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政策研究大学院大学

NATIONAL GRADUATE INSTITUTE
FOR POLICY STUDIES

Ethiopia Productivity Report: Summary of the field survey on the apparel industry

**Prepared to be presented at the Development Policy
Forum Organized by PSI and GRIPS**

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**Addis Ababa
February 22, 2019**

Outline

- A. Introduction
- B. Basic characteristics of firms in the sample
- C. Labor mindset and quality
- D. Management strategy
- E. Policy and external conditions

A. Introduction

- An in-depth firm survey was undertaken to identify the causes of low level of productivity with a focus on the **apparel industry in Ethiopia**
- Three major factors that affect labor productivity in light manufacturing
 - **Factor 1**: labor mindset and quality
 - **Factor 2**: management strategy
 - **Factor 3**: public policy and external factors
- The survey also collected information on **level of efficiency and productivity** using some standard parameters

A. Introduction

- The survey modality and questions along with number/type of respondents (sample) was then thoroughly worked out from the viewpoint of research objective and cost considerations
- The **survey instrument** comprises both qualitative and quantitative interview questions related to **labor mindset, management and external conditions**
 - In most cases the top management as the main respondents
 - A focus group discussion (FGD) of selected workers has been designed in an effort to triangulate the evidence

A. Introduction

- Sample - 18 apparel enterprises were selected and interviewed
 - operating in the three locations (Bole Lemi, Hawassa, and Mekelle)
 - Of which 15 responded for quantitative survey
- The survey took place between November and December 2018
- The analysis has been started and undergoing

B. Basic character

Number of workers by type of work (production versus non-production), gender and location

Firms	Total number of Workers			Number of firms (sample)	Average number of total workers	Share of production workers by gender	
	Production	Office	Total			Male	Female
Mekelle	2,436	192	2,628	2	1314	6%	94%
Bole Lemi	13,903	517	14,420	7	2060	8%	92%
Hawassa	6,852	311	7,163	6	1194	7%	93%
Total	23,191	1020	24,211	15	1614	7%	93%

The majority workers (75%) are [sewing machine operators](#)

B. Basic character

- Ethiopia's manufacturing and particularly textile and apparel sector **labor productivity is very low** in comparison to other countries
- Several apparel firms suggest they only achieved **30-40% level of efficiency**

Line efficiency (%) =

$$\frac{\text{production output from the line} \times \text{Standard allowed minutes (SAM) for garments}}{\text{Total number of operators} \times \text{Total working hours} \times 60} \times 100$$

Average line efficiency and labor productivity of selected products

Product type	Line Efficiency		Labor productivity		
	%	The number of firms reported	Number of Pieces per worker	Target number of pieces per worker	The number of firms reported
T-shirt	58	3	40	49	2
Shirt	51	2	6	11	3
Polo Shirt	43	1	13	23	2
Fleece Jacket	34	1	4	5	1
Woven Jacket	29	1	3	7	1

C. Labor mindset and quality

- ▣ Labor mindset and quality: framework
 - i. Mindset of workers
 - ii. Workers education, trainability and skills
 - iii. Incentives of workers and working conditions

i. Mindset of workers

- ❑ As per the managers, the most serious problem affecting labor productivity is **poor work culture and motivation**
- ❑ The main manifestations of the poor work culture and attitude of workers are;
 - High attrition rate (average tenure 10 months)
 - High absenteeism rate
 - No sense of urgency for work
 - Low motivation to work overtime

