



**International Labour
Organization (ILO)**

DECENT WORK DEFICITS IN THE ETHIOPIAN COTTON SECTOR

By

Mulat Demeke
Tewodros Negash
Solomon Damte
Assefa Bersufekad
Temesgen Aklilu

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EXECUTIVE SUMMARY

In Ethiopia, real total GDP has been growing at a rate of 2.6% per annum during the period 1960 to 2002, while population has been growing on average by 2.7% over the same period. The size of the labor force has continued to grow fast at a rate the economy could not accommodate the extra workforce that has emerged as a result. According to a recent study, 45.5% of the total population lived below the absolute poverty line in 1995/96, compared to 44.2% in 1999/2000. The changes between 1995/96 and 1999/2000 were not statistically significant.

Policy makers have not been effective in developing and utilizing the country's labor resources. The labor market was not given the necessary attention. All workers, whether in state enterprises, the formal or informal economy or self-employed, desire a wide range of rights, such as the right to work, the right to fair and equitable remuneration and the right to safe workplaces. Workers in all categories also seek the right to form their own organizations to defend and promote their interests and to participate in decisions that affect them as workers. The objective of this study is to identify decent work deficits in the Ethiopian Cotton Sector. More specifically, the study will:

- Examine the structural and economic significance of the sector, the major problems and constraints it faces, and the overall policy environment in the sector;
- Assess the labor market situation and the institutional framework governing the functioning and management of the country's labor market;
- Analyze the labor practice and working conditions in the sector and thereby identify the prominent gaps in decent work that characterize the sector; and
- Provide a summary of the main findings and derive policy implications.

Primary data (both quantitative and qualitative) were collected through a survey of a sample of cotton farms in the Awash Valley, the major cotton growing area in the country. The survey covered two state farms, seven private commercial farms, five small farms and two ginneries. One state-owned textile firm (Akaki Textile Share Company), two government-owned and one private firm, engaged in garment production, and one private printer were also covered by the survey.

A total of 21 firm-level interviews were conducted and 119 individuals were interviewed. In addition, 22 group discussions were held to provide additional information and verify information provided by individual respondents. The survey instruments focused on employment, remuneration, working conditions, social protection and safety, and social dialogue at enterprise level. The information collected focused on, but not limited to, selected indicators of the different components of decent work and related issues. Consultations and interviews were conducted with relevant personnel of various institutions, including the Ministry of Labor and Social Affairs (MOLAS), Ministry of Trade and Industry (MoTI) and the Confederation of Ethiopian Trade Unions (CETU). Data for the informal sector came from interviews of 38 randomly selected weavers living and working around Shiro Meda, Addis Ababa. Previous studies in the same area were also utilized to provide further insight.

The study has examined literature and experiences of other countries and found that stronger workers' rights can lead to more rapid economic growth. Apparently, workers' rights (rights of freedom of association and collective bargaining) reduce conflict by providing an institutionalized way of minimizing disruption, improving cooperation between employees and employers and thereby leading to greater political and social stability. Greater political and social stability are associated with more rapid economic growth. Greater gender equality in educational attainment can also contribute to economic growth by facilitating human capital development. Similarly, reductions of child labor can lead to more rapid economic growth. Reducing child labor facilitates human capital development by enhancing regular school attendance and providing children with more time and energy for their studies. More importantly, empirical studies do not support the view that countries with lower labor standards enjoy better export performance than countries with higher labor standards.

Export competition from developing countries with low-level observance of core labor standards does not account for major share of large developed country markets. In fact, contrary to what is thought by those who subscribe to the theory of unfair competition, failure to observe core labor standards can hamper the economic efficiency of a country and the growth of its exports.

There has been substantial increase in the total population as well as the employed labor force between the 1984 and 1994 censuses. The population grew from 42.6 million in 1984 to 53.3 million in 1994. It further increased to 54.8 million in 1999. The labor force increased at an average rate of 5.9% per annum between 1984 and 1994. Its growth during the same period exceeded the growth of population creating a situation in which employment opportunities could not cope with the number of new job-seekers.

According to Labor Proclamation No 377/2003, contracts of employment can normally be concluded for an unlimited period of time specifying the rate of payment and duration. The constitution of the Federal Democratic Republic of Ethiopia (FDRE) stipulates that every person has the right to assemble and form associations for any cause or purpose together with other individuals.

Unionization of workers takes place according to the Proclamation, which was promulgated in the spirit of the International Labor Convention. The Labor Proclamation provides that workers and employers have the right to form trade unions and employers' associations, respectively. The tasks of trade unions and employers' associations focus on fulfilling the obligations set in the proclamation with respect to workers' rights, collective bargaining, dispute settlement as well as maintenance of good industrial relations. Members of the armed and police forces, employees of the state administration, judges of courts of law and prosecutors fall outside the scope of the proclamation. They are not given the right to unionize whereas both the Federal Constitution and the International Labor Convention No. 87, ratified by Ethiopia, do not impose any restriction on the right to organize. The proclamation sets restrictions on the right to take industrial action by providing conditions required for resorting to strike and lock-out. The provision of the proclamation covering the right to strike embraces a broad definition of essential services, some aspects of which should not be included. Thus the law clearly shows decent work deficits. The labor proclamation and the pension law aim at creating security and increasing productivity through improved wages and working conditions at work and security services related to old age. Also in this regard, there are significant decent work deficits.

Workers' participation in management is in its infancy in Ethiopia. However, standing advisory committees are set up in some undertakings and tripartite seems to be accepted as an important part of government relations with the social partners.

At present the labor market information available in the country is limited in scope and mainly falls under the jurisdiction of the employment service organization the activities of which are mostly confined to registration and placement of job seekers. The labor market information system must be developed so that it can be comprehensive and available regularly if it is to serve the various needs of users.

The labor laws of Ethiopia have provisions which reflect diffusion of ideas, values and practices from the developed world as international standards are used as sources of inspiration in the drafting of national legislation. However, the standards provided by most conventions are not readily applicable to the economic and social conditions prevailing in the country. Ratification and application of conventions are rather limited.

THE COTTON SECTOR IN ETHIOPIA

Ethiopia has a considerable potential in cotton production and processing. However, employment opportunities remain minimal in the sector due to various constraints, including backward farming technologies, unfavorable land policy and lack of support institutions. The textile and garment sector is constrained by poorly trained and unmotivated labor, local market orientation, institutional deficiencies and lack of information support system, weak intra- and inter-sub-sectoral linkages, inadequate supply of accessories and materials, poor infrastructure, inadequate financial services, and competition from illegal imports.

Decent and conducive working environment requires the provision of basic facilities like a potable supply of water, a clean place to eat (cafeteria), a clean working environment, sanitary and toilet facilities. However, adequate facilities are not provided for a considerable size of the workforce in the sector. Except in the textile factories, much of the deficit is observed in the other sub-sectors.

Application of improved farm inputs

The availability and proper utilization of improved farm inputs including high-yield seed varieties, fertilizers, pesticides, and herbicides is crucial. The available seeds of cotton varieties in the country are inadequate and not developed through research to meet the minimum acceptable international standards of quality. These deficiencies have severely deterred production and productivity of cotton in the country.

Farming methods

The exercise of hand cutting and burning cotton stalks could be replaced by a more cost-efficient method of using mechanical stalk cutters or shredders to chop stalks into small pieces and mixing the stalks back to the soil with disk or moldboard ploughs. This method has the advantage of adding organic matters to the soil and may be less costly than disposing of stalks by hand, as the cost of equipment is low and its repair is not difficult (USAID 1996).

Land rights

The question of land rights must be revisited in pastoral areas where the cotton farms are found. Government intervention is crucial to revolutionize the existing land policy in the pastoral areas which have huge economic importance for cash cropping. The communal property rights must be re-examined with the aim of establishing a workable balance between the rights of the pastoralists and crop producers.

Institutional framework

Given its current and potential economic importance, a separate agency or institution is necessary to handle the complex problems confronting the sector. Apart from initiating appropriate land and technological policies, the agency needs to facilitate the establishment of effective factor and output markets for cotton. Cotton research as well as seed production and certification should also be given renewed emphasis.

Improvement of existing ginneries and textile mills

Ginneries are pivotal in the cotton chain as the lint output links the cotton sector with textiles and garment factories. The existing ginneries need upgrading in order to effectively process the raw cotton and produce improved quality of ginned lint. The textiles mills in the country must be in a position to satisfy the needs of the relatively modern garment factories. They must learn from the experiences of successful textile mills in other countries.

Improvement in working conditions

Textiles factories are required to have standard clinics that provide prompt and efficient clinical services to workers facing health problems and accidents at work. Concerned authorities and institutions should make periodic check-ups of working conditions and available clinical facilities in the textile factories.

Introduce mechanisms of awarding prizes to encourage employers who are champions of decent work conditions and respect the human right of their workers. A new mechanism introduced by the Ministry of Trade and Industry (MOTI), together with the Chamber of Commerce, involves awarding prizes to investors (employers), who perform exceptional deeds on employment creation, profitability, generating foreign currency, and in-flow of foreign direct investment, as 'best performers of the year'.

Improve safety and health programs at work

Unsafe working condition takes its toll on the health of workers and on productivity. For many workers, working conditions are inadequate and unsatisfactory. The occupational safety and health concerns need to be addressed. Employers and relevant government authorities need to have greater awareness of the devastating effect of HIV/AIDS pandemic, together with inadequate and unsafe working conditions at work.

Training workers

Training of workers is essential to the success of the textile industry. The government has established sector-specific training institute at Bahir Dar town which is hoped to fill the gap of trained manpower. The Bahir Dar Polytechnic Institute had for a long time trained Ethiopians in textile technology and has served as an indispensable supporting arm of the textiles industry in the country. It has also now instituted a Textile Engineering Department which graduates students with B.Sc. degree.

