours is 56 (48 hours + 8 hours overtime), and that this limit should not be exceeded regularly (Ahmad 2020).

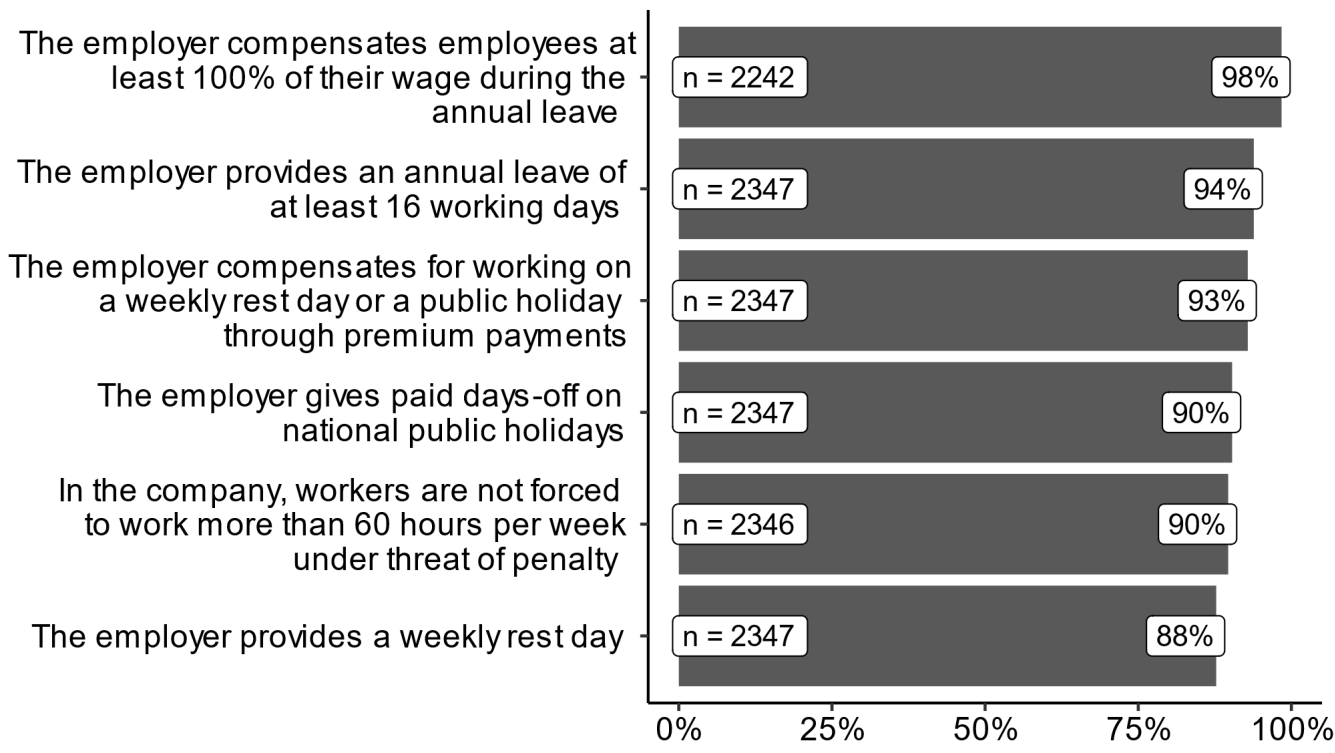


Figure 4, Compliance with working times labour law - reported by workers

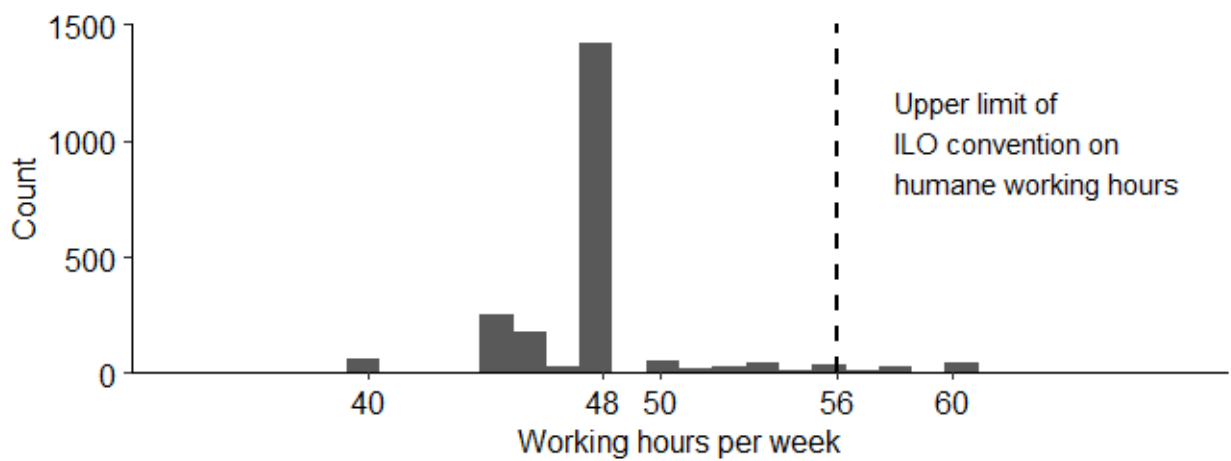


Figure 5, Reported weekly working hours of workers

Maternity

The DecentWorkCheck survey includes four questions on maternity topics. Compliance with a maternity leave of 120 days is high (96%) as well as the compliance with full pay during leave (97%). There is a significant ($p < 0.01$) difference between male (99%) and female (97%) workers, where female workers on average report 2 percentage point lower for the compliance with full pay during maternity leave. Somewhat lower is the compliance with employers who do not engage pregnant or nur-

sing mothers in hazardous work (82%). Here we find a large significant ($p < 0.01$) gender difference between male (87%) and female (79%) workers who on average report eight percentage points lower on compliance. The lowest compliance rate is of employers that protect workers from dismissals during pregnancy and maternity leave (70%). Here again we find a significant ($p < 0.05$) difference between male (66%) and female (71%) workers. This time the male workers report a lower compliance of five percentage points.