Location	Rate of Attrition		Rate of Absenteeism
	Volunteer attrition	Fired	
Mekelle	27%	5%	2%
Hawassa	35%	3%	6%
Bole Lemi	84%	2%	9%

i. Mindset of workers

a) High attrition rate

- **The major reasons are** (in all the industrial parks)
 - low wage and worker benefits
 - Workers do not consider the garment work as professional career but only transitory job
 - poor industrial work discipline - many workers find the job as very demanding and with high work pressure
 - industrial work is unpleasant and hazardous to their health
- High attrition rate in **Bole Lemi** caused by;
 - High cost of living and better alternative work opportunities
 - Poaching of workers between the firms
- In contrast, Hawassa regulates labor movement, while in Mekelle the industries are located dispersedly

i. Mindset of workers

b) High absenteeism rate

- Absenteeism is much higher during holidays, rainy season and after pay
- Sickness and family death incident are often cited as the major reasons the workers provide for absenteeism
 - ▣ common practice to bring inappropriate letter of confirmation of illness from Doctors
- The firms, however, argue that the main reason for high absenteeism is **lack of work discipline and motivation**

C) Poor understanding of time and no sense of urgency

- Late arrival to work and do not start work immediately once they arrived
- Wasting a lot of time when going for tea break, toilet ...
- Workers find it difficult to work continuously for eight hours