Export promotion

Despite its comparative advantage in cotton production, the country's export performance in textile and garment products has remained minimal, limited mainly to semi-processed textiles including woven cotton fabrics, cotton yarn and, to a certain extent, apparel products made of cotton. Much effort needs to be exerted to make textile and garment an expanding value addition industry. The apparel export activities should focus on exploiting particular niches for basic garment articles such as T-shirts, polo shirts and similar other knitwear articles that have great demand not influenced by fashion. Cotton Yarn (100%), as raw material for knitwear, has also great demand and the production process is simple, not requiring weaving and dyeing. The excessive dependence of the textiles and garment sector on imported accessories and finishing materials used for dyeing, printing, packaging, etc. are potential areas for future import substitution development activities.

Indeed, the greater the linkages between the export sectors and the rest of the economy the greater would be the benefits accrued from export expansion (provided such linkages are the natural outcome of industrial deepening). However, attempts to create linkages through direct policy intervention can stifle the evolution of domestic manufacturing in line with changing patterns of internationalization of production. This, in turn, will frustrate the achievement of employment and income growth objectives. With the gradual depletion of excess supply of labor and adjustment of the domestic cost structure, as a result of greater international specialization, the industrial structure will gradually shift over to more capital and skill-intensive industries. This will lead to strong inter-industry linkages, provided the general business climate of the economy continues to remain conducive for such specialization.

Encourage investment in jobs

The strategic importance of the cotton sector lies in the fact that it can employ a large number of people directly or indirectly as a result of its various backward and forward linkages with the different sectors of the economy. There is a huge potential of enhancing the country's foreign exchange earnings through the wide range of exportable textiles and apparel products. Similarly, the domestic market for some products can be strengthened. The government needs to invest in institutions, infrastructure and human resource development and institute supportive land and financial policies to enhance private investment in the cotton sector and thereby generate employment to match the ever-expanding labor force of the country.

Strengthen institutions governing labor markets

The institutions established to govern labor markets in Ethiopia have a long way to go. Not much has been done by way of promoting the fundamental rights of workers. Little or no attempt has been made to ensure workers' security, freedom, equity and human dignity. The challenge of addressing the governance of the labor market becomes more serious when considering the fact that a large number of temporary workers and informal operators (traditional weavers) work outside the formal legal systems. Labor institutions should pay greater attention to the informal economy where most fundamental elements of decent work are not respected and recognized to protect waged workers and self-employed persons. Government institutions must work closely with trade unions and employers' associations to address existing problems in labor legislations and administrations. The necessary capacity to formulate new policy approaches and strategies must be created to assist informal operators and casual workers.

LABOR PRACTICES IN THE COTTON INDUSTRY

Formal sector including farming

The total employment generated by the surveyed firms stands at 25,796. But much of this employment is accounted for by the seasonal opportunity associated mainly with picking cotton in the farms. Temporary employment accounted for about 65.5% of the total employment or 76% of the employment in the farm and ginnery group. Permanent employment accounts for about 34.5% of the total employment.

The gender distribution of the occupational structure of employment in the surveyed firms shows that women make up 44.6% of the total workforce. Although women are dominant in the garment and printing industry (84%), they account for only 29 and 38 percent of the textile and farm and ginnery sub-sector, respectively. The recent expansion of the garment and printing firms has improved the share of women in the total workforce of the cotton sector. However, women's participation in key managerial and professional positions is insignificant.

Occupational distribution of the labor force in the surveyed firms and farms reflects that the cotton sector generates mainly low-skill employment opportunities. Production, clerical and service workers (guards, office messengers, janitors, etc.) make up 92% of the labor force employed. By contrast, professional employees constitute 2.4% and managerial and administrative employees account for about 2.8% of the total employment.

About 82 percent of the employees interviewed have no university level education. Vocational or technical training was reported by only 13 percent of the respondents, compared to 39 percent who completed high school education.

Average gross wages of the surveyed employees amounted to a gross salary of Birr 562.32 a month (US\$ 64.6 per month). Wages are relatively higher in farm and ginnery as well as garment and ginnery than in the textile firms. As can be expected, management staff and

professionals earn better income than the rest of the staff. Women's average wages appear generally lower than those of men across the same occupational categories. Apparently, this doesn't imply gender difference in wages for the same job since there are different jobs within an occupation, each with considerably different levels of functions and responsibilities and, hence, substantially different wages. The wages differences, however, indicate that women workers generally hold positions at lower rungs of many occupations that command relatively lower wages, mainly due to their relatively poor educational background.

The provision of social benefits to employees has been a major strength of the former socialist government. It appears that the provision has been maintained in the state enterprises and many private firms have provision for at least some services. Many workers benefit from the provision of insurance and pension or provident fund. Pension/provident payment is available upon retirement for 77 percent of the total respondents. Access to such scheme is higher in government-owned textile, ginner and garment firms as well as state farms.

About 60 percent of the respondents have a fear of losing their job. Women also felt slightly more insecure than men (63 for females as opposed to 58% for males). The level of job insecurity was found to be even higher during the group discussions. Employees of state firms/farms fear that they will lose their job as a result of privatization.

Working days per week and working hours per day tend to be longer for farm workers. On average, farm workers work about 6 days in a week and about 8:30 hours per day, while others work some 5.5 days per week and 8 hours per day. Night work is reported as a regular duty only by 9 percent of the employees.

Cotton sector workers operate in a considerably hazardous environment. The textile and garment industry has high safety problems due to the nature of the manufacturing process. Moreover, the textile and garment industry is also susceptible to fire hazards. There are also considerable risks related to occupational safety and health in the cotton farms due to mechanization and use of chemicals.

Group discussions with workers and individual respondents have indicated that a surprisingly low attention is given to control the spread of the HIV/AIDS pandemic among workers. For instance, about 50 percent of the respondents did not see any action taken by their employers to prevent HIV/AIDS during the last three years. About 51 of the respondents also reported that HIV/AIDS has never been a potential business concern of the management and the owners.

About 66% of the total respondents reported to be members of basic trade unions. Unionization rates are slightly lower in farm/ginnery (59%) and garment/printing firms (60%) than in the textile firm (83%). More importantly, significant variation was observed between private and public firms. For instance, workers of private commercial farms have no trade unions, while those working in state-owned firms/farms have.

Data from the firms covered by the study shows that the number of unionized permanent workers in the surveyed firms stands at 6864 persons, of which 3776 are male and the remaining 3094 female. Hence, the average rate of unionization is in the order of 55%. The data also reveals the existence of low rate of unionization in the cotton farm and ginning sub-sector.

Child labor is not common in the cotton production sector of the country, but one can find children less than 14 years of age in the peasant cotton farms to help their parents or guardians. However, the presence of hired children is not uncommon in the private commercial farms. For example, 8 of the 13 surveyed private commercial farms (61.5%) reported that they hire children temporarily during harvesting periods.

Collective deliberations on social and economic policies with social partners and public authorities were reported to be inadequate and non-transparent for the most part. There is a

consensus among participants of group discussions that opportunities to influence government policies are minimal since trade unions are weak and have limited bargaining power.

In general, the potential for meaningful social dialogue between the social partners at the national and enterprise level is constrained in the cotton sector. There is no indication that meaningful social dialogue is taking place. It has not been possible to utilize dialogue to achieve flexibility in the labor market or improve the welfare of the workers, as stipulated in the labor proclamation.

The informal weaving sector

The contribution of cottage and handicraft activities to employment is quite significant. The sector provides employment in its own right and also supplements other sources of income.

Traditional weaving is a male-dominated activity and no female weavers are reported among the sample establishments covered in the survey. The industry is an important source of employment for the semi-literate and literate labor force.

Consistent with many handicraft activities, most weavers (73.7%) learned the skill from their parents. Weaving is a family tradition in which young boys start by assisting their fathers and later become independent weavers. The other equally important means of acquiring the skill, as reported by 73.7% of the respondents, is through apprenticeship.

The survey discloses that weaving is a low-paying activity. In spite of the 12 working hours, the average monthly income of the sample weavers is only about Birr 202, compared to the minimum government wage rate of Birr 200 per month.

Child labor is a pressing issue in the weaving industry. The survey result discloses that child labor is pervasive in the industry. The focus group discussions and the key informants reported that children of age 6 to 17 years are engaged in weaving. Moreover, the fact that more than half of the child weavers are those in the age group 12-15 was reflected in the group discussion.

CONCLUSIONS AND RECOMMENDATIONS

Ethiopia has a considerable potential in cotton production and processing. However, employment opportunities remain minimal in the sector due to various constraints, including backward farming technologies, unfavorable land policy and lack of support institutions.

The findings of the study show that there exists significant level of decent work deficits in the cotton sector. Decent and conducive working environment requires the provision of basic facilities like a potable supply of water, a clean place to eat (cafeteria), a clean working environment, sanitary and toilet facilities. However, adequate facilities are not provided for a considerable size of the workforce in the sector. Except in the textile factories, much of the deficit is observed in the other sub-sectors.

Though the right of workers to organize and collectively bargain is recognized by the constitution and the labor legislation, those seeking to exercise their rights face serious constraints. Unions are still seen as a threat in the private cotton farms, and workers in these farms are not represented by any form of workers' organization and they are not covered by collective agreement.

A strategy for reducing decent work deficit (in Ethiopia) should include:

Encourage investment in jobs: The strategic importance of the cotton sector lies in the fact that it can employ a large number of people directly or indirectly as a result of its various backward and forward linkages with the different sectors of the economy. There is a huge

potential of enhancing the country's foreign exchange earnings through the wide range of exportable textiles and apparel products. Similarly, the domestic market for some products can be strengthened.

Improve occupational safety and health programs (OSH): Employers, workers and the government need to make concerted and committed efforts to improve performance of OSH. Employers are required to design and implement adequate safety measures to prevent workplace hazards, and workers are expected to observe safety and health rules and regulations. The government should also introduce legislative reforms that would bring OSH standards to an acceptable level.

Employers and relevant government authorities need to have greater awareness of the fact that HIV/AIDS, coupled with unsafe working conditions, can have disastrous impact at household, firm, community and national levels. With the pandemic wiping out a significant number of the productive workforce in the country, there is a need for urgent measures to be taken by the government to prevent the spread of HIV/AIDS in the workplace.