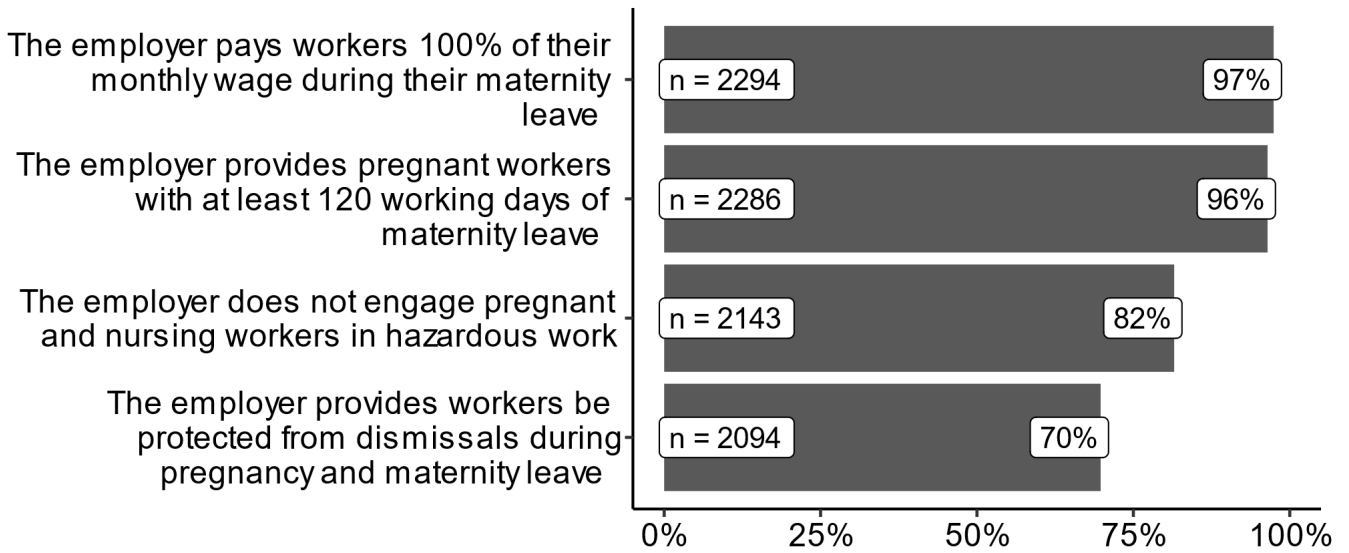


Figure 6, Compliance with maternity labour law - reported by workers

Health and Safety

The DecentWorkCheck survey includes seven questions on health and safety. Compliance with this topic is fairly low. Compliance with full pay of sick leave is high at 88%. However the provision of health and safety facilities are rated lower with compliance with the provision of fire extinguishers at 82%, on-site medical facilities at 63% and free protective equipment at 59%. We find significant gender differ-

ences for the compliance with the availability of all these facilities. Male workers report significantly higher compliance with these three topics compared to female workers, with the biggest difference being on the provision of on-site medical facilities (male 68%, female 61%, $p < 0.01$). Even lower is the compliance of employers to follow a policy to train workers on health and safety issues (55%). The lowest compliance is with the job security of 6 months for sick employees (29%).