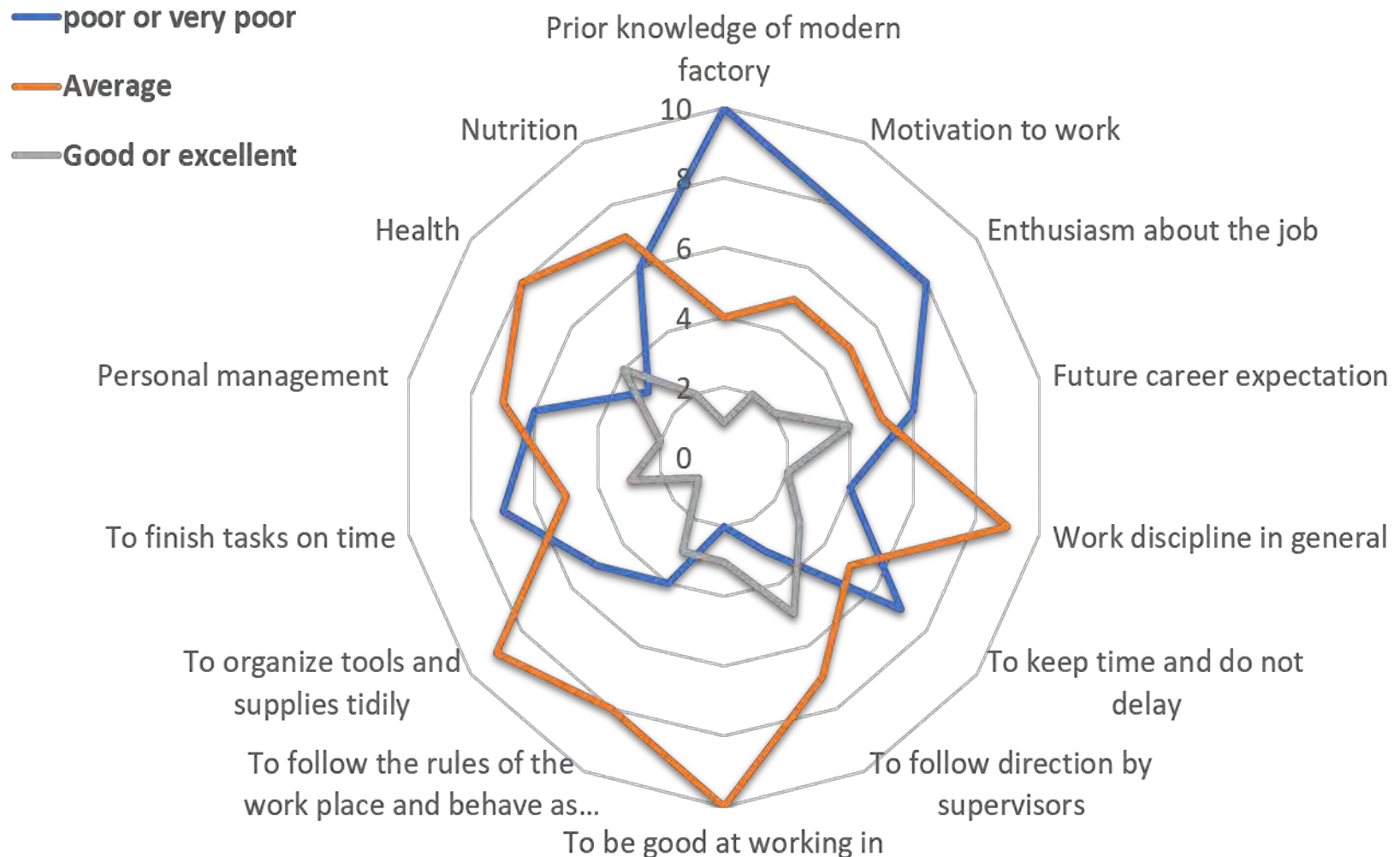
i. Mindset of workers

d) **Poor motivation for overtime work among workers**

- **Low compensation** - mostly they are paid from 1.25-1.5 times based on basic salary but the basic salary itself is very small
- **Security** concerns for working late evening as they live far away from the company (There is case of attack and rape as they travel home (e.g. HIP))
- **Evening classes**
- **Overtime work regulation** – (number of permissible days of overtime work in Ethiopia is very restrictive in comparison to other countries)

i. Mindset of workers

Labor mindset - managers' rating



ii. Workers education, trainability and skills

- Education is not very important for sewing except **some numeric and reading skills**
 - The focus is on personal integrity and limited physical test
- But in practice majority workers are with high school education

Share of sewing workers by education level and age category

Education Level	Share of sewing workers by education and age group
Grade 8 or below	41%
Grade 9-12	50%
TVET graduates	9%
Age Group	
18-25 years old	89%
25-35 years old	10%
Above 35 years old	1%