Strengthen institutions governing labor markets: The institutions established to govern labor markets in Ethiopia have a long way to go. Not much has been done by way of promoting the fundamental rights of workers. Little or no attempt has been made to ensure workers' security, freedom, equity and human dignity. Labor institutions should pay greater attention to the informal economy where most fundamental elements of decent work are not respected and recognized to protect waged workers and self-employed persons.

Empower trade unions: Trade unions need to be supported and empowered through appropriate legislations and financial assistance. Poverty alleviation programs and the attainment of decent work cannot be realized without free and independent unions that have the support and confidence of their members.

Give special attention to protection of the poor: Earnings of casual and informal-sector workers have declined below the poverty line due to low enterprise productivity and absence of collective bargaining. Temporary or seasonal workers are exposed to unbearable working conditions and are often paid miserably low.

Eliminate child labor: Poor parents from rural areas appear to send their children to work for weavers in Addis Ababa under deplorable conditions. The effort to end child labor in traditional weaving should focus on addressing the poverty situation of families sending their children to work. Legislative restrictions and awareness-raising education on adversities of child labor should help curb demand on the receiving end.

Promote weavers' cooperative: One of the most important problems of weavers is failure of the market. A cooperative can be an effective instrument to gain bargaining power and enhance participation and inclusion. If managed properly, a cooperative can negotiate for better prices for weaving products with consumers and distributors. It can also buy raw materials in bulk at lower prices from wholesalers or manufacturers and sell them to members at reasonable and affordable prices.

1. INTRODUCTION

1.1. Background

In Ethiopia, real total GDP has been growing at a rate of 2.6% per annum during the period 1960 to 2002, while population has been growing on average by 2.7% per annum over the same period. In terms of sectoral growth rates, agricultural GDP, industrial GDP, and service GDP grew on average by only 1.4, 3.4, and 4.7% per annum, respectively, during the same period.

The size of the labor force has continued to grow so fast that the economy could not accommodate the extra workforce that has emerged as a result. The poverty situation in the country has failed to show any sign of improvement over time. According to a recent study, 45.5% of the total population lived below the absolute poverty line in 1995/96 (based on a minimum calorie intake of 2200 calories per day and provision for some basic non-food expenditure, i.e. equivalent to US\$ 139 per capita income in aggregate). The proportion of people living below the absolute poverty line remained 44.2% in 1999/2000 (MOFED 2002). The changes between 1995/96 and 1999/2000 were not statistically significant.

A number of different factors have contributed to the poor performance of the Ethiopian economy. War, drought, mismanagement and policy failures are often cited as some of the most important constraints to efficient use of the country's resources. In particular, policy makers have not been effective in developing and utilizing the country's labor resources. The labor market deserves more attention since it serves as the main transmission between economic growth and poverty in the sense that growth reduces poverty via increasing employment or reducing unemployment, and increasing labor productivity or rising real wages.

Attempts have been made to produce manpower and employment data from time to time and studies were undertaken by various concerned institutions on an ad-hoc basis. Inadequacy of labor market data is one of the most serious bottlenecks for undertaking situation analysis and formulating regulatory framework with regard to manpower, employment and the labor market in Ethiopia. The need for a regular collection, analysis and dissemination of labor market data is felt both at the federal and regional levels.

Attempts have also been made to regulate the functioning and management of the Ethiopian labor market through various proclamations. The most recent proclamation (No. 377/2003), for instance, was promulgated in the spirit of international labor standards as well as the provisions of the Ethiopian constitution. In the context of the concept of decent work, the various articles of the proclamation stipulate the acceptable remunerative and safe working conditions, social securities, workers' rights and social dialogue in the Ethiopian labor market. However, as in most less-developed countries, the capacity required to enforce all articles pertaining to decent work by the numerous concerned parties (government bodies, trade unions, etc.) could be very limited and infringements in the provision of decent work to Ethiopian workers are likely to take place.

This study focuses on the labor issues in the Ethiopian cotton sector. Despite the substantial significance of the sector in terms of employment generation, little is known about the labor market situation in the sector. Even less is known about qualitative employment conditions in the sector. The objective of this study is, therefore, to analyze the labor practice in the sector, examine major policy issues impinging upon it and review major international labor standards with a view to identify major decent work deficits in the sector.

Besides the introduction, the study consists of six sections. The next section provides the conceptual framework. Section 3 examines the labor market situation and the institutional framework governing the functioning and management of the country's labor market. The

structural and economic significance of the sector, the major problems and constraints it faces, and the overall policy environment in the sector is the main focus of Section 4. Sections 5 analyzes the labor practice and working conditions in the formal cotton sector and the informal weaving industry in light of the decent work agenda and the provisions of the national labor legislation. The final section contains a summary of the main findings and conclusions.

1.2. Objective

The decent work agenda, which is an integrated framework for social and economic policies, is the overarching framework for ILO's policies and actions. It is not, however, an exclusive ILO agenda. Above all, it is an agenda for member States and the international community.

According to the ILO, the objectives of decent work – remunerative and safe work opportunities, social security, workers' rights and social dialogue – are universally valid. All workers, whether in state enterprises, the formal or informal economy or self-employed desire a wide range of rights, such as the right to work, the right to just and favourable remuneration and the right to a safe workplace. Like other citizens, workers in all categories also seek the right to form their own organizations to defend and promote their interests and to participate in decisions that affect them as workers.

These rights constitute the basic decent work objectives. However, these rights are widely flouted in many countries. Serious gaps in decent work objectives are particularly observed in less-developed countries. The objective of this study is, therefore, to identify decent work deficits in the Ethiopian Cotton Sector. More specifically, the study will:

- Examine the structural and economic significance of the sector, the major problems and constraints it faces, and the overall policy environment in the sector;
- Assess the labor market situation and the institutional framework governing the functioning and management of the country's labor market;
- Analyze the labor practice and working conditions in the sector and thereby identify the prominent gaps in decent work that characterize the sector; and
- Provide a summary of the main findings and derive policy implications.

1.3. Methodologies

1.3.1 Choice of Indicators

Three aspects of employment are integral constituents of decent work: employment opportunities, remuneration and working conditions. A number of indicators have traditionally been used to measure employment opportunities at the national level. The three most commonly used measures are: labor force participation rates (LFPR), employment-to-population ratios (EPR) and unemployment rates (UR) (Ghai 2002). In the context of the Ethiopian cotton sector, total employment generated is selected as an appropriate indicator of employment opportunity. Average gross salary/wage of employees, bonus payment and overtime work opportunity, as well as the proportion of workers capable of meeting their monthly expenses from their basic salary, are used as indicators to measure remunerative employment as an important attribute of decent work.

With respect to social protection, in this study reference is made to occupational safety and health. While a complex set of indicators can be developed for different types of accident and health hazards, a set of widely used indicators includes the existence of occupational safety and health policy and management, visits by labor inspectors, provision of safety facilities at work, data on the number of occupational accidents and diseases, workers' clinic attendance record (where clinics are available), access to basic facilities (like first aid clinic, clean water, decent toilet, washing room, etc.), access to social provisions (like medical benefit, housing benefits/allowance and education benefit), and provision of insurance

systems for contingencies (like illness, disability, invalidation, death, unemployment/layoff, and old age). These indicators are therefore adopted in this study. The existence of workplace HIV/AIDS intervention, availability of VCT service, employers understanding of the threat posed by HIV/AIDS at the workplace, etc. are also used to assess the level of HIV/AIDS knowledge and intervention in the study area.

The major concern of workers' right as an aspect of decent work is with forced labor, child labor under abusive condition, discrimination at work and freedom of association. Given the paucity of information and the variety of forms that forced labor can take, it is difficult to find appropriate indicators of forced labor. Nevertheless, an attempt will be made to construct indicators of forced labor based on the assessment of the methods employed in recruiting workers (i.e. the way workers hear about the job opportunities), the form of employment relationship, working hours and payment rate.

To evaluate the incidence of child labor in the sector, available data on working children of age less than 14 are used. Non-enrolment in secondary school is suggested as a complementary measure of children's participation in the labor force (Mehran 2000; Kucera 2001). An attempt is, therefore, made to use work and study status of children as an indicator to assess the incidence of child labor in the sector.

Information on discrimination at work based on religion, race, color, national or social origin is often very scarce. The focus in this study will, therefore, be on discrimination based on gender and real or perceived HIV/AIDS status. The proportion of women employees in total employment, difference in earning (and other benefits) and distribution of skilled jobs will be used to evaluate gender discrimination. These indicators show disparities between women and men, albeit such disparities can arise from any number of reasons including discrimination, poor educational background, low skills and productivity (Anker 1998). Hence they are often regarded as indirect and approximate indicators of discrimination at work.

With regard to freedom of association, the most commonly used indicator is the proportion of the labor force or waged workers, who are members of trade unions. Hence, the proportion of workers represented as members of trade unions, the rate of unionization in the sector and members assessment of the strength of trade unions are employed to evaluate the freedom of association in the sector. However, the relevance of unionization as an indicator of freedom of association is limited in the informal cotton sector. People engaged in the informal weaving industry are hardly organized in trade unions and, hence, have a greater need for organizations of their own for representation, negotiation and promotion of joint activities. Accordingly, participations in organizations like informal sector workers' organization, community organization and *edir* are considered in the case of the informal weaving industry.

To measure social dialogue (i.e. the right to collective bargaining), reference is made to ratification of relevant ILO Conventions (No. 87 and No. 98) and examination of the national legislation and evaluation of the various criteria pertinent to collective bargaining. Besides, frequency of collective bargaining, workers involvement in discussions, consultations and exchange of information with employers and representatives of governments, in relation to conditions of work, over the operations of the farms/firms and on issues relating to economic and social policy are used to evaluate the extent of social dialogue in the sector.