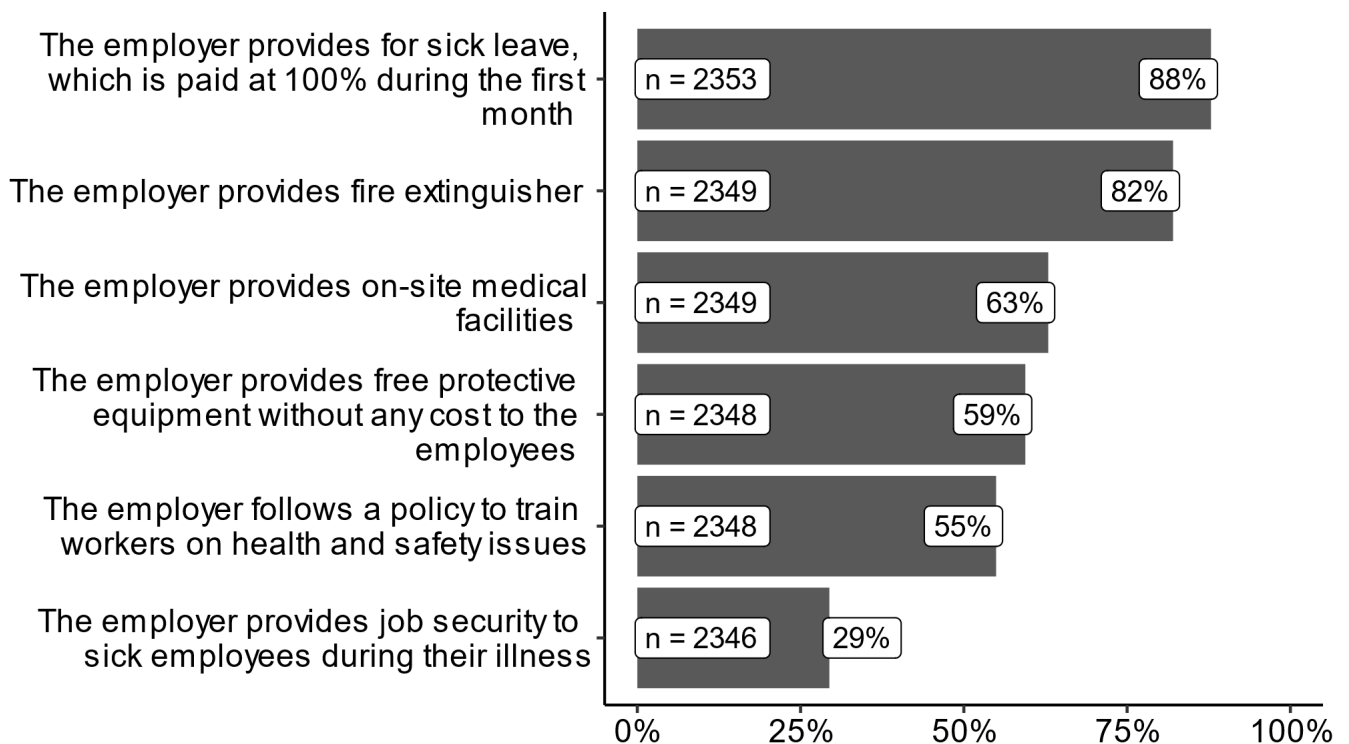


Figure 7, Compliance with health and safety labour law - reported by workers

Social security

The DecentWorkCheck survey includes four questions on social security. Compliance in this cluster is overall low. Workers report the highest (64%) compliance with the right of old age benefits. Here a significant ($p < 0.05$) difference exists between the compliance rate female workers (66%) report compared to male workers (61%). Survivors' or dependants' benefits compliance is reported by 54% and invalidity benefits compliance is also reported at 54%. Compliance on the provision of occupational injury benefits is reported the lowest at 53%.

Fair treatment

The DecentWorkCheck survey includes five questions on fair treatment. Compliance is high with regards to child labour and religious discrimination. Workers report that children under the age of 15 years old are not employed (97%) and that adolescents under the age of 18 years old do not work in hazardous conditions (93%). Employers also do not discriminate on religion according to 92% of the workers. 90% of the workers report that there are no cases of sexual harassment at the workplace in the last year. Male workers report significantly ($p < 0.01$) lower compliance (86%)

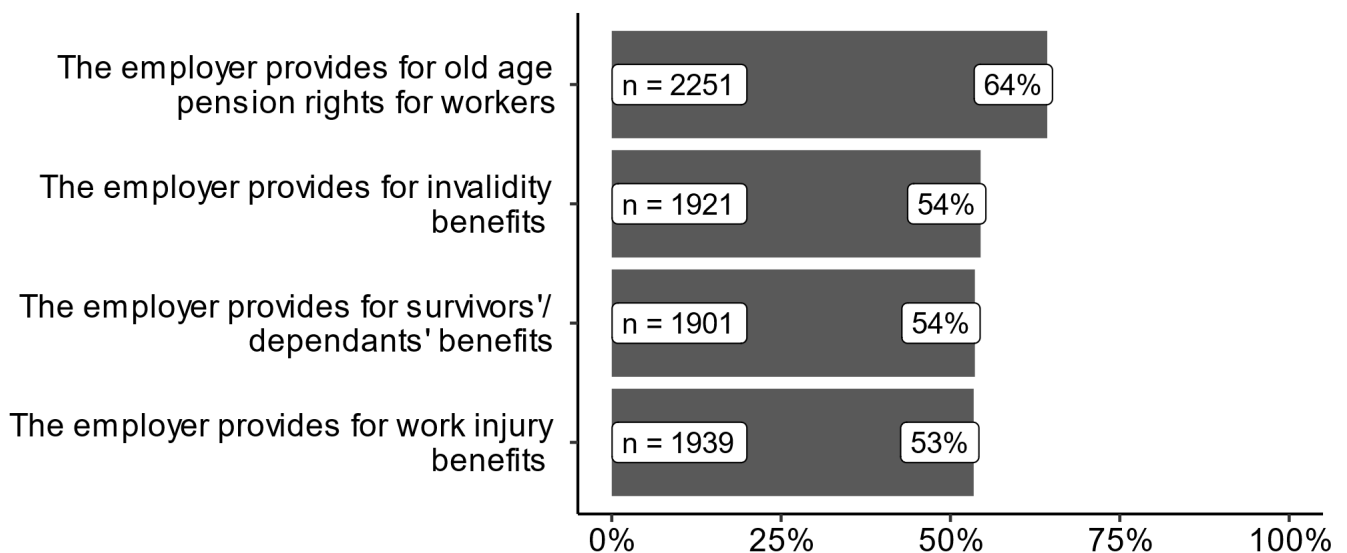


Figure 8, Compliance with social security labour law - reported by workers

than female workers with this topic (91%). The lowest compliance is with employers that follow a policy of equal pay without any discrimination (73%). Here again a significant ($p < 0.01$) and large difference between male (82%) and female (69%) workers is noticeable, where female report on average a 13 percentage point lower compliance.