ii. Workers education, trainability and skills

The number of firms rating education and skills of workers

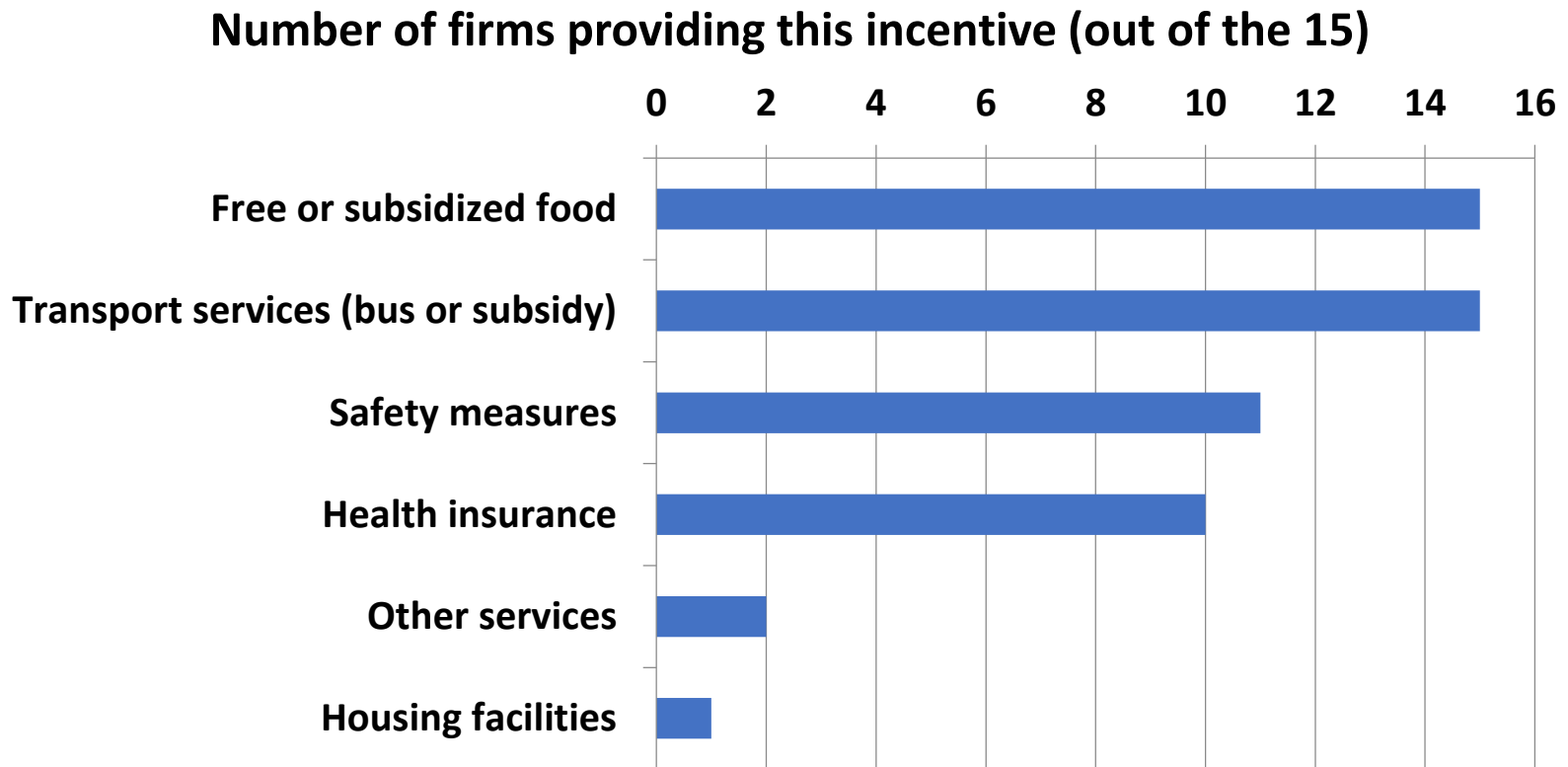
Basic and technical skills of workers	poor or very poor	Average	Good or excellent
Basic education			
Basic numeracy skills	2	12	1
Communication skills	3	9	3
Language skills (English)	9	5	1
Critical thinking and problem solving	6	6	3
Technical skill			
Designing	4	4	4
Cutting	4	4	6
Pattern making	5	2	5
Sewing	1	7	7
Finishing	3	6	6
Quality control	4	7	4
Machine operation/maintenance	5	5	5

ii. Workers education, trainability and skills

- The training time for operators last 1-3 months depending on the firm
- The training comprises both **technical and soft skills** such as work attitude and discipline.
 - Almost all firms agree that workers are **quick learners**
 - But all firms also agree that workers **do not pay enough attention** for details, lack focus and consistency
- According to the managers, what is severely lacking and more time taking is developing **soft skills** (industrial work discipline and motivation)

iii. Incentives and working conditions

- In addition to the basic salary, companies claim to provide various incentive schemes to workers



iii. Incentives and working conditions

Incentive structure and performance pay:

- The bonuses are intended to motivate workers.
 - Attendance bonus: Workers should have full attendance to receive the full bonus.
 - Food allowance
 - Transport allowance
 - Performance pay: Workers also receive payment based on their performance against to the target set.
- Housing service: least provided **facility**
 - unavailability of house inside and/or near the industrial parks → transport cost and delay
 - Affordability of house rent: workers cannot afford the price of house rent → **House rent takes significant share of the worker's monthly income**

Workers Focus Group Discussion

a) Incentives

- ❑ Workers are extremely unhappy with the very low wage they're earning
- ❑ benefits other than salary include productivity and absenteeism bonus and allowances.
 - Promotions and upgrading systems mostly depend on full attendance
 - In some of the firms however, productivity bonus is mostly provided for sewing workers rather than for cutting and quality control workers
 - Transport – less capacity, bus picking place far from home, → security problem
 - Food – poor quality
 - Overtime work – less interested because the pay is very small rather prefer education
- ❑ The workers claim the high attrition rate is a result of low rewarding system
 - they recommended improvement in the salary and other benefits transport, food and housing facilities