1.3.2. Source of data

Primary data (both quantitative and qualitative) was collected through a survey of a sample of cotton farms in the Awash Valley, the major cotton growing area in the country. The survey covered two state farms, seven private commercial farms, five small farms and two ginneries. One state farm and one ginnery plant belong to the Middle Awash Development Enterprise and the other state-owned farm belongs to Upper Awash Development Enterprise. One state-owned textile firm (Akaki Textile Share Company), two government-owned and one private firm, engaged in garment production, and one private printer were also covered by the survey.

Functional departments were identified in each of the selected farm or firm (excluding the small farms) and a group discussion was held in each department. Three employees were also randomly selected from each department for the individual interview. In addition, each firm/farm was requested to complete a questionnaire about the enterprise. Secondary data were also collected from each of the 9 farms/firms.

All in all, 21 firm-level interviews were conducted and 119 individuals were interviewed. A total of 22 group discussions were also held to provide additional information and verify information provided by individual respondents. The survey instruments focused on employment, remuneration, working conditions, social protection and safety, and social dialogue at enterprise level. The information collected focused on, but not limited to, selected indicators of the different components of decent work and related issues. Consultations and interviews were conducted with relevant personnel of various institutions, including the Ministry of Labor and Social Affairs, Ministry of Trade and Industry and Confederation of Ethiopian Trade Unions (CETU).

It should be noted that the samples taken are intended to provide a general picture of employment, social security, workers' rights and social dialogue in the cotton sector. There is no claim that the sample is a true representative of the sector.

1.3.3 Model of analysis

The relevance and feasibility of the decent work objectives differ in countries with different institutional frameworks and at different stages of development. Many aspects of economic structure significantly influence the attainment of these objectives. Wide differences in income per head, sectoral distribution and employment status of the labor force, government revenue and expenditure as a proportion of gross domestic product (GDP), and the share of the public sector in productive assets and total output are observed across countries at different levels of development. Associated with these differences are differences in labor institutions that influence the level of decent objectives.

Income per head affects decent work through its impact on remuneration and on the ability of the government to raise revenue to address social security needs. High per capita incomes facilitate remunerative employment opportunities and the provision of social security to meet contingences. On the other hand, low per capita incomes are often associated with high and pervasive incidence of absolute poverty that hinder remunerative employment opportunities and the provision of basic social security needs.

The employment status of the labor force—employees, self-employed, family members—is a major determinant of the nature of problems faced by workers in the domains of employment, social security, rights at work and social dialogue. The share of government revenue and expenditure in GDP also significantly influences the scope of government policy relating to overall employment and social security. Similarly, the share of the public sector in total production affects several aspects of employment and social security.

In low-income countries like Ethiopia, the vast majority of the labor force is engaged in agriculture. Moreover, the share of the labor force in wage employment in the country, like that in many other low-income countries, is very limited. The figure for 1994, for instance, was only 6.6% (ILO 2000d; UNDP 1998). Government social security expenditure as a percentage of GDP is also very low in the country. The figure for 1996 was 3.7% (ILO 2000d; UNDP 1998). Besides, the informal sector employment tends to be far more important in developing countries like Ethiopia than in developed countries. More importantly, extensive absolute poverty and low human development indicators are distinguishing features of the country. Indicators such as malnutrition, infant mortality, access to clean drinking water and adult literacy reveal the existence of widespread poverty in the country. Apparently, the relevance of these features for decent work is quite significant.

Accordingly, a consideration of the level of decent work raises the question of prioritizing its different components. Different factors may influence the priorities among the different components of decent work. However, priorities primarily depend upon societal values, socio-economic institutions and levels of development (i.e. prosperity and wealth). In countries which are at low level of development the creation of work opportunities is likely to take precedence over the provision of social security and other rights. Because, what people living in poverty primarily need is employment opportunity and income. This doesn't mean that rights are not relevant. In fact, poverty is not just a question of income but also of rights. Nevertheless, for people in low-income countries like Ethiopia living in abject poverty, the priority remains earning income and, hence, employment opportunity.

The study will thus be based on the development model and the principle of prioritizing the components of decent work outlined above. Nevertheless, the study essentially focuses on the notion that all those who work have rights at work. The data will be analyzed using different statistical techniques and interpreted in the light of the decent work agenda of the ILO.

2. DECENT WORK: CONCEPTUAL FRAMEWORK

2.1. The Concept

The significance of work for all people everywhere is undisputable. In developing countries in particular, where effective social insurance systems do not exist, people have to work in order to support themselves and their families. Social problems such as prostitution, crime and dependence on alms are often associated with unemployment and poverty. Lack of work for parents is more than likely to breed tension, family violence and abuse. Unemployment affects children at school, bringing them closer to crime and drugs, and all too often to child labor (ILO 2001).

However, what people everywhere aspire for is not just work, but decent work, i.e. work in conditions of freedom, dignity, economic security and opportunity. The encapsulation of what is referred to as decent work can be traced back to the 1944 Philadelphia Declaration. The 26th Session of the International Labor Conference held in Philadelphia, USA, in 1944, adopted the Declaration of Philadelphia which, annexed to the Constitution, still constitutes the Charter of the aims and objectives of the ILO. The Declaration made a dynamic restatement and enlargement of the organization's basic goals and principles after World War II.

The Philadelphia Declaration widened ILO's mandate considerably by giving the organization competence in areas beyond simply conditions of work. The mass unemployment and poverty which emerged during the Great Depression revealed the vast impact that economic policies could have on labor conditions and, consequently, of the limitations of labor legislations as the sole means of action. The situation raised various ideas that included: that the organization's program is far wider both in scope and in origin and covers not only the comparatively narrow domain of conditions of work but the infinitely more extensive area of conditions of life; that the objective of economic policy should be an improvement in the general condition of life; that 'freedom from want' and 'economic and social security' should be major goals; that labor legislation in the old narrow sense is only a very partial remedy for the social evils which the ILO was created to combat; and the need for an extension of ILO work into national as well as international economic policies which affected employment and the welfare of workers (ILO 1941). The general acceptance of these ideas in the 1941 Conference paved the way for their formal adoption in the form of the Philadelphia Declaration.

The work of the ILO expanded in new directions after the adoption of the Philadelphia Declaration, while at the same time retaining its original activities in formulating and supervising the implementation of international labor standards. A major change was the expansion of the scope of international labor standards into broad areas of economic and social policy beyond the narrow confines of labor legislation and the conditions of work.

In general, the Declaration embodies the following principles:

- Labor is not a commodity.
- Freedoms of expression and of association are essential to sustained progress.
- Poverty anywhere constitutes a danger to prosperity everywhere.

All human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity.

The notion of decent work emphasizes four elements: employment, social security, workers' rights and social dialogue (Ghai 2002). These elements have eventually come to be known as the components or dimensions of decent work. While the first two components refer to opportunities, remuneration, security and conditions of work, the last two emphasize the social relations of workers.

The employment dimension of decent work refers to employment opportunities, remuneration and working conditions. Employment opportunity is best expressed as adequate opportunities for productive and meaningful work. An important attribute of decent work in relation to the employment component is that workers should benefit from “remunerative” employment.

Social security, as a component of decent work, is designated to meet urgent needs for subsistence and to provide against contingencies. Much work, especially in less-developed countries (LDCs), is insecure either because it is irregular or temporary. Insecurity may also be caused by income variation. Work may also be physically risky or it may generate vulnerability to diseases. Contingencies that often face workers include, among other things, unemployment, sickness, maternity, disability and destitution in old age.

According to Ghai (2002), social security needs in developing countries can be classified into three categories. The first comprises basic needs such as access to adequate nutrition, primary health care, primary education, clean water, sanitation and shelter. The second category concerns contingencies such as sickness, accident, death of the principal breadwinner, disability and old age. The third category includes calamities such as floods, droughts, earthquakes, riots and conflicts that can result in massive destruction of property, livelihood and source of support.

Social dialogue is also an essential attribute of decent work. It refers to the right of workers to engage in discussions with employers and authorities over matters bearing on work. It is a means of ensuring conflict resolution, social equity and effective policy implementation. It is also the means by which rights are defended, employment promoted and work secured. In general, it is through social dialogue (collective bargaining) that widespread support for the other three dimensions of decent work may be built.

Social dialogue on issues relating to work may take place at three levels: between employers and employees in relation to terms and conditions of employment; between management and workers over the functioning of an enterprise; and between social partners and public authorities on social and economic policy. Apparently, for any kind of dialogue to take place, it is necessary that economic agents be organized in associations of their choice. Therefore, social dialogue requires freedom of association and participation. For workers, the classic route to representation and dialogue is through trade union organizations. However, many groups of workers in LDCs are either excluded from or underrepresented in meaningful social dialogue (ILO 2000).

2.2. Economic dividend of decent work

Decent work is considered as a goal in its own right. But it can also have a positive economic effect. While economic growth is often measured by growth rates of output and income, social progress is measured by the enjoyment of certain rights and freedoms, of security and social protection. Hence, there is a need for policies and institutions to maintain a balance between the two. Work undertaken in decent conditions for a decent income can also contribute to economic efficiency so that economic growth and social justice can be successfully combined (ILO 2001).

Stronger workers’ rights, particularly rights of freedom of association and collective bargaining, are often associated with higher labor costs. Labor costs include wages, salaries and benefits and represent labor’s share of profit. However, there are empirical studies that show a positive association between wages and productivity. For example, Blinder (1995), Kruse and Blasi (1995) and Levine (1995) show the positive influence of profit-sharing, job quality, and worker participation in decision making on worker attitudes, motivation and productivity. Similarly, evidence from Egypt reveals that employers observed an increase in productivity, income and profits as a result of protecting human rights at work by providing decent work environment (ILO 2001).

Several studies provide evidence that stronger workers' rights can lead to more rapid economic growth. Apparently, workers' rights (rights of freedom of association and collective bargaining) reduce conflict by providing an institutionalized way of minimizing disruption, improving cooperation between employees and employers and thereby leading to greater political and social stability. Greater political and social stability are associated with more rapid economic growth (Summarized in Benabou 1996). Greater gender equality in educational attainment can also contribute to economic growth by facilitating human capital development (Klasen 1999). Similarly, reductions of child labor can lead to more rapid economic growth (Galli 2001). Reducing child labor facilitates human capital development by enabling regular school attendance and providing children with more time and energy for their studies.