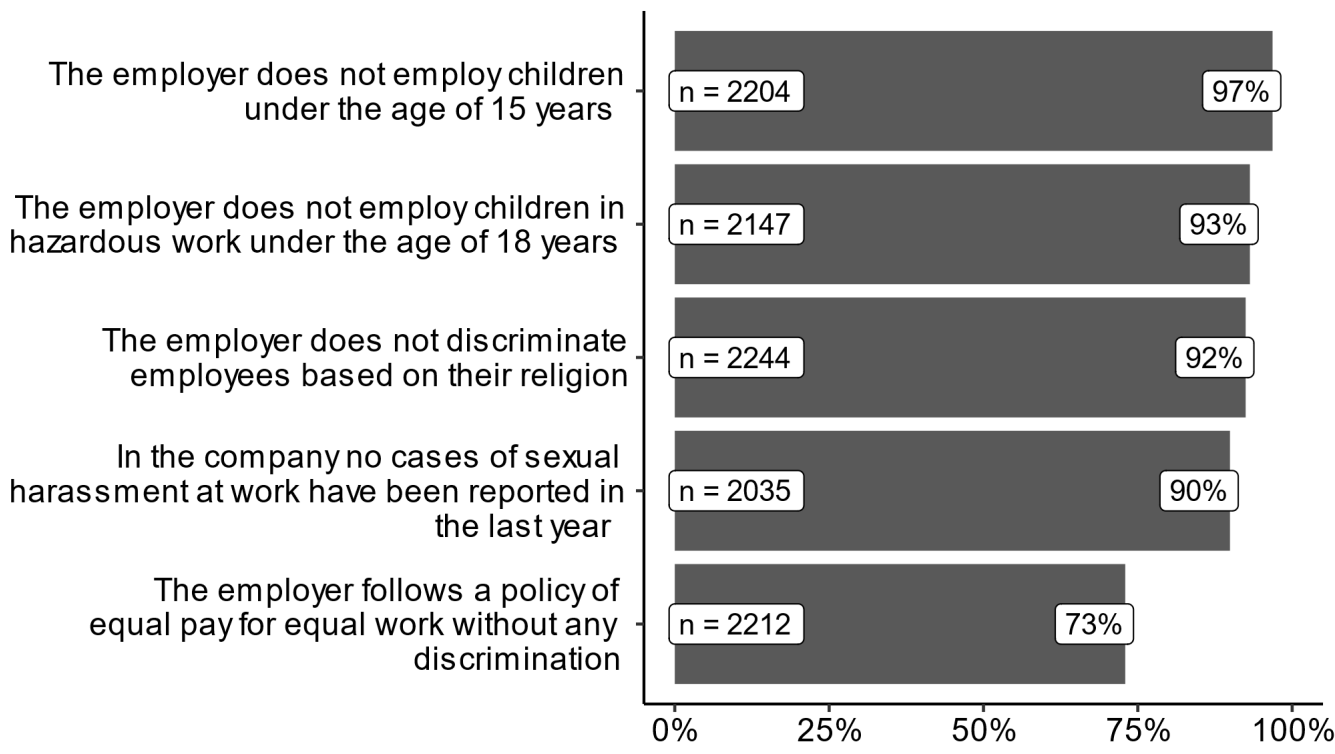


Figure 9, Compliance with fair treatment labour law - reported by workers

Right to organise

The DecentWorkCheck survey includes four questions on the right to organise. Compliance with this topic is overall low. Workers report the highest compliance with employers allowing the participation in a trade union or association (80%). Here a significant ($p < 0.05$) difference between male (83%) and female

(79%) workers is present. Much lower is the compliance with non-discriminatory behaviour of employers based on membership of trade unions or related activities (62%). Almost half of the workers state that they are a signatory of a collective bargaining agreement. The lowest compliance is with employers acknowledging the right of workers to hold a strike (24%).