Workers Focus Group Discussion

b) Workplace conditions

- firms, workers complained about adequate availability of
 - basic facilities such as ventilator and restrooms
 - safety equipment
- Health issues
 - Kidney issues due to restriction to get to toilets
 - Respiratory infection caused by dust particles and congestion in buses
 - High heat level in production area
 - Typhoid caused by poor quality of food
 - high bureaucracy to get permission for sickness, annual leave
- Employer-employee dialogue
 - Immediate leaders or supervisors did not treat them fairly and abuse their rights
 - Expats mistreat them if a problem occurs during production
 - Union not allowed

iii. Incentives and working conditions

Salary and benefits by task category

Task category	Initial Salary			Bonus and allowances			Wage + benefits
	Average	Min	Max	Average	Min	Max	Average
Cutting	886	650	1200	463	100	900	1349
Sewing	863	650	1200	509	100	1366	1372
Finishing	880	650	1400	458	100	900	1338
Quality control	978	750	2500	431	100	900	1409

Management strategy

- Composition of managers
 - Top managers are mostly expats (Indian, Sri Lankan, Bangladeshi, Chinese)
 - Middle managers are mix of expats and locals (but in some of the companies they are all local)
 - Almost all lower level managers (line managers, team leaders, supervisors) are locals
 - Lower level managers are promoted from operators and are also hired as fresh graduate.
 - Those promoted from operator are efficient and loyal to the company.
- Management style
 - **Some companies said apparel production must be “autocratic.”**
 - Becoming tough on workers is one way to discipline and guide them.
 - Others said family (oneness) approach

Management strategy

Management related Challenges

- Local managers (attitude)
 - slow to learn and adopt themselves with new environment
 - are not as pushy as foreigners for achieving targets
 - Absence of sense of urgency: They consider the existing inefficiency as normal
 - Are not serious in goal setting
 - are not buyer driven (not aware of quality, price, cost and delivery time)
 - they have the attitude that managers should spend their time sitting in their office. They tend not go down to the work stations to monitor and support workers
- Foreign managers
 - Language barrier
 - They tend to give up in the workers attitude
 - foreign managers have adaptability problem to local conditions and customs

Management strategy

Importance of Ethiopian middle managers and line leaders

- The role of middle managers and line leaders is crucial in mindset change and productivity improvement of all workers
- All companies select and train middle managers and line leaders from operators
- Best workers quickly climb the ladder and take up supervisory positions even after only half to one year of factory operation
- how foreigners train (and open opportunities) for these middle leaders makes a big difference in how quickly and effectively the factory will secure capable middle leaders

Policy and external conditions

- ❑ All interviewed companies mentioned the decade old familiar common problems related to
 - customs related problems
 - ❑ clearance which is too slow, inefficient and garment unfriendly
 - ❑ customs officers in Ethiopia are not available 24/7
 - Logistics related problems
 - ❑ Slow and high-cost logistics (one company mentioned that about 16% of turnover is spent on logistics cost)
 - ❑ Lead time is very long
 - ❑ Mismatch in the holidays in Ethiopia and Djibouti
 - Supply chain inefficiency: general lack of materials, supplies, spare parts, etc
 - Inefficient banking service including commission and bank charges Lack of foreign currency (major issue)
 - frequent power interruptions which damage their equipment and operation
 - ❑ Power interruption is not a problem form firms in Hawassa IP

Policy and external conditions

- Labor law: Generally restrictive in Ethiopia
 - Minimum wage: Most companies prefer to have minimum wage
 - Overtime work: Ethiopia has restrictive overtime work (20 hours per month).
 - Overtime work in other countries goes up to 60 hours per month (consistent with what ILO postulates)
 - Leave: Annual leave cannot be converted to cash payment
- Income tax
 - Workers lack awareness about income tax and pension payments
 - Workers wage (including bonuses) is too small to tax

Thank you!