2.3. Globalization, labor standards and trade

There have been intense debates over the link between labor and trade in the process of globalization. The relationship between trade and international labor standards has particularly become a matter of high controversy between developed and developing countries. Developed countries have indicated their desire to include labor standards in the purview of the World Trade Organization (WTO), with a view to sanctioning countries that do not observe specific labor standards. Developing countries, on the other hand, reject the proposal, considering it an indirect but strategic means of promoting protectionist measures.

Developed countries claim the existence of a link between labor standards and international competitiveness and complain that competition from cheap labor, resulting from low labor standards in developing countries, is unfair. They also complain that unless labor standards are observed in all nations there will be a 'race to the bottom' with respect to the terms and conditions of work. However, since differences in labor standards largely reflect differences in productivity, there is little reason to support that liberal trade and investment regimes will precipitate a 'race to the bottom'.

Empirical studies do not support the view that countries with lower labor standards enjoy better export performance than higher standards countries. Export competition from developing countries with low-level observance of core labor standards does not account for a major share of large developed country markets (Singh and Zammit 2000). In fact, contrary to what is thought by those who subscribe to the theory of unfair competition, failure to observe core labor standards can hamper the economic efficiency of a country and the growth of its exports (Torres 1996).

Studies indicate that FDI tends to be greater in countries with stronger worker rights. Using the total number of ILO conventions ratified by a country as a measure of worker rights, Cooke and Noble (1998) observed that FDI is significantly greater in countries with more ratifications. Some studies suggest that stronger worker rights are associated with higher labor costs, and that higher labor costs are estimated to have a negative effect on FDI (Culem 1988; Friedman Gerlowski and Silberman 1992). However, high labor cost effects are likely to be more than offset by the positive effects of worker rights.

3. LABOR MARKETS AND LEGISLATION IN ETHIOPIA

3.1. The labor market

A labor market is a mechanism where demand and supply of labor interact. It can be a community, a city, a sub-city, a district, a region, a sub-region, a number of adjacent regions, a country or a larger area. In the case of the Ethiopian cotton sector, the labor market covers the rural and urban areas, surrounding the cotton plantations, ginneries, textile, and garment factories. The main market for skilled manpower consists of Addis Ababa and urban centers of cotton producing and processing regions while that of unskilled labor comprises of rural and urban areas surrounding the places of employment.

Labor market information describes the interplay of relationships between labor demand and supply. It includes quantitative and qualitative information regarding entry into and exit from the labor market, vacancies as well as shortages and surpluses of labor. In Ethiopia it is at present confined to data on registered job seekers, vacancies and placements.

Information about the labor market is necessary for formulating and implementing employment policy. The promotion of decent work needs to be grounded on sound policies and institutions that help the attainment of the desired goal of development with human dignity and social justice. Labor market information systems and institutions contribute towards making adequate provision for employment promotion and implementation of the fundamental rights of workers, social protection and social dialogue. A brief description of the labor force, employment, unemployment and related issues is provided below. Focal institutions for different types of labor market information are given in Annex 3.1

3.1.1. Labor force and employment

The population of Ethiopia more than doubled since 1972, increasing from 29.1million in 1972 to 67.2 million in 2002 (NOP 2000; cited in Mulat *et al.*, 2003). The population exhibited rapid growth particularly during the inter-census period between 1984 and 1994. The population sharply increased from 42.6 million in 1984 (first census) to 53.3 million in 1994 (second census) due to the persistent rise in population growth rate from 0.2% at the beginning of the 1900s to 3% in the 1980s. In fact, the population further increased to 54.8 million in 1999 despite the decline in population growth rate to 2.92% during the period 1995-2000.

The sharp increase in the growth rate of population is mainly attributed to a rise in fertility and a decline in mortality. Accordingly, the impact of rapid population growth on the country's labor force augments the existing labor force due to decline in mortality, and adds new entrants into the labor market increasing the size of the labor force. The annual flow of new entrants into the labor market is estimated at about 400,000 persons in the last decade (ILO-EMAT 2002).

According to data obtained from the two censuses, the country's labor force increased from 14.7 million in 1984 to 26.5 million in 1994. Similarly, the total labor force participation rate increased from 0.35 in 1984 to 0.50 in 1994. Apparently, both urban and rural labor force participation rates increased between the two census periods. The latest Labor Force Survey (LFS) conducted in 1999, which provides data on the employed population of age 10 and above, estimates the employment-to-population ratio in 1999 at 69.1%, implying 69.1% of the total population in the stated age group was working in the reference year.

The labor force had been growing at an average rate of about 5.9% per annum across the inter-census period (1984-1994). The growth rate of the urban labor force (about 6.1%) exceeded that of the rural labor force (about 5.8%), a matter that reflected the growing rural to urban migration of labor force in the country. The gender composition of the labor force shows the size of male and female labor force in 1984, which stood at 8,522,891 and 6,095,480 persons respectively. The corresponding figures for 1994 were 24,711,261 and

11,171,936, respectively. In addition, the LFS indicates that the total labor force stood at 27,068,310 in 1999 and was composed of 14,755,897 male and 12,312,413 female. Though the data from the two censuses and that from the LFS may not be comparable, it seems that the female labor force grew faster, outweighing the corresponding rate for the male during the period 1984-1999.

The growth of the labor force across the inter-census period (1984-1994) exceeded the growth of population and real GDP. While the labor force, as stated above, grew, on the average, at an annual rate of about 5.9% over the period 1984-1994, the population and real GDP of the country registered average annual growth rates of about 2.9 and 2.94%, respectively, over the same period.

The employed labor force comprises of persons above 15 years of age who during a specified period, the reference week or year, were in paid- and self-employment. Persons in paid-employment are those who performed some work for wage or salary in cash or kind, those who were with a job but not at work during the reference period while they had a normal attachment to the job.

The term employment when used in relation to the creation of job opportunity describes the situation in which economic policies and programs are designed to increase the use of labor as factor of production. According to the 1984 and 1994 population and housing censuses, about 89% of the total population was engaged in agricultural activities. The manufacturing sector of the economy accounted for about 2% of total employment while wholesale, retail trade and catering constituted about 4% of total employment. The employment share of domestic and other services sector of the economy stood at about 4 to 5% of the total employment. The remaining sectors of the economy employed about 1% of the total workforce. According to the 1999 LFS, there has been a decline in employment in agriculture, transport, storage and communication sectors, against a rise in employment in the manufacturing, construction, trade and financial intermediation sectors of the economy in the period between 1994 and 1999.

3.1.2. Informal sector employment

In Ethiopia, the modern formal sector is still at its infancy in the sense that its contribution to employment creation is quite low. Accordingly, the informal sector of the economy continues to support a huge proportion of the population as a source of employment and hence income.

Employment in the informal sector, excluding those engaged in subsistence farming and those working in private households, was estimated at about 50.6% of the employed urban population (the 1999 LFS). The gender pattern of employment indicates that the sector accounted for 64.8% and 38.95% of the total employed female and male labor force, respectively. The occupational distribution shows that the crafts and related trades accounted for 48.9% (composed of 41.1% males and 58.9% females) followed by the elementary occupations category that constituted 24.7%. A look into the industrial distribution reveals that the manufacturing and trade, hotels and restaurants together accounted for 81% of the informal sector employment (CSA 2003). The majority of the employees in the sector are illiterate.

3.1.3. Unemployment

The 1999 Labor Force Survey report shows that there were 2,171,735 unemployed persons in the country during the survey year, of which 969,142 (45%) were in the urban areas while 1,202,593 (55%) lived in rural areas. According to the Survey, the unemployment rate, using the current status approach for the total country, was 8.0 percent in 1999. But the unemployment rates for the urban areas were 26.4 percent, about five times higher than those of the rural areas (5.1%). The incidence of unemployment also varied by sex: unemployment among females was about 34 percent, compared to 18.3 percent among

males in urban areas. The rate was reported as 8.6 percent for females and 2.4 percent for males in rural areas.

About 70 percent of the total unemployed persons are below the age of 30 years. Children in the age group of 10 to 14 years who need to work due to economic reasons and who cannot find work constitute 17 percent of those who are without work in the rural areas, compared to 7 percent in the urban areas (Annex 3.2).

At the country level, nearly 54 percent of the unemployed are illiterate, while 47 percent are literate. The rate of illiteracy among unemployed females (61%) is substantially higher than that of males (39%). Compared to urban areas, illiteracy among unemployed rural persons is four times higher. Among the literate group of the unemployed, 7 and 38 percent have non-formal and primary school (1-6) level of education, respectively. About 20 percent of the literate have completed 12th grade, compared to 19 and 14 percent who have completed grade 7-8 and grade 9-11, respectively (the 1999 LFS).

3.1.4. Child labor in Ethiopia

Child labor refers to children (5-17 years of age) who are engaged or want to be engaged in either economic or housekeeping activities. Involvement in domestic and productive activities varied by sex: participation in domestic activities is higher for female (38.3%) than male children (19.9%), while involvement in productive activities is greater for male (41.3%) than female children (23.0%).

A study on the nature and extent of child labor on plantations in rural Ethiopia¹ reveals that, in six plantations covered, approximately 30 percent were child laborers, their ages varying from 7 to 14 and their total number ranging from 3000 to 4000. Male working children were much greater in number than females mainly because most of the females were engaged in household activities. The typical payment of such working children in the farms covered by the study, amounted to Birr 3.50 per day. The working hours exceeded 40 per week. Fertilizers and pesticides exposed the working children to health hazards. Other occupational diseases arose from working without protective equipment or carrying heavy loads.