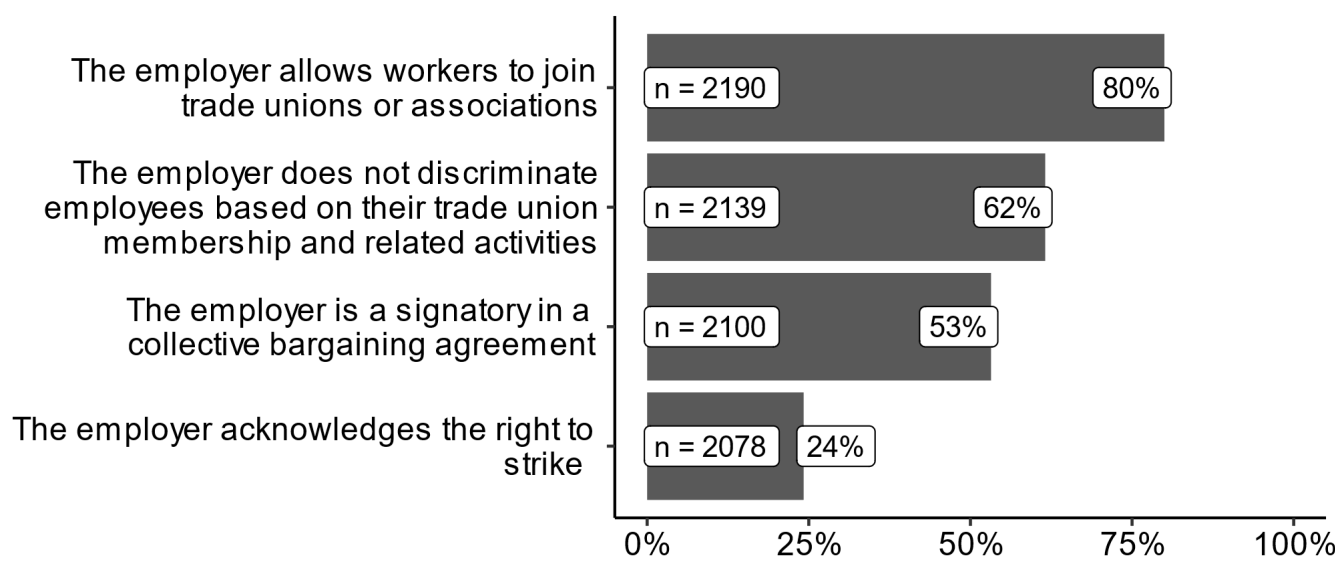


Figure 10, Compliance with right to organise labour law - reported by workers

ANALYSIS

The results of the survey show a diverse variation on the level of compliance for different topics. We already showed gender differences in compliance rates for certain topics. In this section we aim to gain a better understanding of compliance and wages. This will answer the research questions we posed in the beginning of this report: First we will look at what factors influence the compliance rates and analyse if large and international companies have better rates. Then we will analyse the levels of wages and finally we will determine the relation between FACB and outcome rights.

Compliance rates

To determine what factors influence the compliance with labour law we use an ordinary least squared (OLS) regression. For the dependent variable we calculated per respondent the sum of the compliance rates across all 37

questions. The resulting variable can range from compliance with none of the topics (=0) to compliance with all of the topics (=37). As we use the sum compliance rate, missing values are implicitly coded as zero. We find no workers with either fully- or non compliant scores. At the lowest rates, four workers report compliance on only 2 checks, while for the highest, two workers report compliance on 37 checks. The average compliance rate per worker is 27.

The independent variables consist of the characteristics of the workers and factories they work in. First, to describe the characteristics of the workers, the age (ordinal 15-74) and gender (binary, 1 = female) are used. For the education level a dummy is used where 0 is low education and 1 is middle or high education. For occupation skill level (based on the International Standard Classification of Occupations) two dummy variables are created for low

	Mean	Sd	Min	Median	Max
Gender	0.72	0.45	0	1	1
Age	27.03	8.20	15	25	74
Occupation skill level	2.02	0.35	1	2	3
Education level	1.42	0.68	1	1	3
Supervisor position	0.26	0.44	0	0	1
Permanent contract	0.92	0.27	0	1	1
Firm size	4.70	2.42	1	5	10
Addis Ababa region	0.35	0.47	0	0	1
Multinational company	0.13	0.33	0	0	1
Garment sector	0.47	0.49	0	0	1

Table 1, Independent variables describing worker's personal characteristics and factory characteristics used in the analyses

and high skilled level occupations compared to the largest group of respondents (87%) who have a middle skilled level occupation. Additional variables indicate whether the worker has a permanent contract and whether they hold a supervisor position. To describe the characteristics of the factories we use their employee size (ordinal, 1 = 2-9, 10 = 5000 or more employees), whether the factory is a multinational company, whether the factory is part of the garment industry and whether the factory is located in the capital region of Addis Ababa. In a separate model an interaction term of the size of the company and whether the company is a multinational company is added to test whether large international firms have better compliance. For this second model, the firm size is recoded to a dummy where 0 is less than 100 employees and 1 is more than 100 employees.

We calculated for the independent variables with large amount of missing values an additionally missing values dummy and tested these for significance. Only the missing values variables with significant results are kept in the analysis through stepwise deletion. Otherwise missing values for dummies are coded as zero.

The results in table 2 show that gender does not influence the overall compliance rate with labour regulations. Compliance does increase slightly with age. The skill level of the worker has no significant influence. It is higher for higher educated workers and those with a supervisor position. Whether a worker has a permanent contract has biggest positive effect for compliance rates. The size of the firm negatively influences the compliance rates, especially for those who do not know the size of their firm. Compliance is also lower for factories in the Addis Ababa region and in the garment sector.

	1	2
(Intercept)	25.74***	24.96***
Worker characteristics		
Gender	-0.14	-0.14
Age	0.03**	0.03**
Low skilled occupation	-0.01	-0.04
High skilled occupation	-0.19	-0.14
Middle or high education	0.68***	0.68***
Supervisor position	0.57**	0.59**
Permanent contract	2.61***	2.59***
Factory characteristics		
Addis Ababa region	-1.08***	-0.89***
Multinational company	0.13	1.18*
Garment sector	-0.81***	-0.97***
Firm size	-0.36***	-1.57***
Firm size missing	-3.4***	-2.63***
Firm size * multinational		-1.57**
Observations	2303	2303
R-squared	0.147	0.149

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$

Table 2, Effect of characteristics of workers and factories on the total level of compliance with national labour law - reported by workers

Whether a firm is a multinational company does not significantly alter the compliance rate. In our second model the multinational variable does show a significant positive effect. The interaction term however shows a negative effect, meaning that compliance in multinational companies is higher but decreases with size. So large multinational companies have lower compliance rates, while small multinational companies have a higher compliance rate.