3.1.5. HIV/AIDS at workplace

The incidence of HIV/AIDS in Ethiopia has been increasing rapidly in the past decade particularly among persons in prime productive age. About 2.2 million adults and 200,000 children are living with HIV/AIDS; 6.6% of those aged 15 to 49 are HIV positive. The urban prevalence rate is 13.7 and in rural areas 3.7%. Two thirds of deaths are due to AIDS in the age range 20-54. The Ministry of Health estimates show that if the present trend persists 5.25 million will die of AIDS by 2014. Hence, HIV/AIDS today threatens the livelihoods of many workers and their dependants. It also threatens the economic growth of the country by reducing the labor force. The impact of the pandemic in the workplace resulted in increased absenteeism, loss of valuable skills and experience, falling productivity, increased medical expenses, etc. The fact that people with HIV are discriminated against contradicts the fundamental principles and rights at work. Hence, there is a growing need for protecting and managing human resources and maintaining training in order to reduce the threat to sustainable development.

¹ Tesfamichael Mengistu, *Nature and Extent of Child Labor in Plantations in Rural Ethiopian*, August, 1998-Addis Ababa

3.2. Labor exchange functions

The Public employment service run by the Ministry of Labor and Social Affairs (MOLSA), the Recruitment and Placement unit of the Federal and Regional Civil Service Commissions and the private employment exchanges register job seekers and supply employers with information on manpower.

3.2.1. The public employment service

The major task of the public employment service is to register job seekers and submit the information (on a voluntary basis) to employers. The employment exchange offices provide operational data on registered job-seekers, reported vacancies, placements effected and unfilled vacancies.

The data obtained from MOLSA, for instance, show that the number of registered job seekers was 29494 in 1997/98, 25686 in 1998/99, 24230 in 1999/00, 22290 in 2000/01 and 23874 in 2001/02. The number of registrants has been decreasing from year to year. The majority of registered job-seekers (66% during the period 1999/00 to 2001/02) fell in the grade 9-12 educational level. The number of notified vacancies has also declined over the years: the figures for the last five years (2347 in 1997/98, 4725 in 1998/99, 1880 in 1999/00, 1601 in 2000/01 and 1613 in 2001/02). Only 1636 job-seekers in 1997/98, 4142 in 1998/99, 1484 in 1999/00 and 1155 in 2001/01 were placed. The ratio of the notified and utilized vacancies to the number of registrants is extremely disheartening.

3.2.2. Private employment exchanges

Legalized private employment service was started in the country after the promulgation of the Private Employment Agency Proclamation No. 104/1998. The employment agencies collected 1883 vacancies from different establishments in 2001/02 and reported placement of 1395 job-seekers. Most of the placed job-seekers (41.2%) had senior secondary (9-12) level of education, followed by those who completed college education (16.4%). A total of 5015 Ethiopian workers (98% females and 2% males) were also permitted to go overseas to work through private employment agencies.

3.3. Labor legislations

This section deals with the legal and institutional framework for the functioning and management of the Ethiopian labor market. It incorporates terms of employment, rights at work, social protection and social dialogue, and the elements of decent work.

3.3.1. Terms of employment

According to Article 9 of the Labor Proclamation 377/2003, contracts of employment are concluded for an unlimited period of time. Article 10 provides for the use of fixed time or a specific piece of work. Contracts of employment are governed by Article 4 (1-5), which requires that the type of employment, the rate of payment, and the duration of contract should be specified. Special contracts of employment, which are defined in Articles 48-51 of the proclamation, are described as apprenticeship contracts intended for training young people in skills or professions.

The parties to a contract of employment normally agree on a probationary period for evaluating the suitability of a newly engaged or posted person to a job (Art. 11.1). Such an agreement has to be made in writing with the probation period not exceeding forty-five consecutive days (Art. 11.3). During the period the employee has the same rights and obligations as other workers.

Articles 17 to 22 of the Labor Proclamation deal with temporary suspension of rights and obligations arising out of a contract of employment. A contract of employment can be terminated by both parties according to the provisions of Articles 24 and 25 of the Labor Proclamation or a collective agreement. Legitimate grounds for termination like misconduct of the employee, the employer's incapacity or the organizational requirement of the establishment are recognized in article 26 of the proclamation. Reasons which make dismissal unfair are described under Article 26.2.

The proclamation distinguishes between termination with notice and termination without notice (Articles 27 and 28). Termination may also be at the initiative of the employee (Art. 31).

3.3.2. Rights at work

The constitution of the Federal Democratic Republic of Ethiopia stipulates that every person has the right to assemble and to demonstrate together peaceably without being armed as well as the right to freedom of association for any cause or purpose (Articles 30 & 31). Article 42(1) (a & b) further stipulates that factory and service workers, peasant farmers, farm laborers, non-farm workers, and government employees, below the official level of responsibility, have the right to form trade unions and other associations to bargain collectively with employers or other organizations regarding their interests. It also provides for the right to strike.

Unionization of Workers

The Ethiopian Labor Proclamation No. 377/2003 was promulgated in the spirit of the International Labor Conventions (the Right to Organize Convention No. 87 of 1948 and Collective Bargaining Convention No. 98 of 1949) as well as the provisions of the constitution. Moreover, the Labor Proclamation stipulates that workers and employers shall have the right to establish and form trade unions or employers' associations respectively and actively participate in their activities (Article 113 (1)) This provision allows the establishment of more than one trade union in an undertaking in conformity to the provision of the ILO convention No.87 unlike the corresponding article in the repealed proclamation (No.42/93). Trade unions at the undertaking level or employers' associations may form industrial federations, which may set up confederations. It is further stipulated that basic level trade unions or employers' associations cannot establish a confederation without first forming federations. The proclamation also stipulates that federations or confederations may join respective international trade unions or employers' organizations.

Every trade union or employers' organization is required to be registered by the Ministry of Labor and Social Affairs (Article 118 (1) of the Labor Proclamation). In practice, however, Regional Bureaus of Labor and Social Affairs (BOLSAS) register trade unions at the undertaking level or employers' associations while federations and confederations have to be registered by the Ministry of Labor and Social Affairs (MOLSA). In 2003 the number of registered basic unions was 445 with a total membership of 181,647. A trade union or an employer's association so registered has the capacity to enter into contract, to sue and be sued, to own, use and transfer property, to represent members at any level and to perform any legal act necessary for the attainment of its goals.

Members of the armed forces, the police force, employees of the state administration, judges of courts of law, and prosecutors whose employment relationship is governed by special laws fall outside the scope of the proclamation (Article 3(2)). These categories of workers are not given the right to unionize whereas both the federal constitution and convention No.87 do not impose any restrictions on the right to unionize or form association and/or take industrial action.

The structure of the trade union movement in Ethiopia comprises of three levels, namely the undertaking, the industrial federation and confederation levels. Trade unions at the

undertaking level or employers' associations may form industrial federations, and thereby set up confederations.

Formation of employers' organizations

As from 1994/95, employers' associations are formed and registered by BOLSAS. The Ethiopian Employer's Federation (EEF) was established in 1997 with the principal objective of:

- defending and promoting the interests of employers;
- promoting, developing and maintaining good relations among social partners; and
- fostering industrial peace and stability.

Workers' and employers' rights to take industrial action

Proclamation No.377/2003 provides the right to take industrial action, conditions required for resorting to strike or lock-out and procedures for notice to strike and prohibitions. Conditions to be fulfilled prior to initiating an industrial action are also set by the proclamation.

Notice has to be served 10 days prior to taking industrial action. A strike or lock-out initiated before the elapse of 30 days after a dispute has been referred to the Labor Relations Board or a court is unlawful. It is also unlawful to strike or lock-out against or in conflict with the final order or decision of the Board or the court. Delaying unwarrantedly such board or court decision is prohibited. Industrial action accompanied with violence, threats of physical force or with any act, which is clearly and officially unlawful, is deemed illegal. It is important to note that the provision of the proclamation covering the right to strike (Article 157 (1)) does not apply to workers of undertakings rendering essential services.

Article 141 stipulates that MOLSA may assign conciliators at National or Regional and, when necessary, at wereda level, when a dispute with regard to issues specified under Article 142, is reported to it by either of the disputing parties.

3.3.3. Social protection

Social protection is recognized as an essential means of creating enabling environment for productive work and ensuring human dignity. It is essential for protecting people from economic and social insecurity. Hence, the challenge for the Ethiopian government and the social partners is to ensure that the current limited coverage may be enhanced, made effective and extended to a greater number of people, thereby improving working conditions and safety at work.

Working conditions

Work related accidents and diseases continue to pose problems in the country. Reports of MOLSA indicate that workers suffer accidents every year. Action to prevent occupational injuries is hampered by inadequate knowledge and information. Investment decisions often continue to be made in disregard of adequate safety, health or environmental considerations.

Major legal provisions and activities regarding social protection in the country include enactment of the labor proclamation No. 377/2003 and the pension law according to which the government, employers and other concerned bodies are rendering services related to old age, occupational safety and health. The pension law embraces provisions to survivors as well. Working conditions of women and young workers are given special attention (Part Six, Articles 87-91). Protection of wages and hours of work, weekly rest and public holidays are important issues of social protection handled by the labor proclamation.

Some aspects of the new Labor proclamation (377/2003) have been found to restrict the right and benefit of workers. Thus, CETU has officially refused to accept some of the

changes introduced under the new Proclamation and is trying to convince the government for reconsideration, particularly on some core issues, which it claims severely violate workers' rights.

In order to ensure compliance with the protective legal provisions, a labor inspection service is set up according to the Labor Proclamation (Part Eleven, Articles 177-182), which also defines the powers and scope of activities of labor inspectors.

The Federal Civil Service Proclamation No 262/2002 is another legal instrument concerned with conditions of employment and work. It deals with classification of positions, salary scale and allowances, staffing and performance evaluation, working hours and leaves, occupational safety and health, maintenance of records, obligations and ethics of civil servants, disciplinary measures, termination and extension of service as well as establishment, jurisdiction etc. of the administrative tribunal. However, it is important to note that freedom of association, a major issue related to the promotion of decent work, is deliberately overlooked.

Child labor protection

The lower age limit for work is fixed at ten years in Ethiopia because children in rural areas start taking part in many types of economic activities at young ages, as low as 5 years of age. The Central Statistical Agency defines economically active population as comprising all persons aged ten years and over who were employed or unemployed in any given year.² But the minimum age to work and earn wages is 14 years. Minors between the ages of 14 and 18 are prohibited from night and hazardous work by law (Articles 88-91 of Proclamation No. 377/2003).

Ethiopia has ratified the Minimum Age Convention (138) and the Elimination of the Worst Forms of Child Labor Convention, 1999 (No. 182), which require ratifying states to take measures to prohibit and immediately eliminate the worst forms of child labor. Other ratified conventions are: the Forced Labor Convention, 1930 (No.29) and the Abolition of Forced Labor Convention, 1957 (No. 105), which provide workers the right to freedom from all forms of forced and compulsory labor.

Creation of an enabling environment for implementation of the provision of the Convention deserves serious attention. In a situation of persisting poverty that the country is faced with, the main concern should be on those activities that are detrimental to children's physical and mental development rather than child work as such.

Protection against HIV/AIDS

The role of the government to bring together all concerned institutions (government and non-governmental institutions, employers, workers, civic societies etc.) is of paramount importance to improve social protection and conditions of living and work in the country. Employers and workers organizations as well as other concerned institutions are expected to take a right-based approach to the epidemic on the basis of social justice and equality through social dialogue. The CETU, the EEF and the HIV/AIDS Prevention and Control Office are at present promoting efforts to make the pandemic (AIDS) an issue at workplaces and take preventive measures against it.

The social partners have separately produced guidelines, which recognize HIV/AIDS as a workplace issue, and define problems arising from infection, socio-economic impacts, and fundamental principles for taking protective and preventive measures. The guidelines also embrace issues related to action program formulation and implementation. They are based on the ILO Code of Practice on HIV/AIDS and the world of work. Programs are developed at enterprise, community, regional, sectoral, national and international levels through processes

² Economically active population refers to the number of people available for economic/productive activities (work which involves the production of goods and/or services for sale or exchange and production for self consumption).

of dialogue, consultations, negotiations and co-operation between concerned institutions (local, regional, sectoral, national and international bodies).

Gender Issues

The rights of women are given attention in the social policy of Ethiopia. The National Policy on Women adopted in September 1993 encourages the integration of gender issues in the overall development program of the country. The policy aims to make interventions on gender-sensitive issues and enable women to fight against discrimination.

A focus of attention in the last decade was the formation of women's departments or desks in various governmental and non-governmental institutions to facilitate empowerment of women through participation in management and leadership of civic societies, as well as workers' organizations. In CETU, for instance, the women's desk constitutes women representatives from the nine industrial federations. A series of campaigns have been made by a committee to encourage women to come up to the leadership of trade unions. About 27 women workers' committees have been formed during the past two years. The main objective of forming such committees is to make women capable of combating any kind of discrimination they face because of their gender. A series of programs have been prepared and implemented in order to protect female employees against the social and cultural pressures they are subjected to.

3.3.4. Social dialogue

Collective Bargaining

The enactment of Proclamation No. 377/2003 recognizes free labor contract through which an employer may secure the services of an employee. Such free labor contract has been associated for a long time with individual bargaining. Conditions of work are also fixed through collective bargaining. Collective bargaining is an important feature of industrial relations in Ethiopia although a very small percent of the labor force, which is less than 15%, is covered by it. A typical labor contract is negotiated and signed by a union within an individual establishment. Very often unions seek to bargain with employers with regard to as many conditions of work as possible. Basic unions are responsible for negotiating conditions in their respective establishments while horizontal unions take up issues with different managements of establishments where their members are engaged. Thus, they work out separate agreements with a number of employers.

Dispute Settlement

Part 9 of the Labor Proclamation No. 377/2003 guarantees the right to strike within the limits set by its provisions. However, the legal provisions also prohibit strikes by workers in the public service because of the presumed seriousness of inconveniences they cause to the public. Provisions are made in collective agreements so as to impose certain restrictions on industrial action, particularly in relation to essential services. Disputes are resolved through direct consultation of the parties, labor courts and Labor Relations Boards. Conciliators and civil courts handle individual cases while collective disputes are resolved by the Labor Relations Boards.

The tasks of the Labor Relations Boards, the labor divisions of regional first instance courts and labor divisions of regional appellate courts focus on adjudication while those of conciliators consist of endeavors to bring about settlement of disputes by all reasonable means.

Bipartite and tripartite consultations

In Ethiopia, workers' participation in management is in its infancy. Its scope is limited to standing advisory committees, which are undertaking some promotional measures for bringing down the incidence of occupational hazards at workplaces, providing health education and propaganda.

A study undertaken by the Working Conditions & Environment Inspection and Research Team of the Ministry of Labor and Social Affairs reveals that out of 34 establishments covered only 16 confirmed that they have set up safety committees as establishment of such committees became compulsory only after the promulgation of Proclamation No 377 of 2003. Their memberships are bipartite, embracing management and workers' representatives in various occupations (department heads, safety officers, trade union leaders, technicians, production workers etc.). The scope of work of safety and health committees embraces discussion of occupational safety and health issues, making proposal for prevention and curative measures against industrial injuries, plant inspection, preparation of slogans or posters and sharing experiences with other bodies.

In July 2004, the total number of safety and health committees was 77.¹ There is not much progress in the formation of such committees. However it is expected that their establishment will gather momentum upon issuance of the required directives. The social partners (the EEF and CETU) have a stake in the preparation of the directives, which are expected to come out in the year 2004/05.

The permanent tripartite labor advisory board, which is established for this purpose, has been meeting in order to give advisory opinion to the Ministry with regard to matters concerning employment service, working conditions, safety and health of workers and the labor law in general. Although tripartite is accepted in principle it has not been practiced on a regular basis in the past. But recently two committees were set up for consultation with the objective of resolving labor disputes. One committee is tripartite while the second is set up on a bipartite basis. Cases, which originated from different industrial sectors, were so far resolved amicably and tripartite seems to be accepted as an important part of government relations with the social partners.

¹ Source: CETU-Industrial Relations and Research Division-July 2004.

4. THE COTTON SECTOR IN ETHIOPIA

Cotton is one of the world's most important cash crops and plays a vital role in the economies of many developing countries. Cotton has strong forward and backward linkages and high value adding attributes. In Ethiopia, the practice of spinning and weaving to make cloths from cotton is perhaps as old as the history of the country. Though written records are scarce and not readily available, it is widely believed that Ethiopians wore cotton cloths many centuries ago. The rural population of the country, about 85% of the total population, still satisfies a significant part of its textile needs from the traditional non-industrial sector. Traditional fabrics, especially woven dresses, are also very popular in the urban areas.

The country's cotton sector is recognized to involve, for the purpose of this study, the following economic activities: cotton farming (to produce raw cotton); cotton ginning (producing lint cotton and cottonseed); spinning (yarn making); weaving and knitting (for textile fabrics formation); and garments and apparel manufacturing which include dyeing, cutting, sewing, tailoring and finishing activities. This section reviews the sector's structure, performance and its contribution to the country's economy.

4.1. The cotton farming sub-sector

4.1.1. Cotton growing areas

Ethiopia is generally known to have enormous cultivable land resource suitable for cotton production extending from the low to mild altitude areas. A recent data from the Ministry of Agriculture (MoA) tells that some 2.6 million hectares of land, suitable for cotton farming, is equivalent to that of Pakistan, the 4th largest producer of cotton in the world, harvesting about 2.6 million tons of cotton annually. Despite its potential, Ethiopia's annual area under cotton plantation presently covers merely 42,371 hectares, with an annual production not exceeding 84,000 tons of cotton.

In Ethiopia, cotton is grown predominantly in the lowland areas, mainly in the Awash Valley (Afar), Setit-Humera (Tigray), Metema (Amhara), Arba Minch and Wolaita-Sodo (Southern National and Nationalities Region) and Abobo (Gambela) areas. The basins of Omo-Gibe, Wabi-Shebele, Baro-Akobo, Blue Nile and Tekeze rivers have also huge potential for cotton cultivation.

The season for cotton plantation in the country varies considerably from area to area. In the lower Awash Valley, cotton planting begins in late June and ends mid August; whereas in the middle and upper Awash planting commences sometime in late April to end early June. In the Humera, Metema and Gambella areas, cotton planting is carried during June – August period. Cotton harvesting time also shows variation of similar nature. In lower Awash, the harvesting season for cotton is between early November and mid January, while in middle/upper Awash it takes place between early November and end of December. In Humera, Metema and Gambella areas, harvesting is carried out during mid November to end of January. Table 4.1 below shows cotton planting and harvesting calendar in the major cotton growing areas of the country.

Table 4.1: Calendar for Cotton Planting and Harvesting in Major Farming Areas

Area	Jan	Feb	Mar	Apr	May	June
Lower Awash						P
Middle/Upper Awash				P	P	P
Humera, Metema, Gambella						P

Area	July	August	Sep	Oct	Nov	Dec
Lower Awash		P	P			H
Middle/Upper Awash				P	H	H
Humera, Metema, Gambella	P	P	P			H

Note: P =Plantation, H =Harvesting

4.1.2. Ownership, farm employment and output

The cotton-farming sector in Ethiopia involves three categories of ownership: the state-owned farm enterprises, big private commercial farmers and smallholding peasant farmers. The state farm enterprises and the private commercial farms supply cotton to the textile factories of the country and sell to exporters. Cotton produced by the peasant sector is relatively small and it is mainly supplied to traditional weavers. Studies, however, indicate that increasing amounts of peasant-grown cotton have been gradually entering commercial textile channels (USAID 1996).

4.1.2.1. State farm enterprises

The state cotton farms were established through the nationalization of commercial farms (share companies) immediately after the former Derg military government came to power in 1974. The five large-sized state farms in the country that produce cotton are: Middle Awash Development Enterprise, Tendaho Development Enterprise, North Omo Development Enterprise, Abobo Development Enterprise and Gode Development Enterprise. Most of these agricultural enterprises are old, established some 40 years ago, while Tendaho Development Enterprise was established in 1985. The combined cultivated area for cotton production in these enterprises, as of July 1991, was 37,786 hectares, of which about 94 % was irrigated and the remaining 6% rain-fed (Eshet 1995).