Some remarks have to be made about the 'multinational company' variable. It could be the case that the variable does not capture the right information or contains inaccurate data. As this factory data relies on respondent knowledge it could be the case that workers are not aware if they work for an international company. In general it is difficult to determine the origin of company management in Ethiopia (Theuws and Overeem 2019). Firms could also be subcontractors for international firms, which means that they're not part of said firms but

do exclusively produce international goods. Workers could produce goods for international employers without their knowledge. Finally the amount of international firms incorporated in this dataset is low (10%) because, as mentioned earlier, these firms often did not cooperate with the surveys.

Wages

As the labour law in Ethiopia does not state a required minimum wage for the private sector, it was not possible to check for compliance on this topic. Still this remains one of the most important issues for workers. The average monthly wage of workers in the dataset is 2371 Ethiopian Birr (about 60 USD with 100 ETB equal to 2.5 USD). This is somewhat higher for men at 2685 ETB (67 USD) and lower for women at 1836 ETB (46 USD). Most respondents earn much less than what the WageIndicator Foundation estimates as a 'living wage' for an individual at 4910 ETB (123 USD).

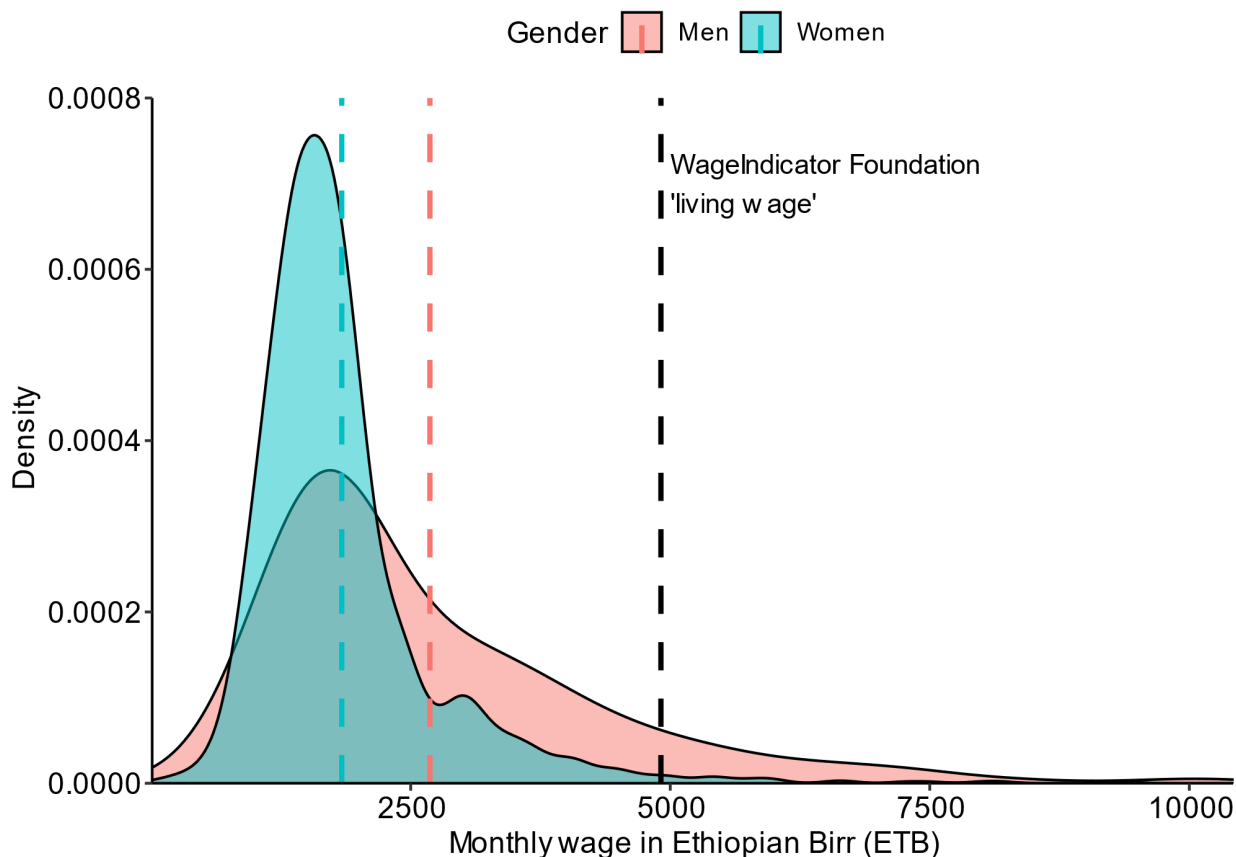


Figure 11, Distribution of reported wages for male and female workers with the average values indicated by the dotted lines, WageIndicator Foundation 'living wage' for an individual indicated by black dotted line, top 1 percent of wages are removed

To better understand what determines the level of the wages of workers (besides gender) we use an OLS regression with the hourly wages as the dependent variable. The top and bottom 1 percent of the wages are removed. The same independent variables as for the compliance rates regression are used for this analysis.

	Wages
(Intercept)	4.27***
Workers characteristics	
Gender	-2.23***
Age	0.11***
Low skilled occupation	0.52
High skilled occupation	3.06***
Middle or high education	2.84***
Supervisor position	3.54***
Permanent contract	1.07***
Factory characteristics	
Addis Ababa region	0.78**
Multinational company	-0.1
Garment sector	0.36
Firm size	0.16***
Firm size missing	2.13***
Observations	2201
R-squared	0.328

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$

Table 3, Effect of characteristics of workers and factories on the level of wages - reported by workers

The results in table 3 show again that men earn on average more. Older and better educated workers also earn more. Lowly skilled workers do not earn significantly less than middle skilled workers, but highly skilled workers do earn more. Together with education level, the supervisory position of a worker is the biggest influences for a higher wage. A permanent contract also positively influences wages. For the characteristics of the factories the size and whether the factory is located in the Addis Ababa region also influences the wages positively. The wages in the garment are not significantly different than in other sectors

and again multinational companies do not pay their workers significantly different than locally owned firms.

Freedom of association and outcome rights

Next we want to discover whether more freedom of association and collective bargaining (FACB) rights will lead to better compliance rates in outcome right. We calculate per topic the sum of compliance rates for each worker and use this to calculate the correlation values with the sum of the right to organise. Here again missing values are implicitly coded as zero. Correlations coefficients are calculated using Pearson's r .

The results in table 4 show for each topic a positive significant correlation. The strength of the associations are however for each topic weak. This indicates that better FACB rights in Ethiopia are only weakly correlated with better outcomes, which could mean that in practice the freedom of association is not as strong or as effective as described in the law. The strongest effect are for employment security, which is about the provision of contracts, probation periods and forced labour, and health and safety, which is mostly about the provision health and safety facilities. It is possible that it is easier to achieve progress for these topics compared to others. It could also be possible that there is potential lagged effect in this correlation, meaning that better outcome rights will show up after FACB rights have been longer in effect. FACB rights have however been present in Ethiopia since 1995 so it is more likely that *de facto* Ethiopian workers cannot practice their FACB rights.

	FACB rights
Employment security	.19***
Fair treatment	.17***
Health and Safety	.19***
Maternity and Work	.12***
Minimum wage	.09***
Social security	.08***
Working hours	.08***

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$

Table 4, Correlation coefficients of sum compliance rates of outcome rights with sum compliance rates of freedom of association and collective bargaining rights – reported by workers

Next we want to determine what topics of the right to organise make the biggest difference in outcome rights. We use an OLS regression with the sum scores of the outcomes rights as the dependent variables and each of the right to organise topics as the independent variables. The right to organise topics consist of (1) The employer allows workers to join trade unions or associations, (2) The employer does not discriminate employees based on their trade union membership and related activities, (3) The employer is a signatory in a collective bargaining agreement and (4) The employer acknowledges the right to strike.

The results in table 5 show that collective bargaining makes the biggest difference for better working conditions. It shows a positive effect for employment security, fair treatment, health and safety, and minimum wage compliance. Health and safety compliance in general is positively affected by FACB rights. This could mean that these issues are the most important issues for workers and are the topics where most progress can be made. The right to strike shows besides positive effects also negative effects. This could mean that workers may be free to strike, but that in effect they experience discrimination or less social security. Social security interestingly also shows a negative effect for non-discriminatory behaviour of employers. This could indicate that employers discriminate for whom they provide with social security rights such as old age pensions and invalidity benefits.

	Employment security	Fair treatment	Health safety	Maternity	Minimum wage	Social security	Work hours
(Intercept)	3.64***	4.18***	3.00***	3.22***	1.67***	2.59***	5.25***
FACB 1	0.47***	0.08	0.05	0.15***	-0.01	0.01	0.24***
FACB 2	0.05	-0.05	0.63***	0.00	0.09***	-0.69***	0.04
FACB 3	0.30***	0.20***	0.29***	0.00	0.13***	0.08	0.02
FACB 4	0.06	-0.17**	0.52***	-0.10*	-0.01	-0.13*	0.02
Observations	1860	1860	1860	1860	1860	1860	1860
R-squared	0.04	0.02	0.07	0.01	0.03	0.08	0.01

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$

Table 5, Effect of freedom of association and collective bargaining compliance on the compliance with outcome rights - reported by workers

CONCLUSION

The garment industries and flower farms are quickly becoming some of the most important sectors in Ethiopia. These export-oriented sectors attract many foreign investors and clients, and can prove to be welcome addition to the rapidly developing Ethiopian economy. The Ethiopian government welcomes these foreign investments and views them as an important mechanism to reduce unemployment rates. An important policy of the government is to implement no minimum wages in the private sector. This makes labour abundant and cheap and attractive for foreign manufactures.

Workers are still protected by labour laws. With the DecentWorkCheck survey we tested at what rate these labour laws are enforced. Workers in garment factories and flowers farms responded to these surveys and were able to check to what level their employer complies with labour law.

For our first research question we analysed the *de facto* compliance with labour laws separately for outcome and freedom of association and collective bargaining rights. We found the highest compliance rates for 'working hours' topics. Employers in general comply with laws requiring days off and compensation for working during holidays. Most workers also do not work more than 60 hours a week. Compliance rates are also high for the provision of maternity leave and the protection of children and adolescents. We find however the lowest compliance rates for the right to strike. Workers report that most employers do not recognise their freedom of association and collective bargaining rights. Employment security (during illness) is another issue where employers often do not comply with labour laws.

Next we tried to determine what factors in-

fluence compliance. In line with our hypothesis we found that higher educated workers report higher compliance rates. Contrary to our expectations we did not find a significant difference for male and female workers for the overall compliance rates. We did find some topics with different compliance levels per gender, but overall we noticed no difference. Also the occupational skill level of the worker did not significantly alter the compliance rates. We also expected that large international companies would have better compliance rates, based on the studies of Tybout (2000) and Mosley (2010). Our results do not support this hypothesis. If anything it shows that smaller firms have better compliance rates than larger firms.

For our third research question we looked at wages and what influences them. Without a required minimum wage, most workers earn less than what the WageIndicator Foundation specifies as a 'decent wage'. We found that men in general earn more than women and that women report significantly lower rates for compliance with employers following a policy of equal pay for equal work. We also found that highly skilled and higher educated workers earn more. Multinational companies do however not wage their employees higher compared to locally owned companies.

Finally, we analysed the relation between freedom of association and collective bargaining (FACB) rights and outcome rights. We expected here to find a positive relation, as workers should be able to negotiate better working conditions when they are able to voice their interests. We found a positive but weak relation, indicating that workers are not fully able to use their rights to organise. Earlier we already found the lowest compliance rates for these rights. Our analysis showed that workers

actually could experience worse outcomes and discrimination when making use of the right to strike, but that for the topic of health and safety it leads to better outcomes. Collective bargaining seems to be the most effective way to organise change.

Based on our research we foresee that the most progress can be made in the level of wages, employment security and the right to organise as these topics had the lowest compliance rates. Ethiopian workers hardly earn a liveable wage and a sufficient amount to provide for food, shelter and socialization. The economic growth in Ethiopia is seen as the solution for poverty and unemployment, but currently it comes at the cost of living wages for workers. Living wages together with employment security are required for sustainable growth and studies have shown that a minimum wage, if implemented correctly, will not lead to more unemployment. Representation of worker's interests is essential in all of this. Workers should not have to be afraid to voice their interests or face consequences when they do. It is in the interest of all parties to sustainably grow the Ethiopian economy and that starts with a better protection of the labour force.

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APPENDIX 1

Topic	Total	Male	Female	p
The employer pays wages on a regular basis	81%	83%	80%	0.06
The employer pays employees an overtime premium	99%	99%	99%	0.67
The employer compensates for working on a weekly rest day or a public holiday through premium payments	93%	94%	92%	0.12
The employer provides an annual leave of at least 16 working days	94%	93%	94%	0.55
The employer compensates employees at 100% of their wage during the annual leave	98%	99%	98%	0.65
The employer gives paid days-off on national public holidays	90%	89%	91%	0.33
The employer provides a weekly rest day	88%	88%	88%	0.88
The employer provides written employment contracts	88%	91%	87%	<0.01
The employer does not hire fixed-term contract workers for tasks of permanent nature	50%	51%	50%	0.87
The employer provides for a probation period in the employment contracts	91%	93%	90%	0.07
The employer provides a notice to the employee before terminating the employment contract	81%	82%	80%	0.33
The employer pays severance pay to a worker on contract termination (without worker's fault)	61%	63%	60%	0.15
The employer does not engage pregnant and nursing workers in hazardous work	82%	87%	79%	<0.01
The employer provides pregnant workers with at least 120 days of maternity leave	96%	97%	96%	0.62
The employer pays workers 100% of their monthly wage during their maternity leave	97%	99%	97%	0.01
The employer provides workers be protected from dismissals during pregnancy and maternity leave	70%	66%	71%	0.04
The employer provides fire extinguisher	82%	85%	81%	0.03

The employer provides on-site medical facilities	63%	68%	61%	<0.01
The employer provides free protective equipment without any cost to the employees	59%	63%	58%	0.03
The employer follows a policy to train workers on health and safety issues	55%	56%	54%	0.42
The employer provides for sick leave, which is paid at 100%	88%	87%	88%	0.46
The employer provides job security to sick employees during the first 6 months of their illness	29%	32%	28%	0.10
The employer provides a work injury benefit	53%	56%	52%	0.09
The employer provides for old age pension rights	64%	61%	66%	0.03
The employer provides for survivors'/ dependents' benefits	54%	57%	52%	0.09
The employer provides for invalidity benefits	54%	57%	53%	0.18
The employer follows a policy of equal pay for equal work without any discrimination	73%	82%	69%	<0.01
In the company no cases of sexual harassment at work have been reported in the last year	90%	86%	91%	<0.01
The employer does not discriminate employees based on their religion	92%	93%	92%	0.38
The employer does not discriminate employees based on their trade union membership and related activities	62%	61%	62%	0.53
The employer does not employ children under the age of 15 years	97%	96%	97%	0.44
The employer does not employ children in hazardous work under the age of 18 years	93%	93%	93%	0.51
The employer does not hire forced labour	76%	76%	76%	0.82
In the company, workers are not forced to work more than 56 hours per week under threat of penalty	90%	91%	89%	0.27
The employer allows workers to join trade unions or associations	80%	83%	79%	0.02
The employer is a signatory in a collective bargaining agreement	53%	57%	52%	0.03
The employer acknowledges the right to strike	24%	25%	24%	0.80