The magnitude of permanent employment in these enterprises in 1991 stood at 8,615 workers, of which 5,003 workers (i.e. about 58%) were employed in the Middle Awash Development Enterprise. Apparently, the size of temporary employment in the enterprises was quite significant, with combined annual employment of 32,241 temporary workers. With regard to output, data provided by the Textile Sector Task Force under PESA indicated that annual production of cotton averaged at about 13,667 tons during the period 1992/93-1994/95 at country level. The state farm enterprises, which comprised about 38% of the total area cultivated for cotton production, produced about 50% of the country's cotton production. Both area cultivated and yields tended to increase during the period and yields in the state farms were 31% above the national average (Table 4.2).

Table 4.2: Cotton Production in Ethiopia and the State Farm Enterprises (1992/93-1994/95)

Year	Ethiopia	State Farm Enterprises				Total
		Middle Awash	North Omo	Tendaho	Abobo	
<u>1992/93</u>						
Area (ha)	40000	4953	2859	5087	1120	14010
Yield (kg lint/ha)	250	746	234	368	387	475
Output (tons)	10000	3689	668	1869	433	6659
<u>1993/94</u>						
Area (ha)	41000	1813	2473	6120	1603	12014
Yield (kg lint/ha)	366	496	485	376	118	402
Output (tons)	15000	899	1199	2303	433	4834
<u>1994/95</u>						
Area (ha)	42000	5125	2597	6936	1366	16024
Yield (kg lint/ha)	392	844	260	546	217	567
Output (tons)	16000	4325	674	3787	296	9082
<u>Average</u>						
Area (ha)	41000	3964	2643	6045	1365	14017
Yield (kg lint/ha)	333	749	309	439	224	437
Output (tons)	13667	2971	847	2653	387	6858

Source: USAID, Ethiopia Textile Sector Study, 1996, quoting data from PESA, Textile Sector Task Force.

A significant structural change occurred in the cotton sector of the country following the post-1991 subsequent government policy reforms, more noticeably since the mid 1990s. The size of employment in the state cotton enterprises dropped drastically as many permanent farm

employees were dismissed as redundant workers. Most of the reduction in employment came from three enterprises: Middle Awash, Abobo, and North Omo. In the case of Middle Awash, three of the originally five farms associated with that enterprise were privatized or given back to local farming communities. The number of employees in the four state farms decreased from 8,615 workers in 1991 to 4,241 in 1996, a decline of about 50.7 per cent (Table 4.3).

Table 4.3: Employment Trends in the Public Cotton Farm Enterprises (1991-1996)

Enterprises	Number of Employment		Variation in %
	1991	1996	
Abobo Agr. Devt. Enterprise	270	199	(26.3)
Middle Awash Agr. Devt. Enterprise*	5,003	1,349	(73.0)
North Omo Agr. Devt. Enterprise	1,825	1,658	(9.2)
Tendaho Agr. Devt. Enterprise	1,517	1,035	(31.8)
	8,615	4,241	(50.7)

*In 1991 this enterprise consisted of 5 farms; subsequently 3 were given away. **Source:** Ibid.

4.1.2.2. Private commercial farms and smallholders

Several private investors have been established in places where state farms used to operate after the 1991 economic reform. A statistics from the Ministry of Agriculture (MoA) indicates that during the period 1996/97 – 2000/01 annual cotton area planted in Ethiopia covered 42,371 hectares. Large-scale private commercial farms accounted for the major share of about 43% (i.e. 18,150 Ha.) and the smallholder peasants represented about 27% (i.e. 11,650 ha.) of the total area under cotton cultivation. With nearly 70% of the area under the two producer categories, the share of state farm enterprises is less than one-third (i.e. about 30%) of the total cotton area (Table 4.4).

Table 4.4: Ownership Breakdown of Area Cultivated, Yield and Output (1996/97 – 2000/01)

Year	National Level	Broad Composition of Producers		
		Private Commercial Farms	Smallholder Farms	State Farm Enterprises
<u>1996/97</u>				
Area (Ha)	43,153.0	18,150.0	11,650	13,353.0
Yield (MT/Ha)	1.9	2.5	0.8	2.1
Output (MT)	83,087.8	45,375.0	9,320.0	28,392.0
<u>1997/98</u>				
Area (Ha)	43,470.0	18,150.0	11,650	13,670.0
Yield (MT/Ha)	1.8	2.5	0.8	1.8
Output (MT)	79,464.0	45,375.0	9,320.0	24,769.0
<u>1998/99</u>				
Area (Ha)	43,294.0	18,150.0	11,650	13,494.0
Yield (MT/Ha)	1.8	2.5	0.8	1.8
Output (MT)	77,387.2	45,375.0	9,320.0	24,683.8
<u>1999/2000</u>				
Area (Ha)	39,862.0	18,150.0	11,650	10,062.0
Yield (MT/Ha)	1.9	2.5	0.8	2.3
Output (MT)	84,056.6	45,375.0	9,320.0	22,692.2
<u>2000/01</u>				
Area (Ha)	42,074.0	18,150.0	11,650	12,274.0
Yield (MT/Ha)	2.0	2.5	0.8	2.4
Output (MT)	84,056.6	45,375.0	9,320.0	29,361.6
<u>Average</u>				
Area (Ha)	42,370.6	18,150.0	11,650	12,570.6
Yield (MT/Ha)	1.9	2.5	0.8	2.1
Output (MT)	80,674.9	45,375.0	9,320.0	25,979.9
<u>% Share</u>				
Area (Ha)	100.0	43.0%	27.0%	30.0%
Output (MT)	100.0	56.0%	12.0%	32.0%

Source: Ministry of Agriculture, unpublished.

As shown in Table 4.4, the country's annual cotton production varied between 77,387 tons in 1998/99 and 84,056 tons in 2000/01. Private commercial farms represent the dominant share (about 56%) of total production, followed by the state farm enterprises (about 32%) and the rest (12%) by the smallholder peasants. Cotton yields are very low in the peasant sector, only about 0.8 tons/ha, compared to 2.5 tons/ha on private commercial farms and 1.8-2.3 tons/ha on state farms. Small farmers do not use modern inputs, such as fertilizer and improved seeds, while the state farm enterprises and private commercial farms use relatively improved farming practices and technologies.

4.2. The cotton/textiles processing industry: An overview

4.2.1. The ginneries

Ginneries are pivotal in the cotton chain as the lint output links the cotton sector with textiles and garment factories; the cottonseeds link the sector with edible oil mills and the feedstuff sector for oilcake residual as a vital ingredient of animal feed; and the residual seed hull is often used as fertilizer, feed stock and fuel wood (see Figure 1).

Figure 1: Flowchart of Cotton Sector Linkages in Ethiopia

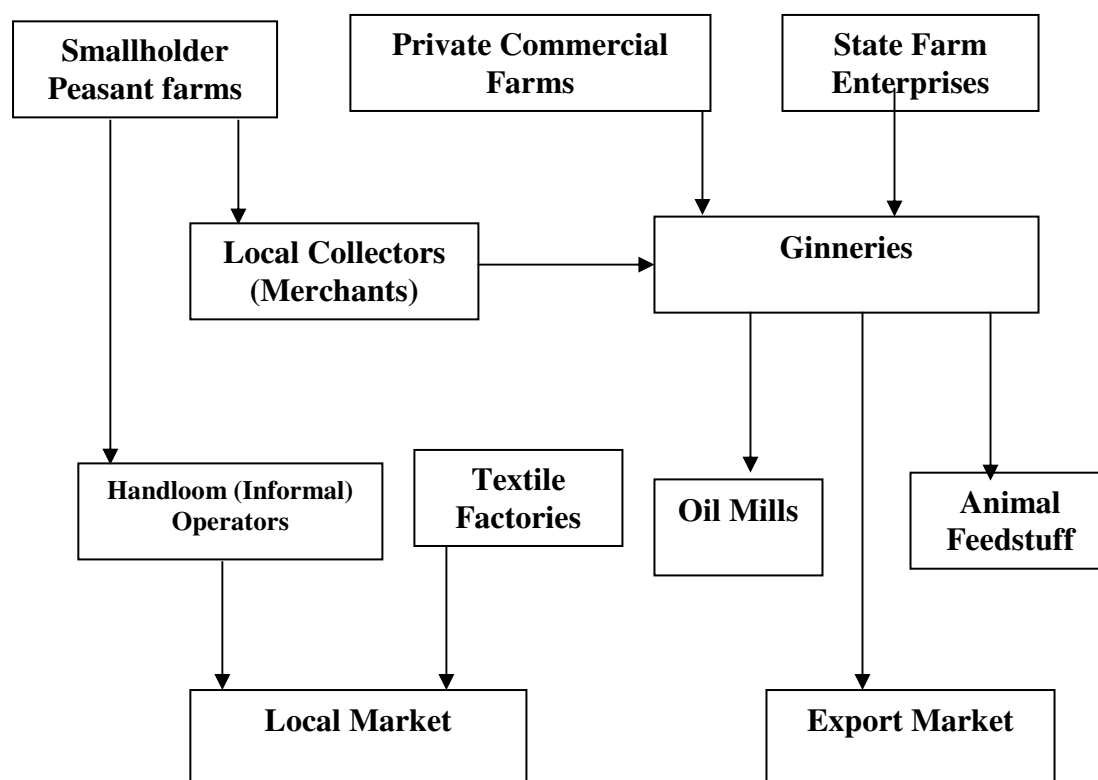


Table 4.5: Estimated Raw Cotton Supply to Commercial Market and Handloom (informal) Sector (Average for 1996/97 – 2000/01)

Producer Group	Average Annual Output (Tons)	Cotton Channeled to Handloom Operators		Cotton Channeled to Commercial Market	
		%	Qty(Tons)	%	Qty(Tons)
Smallholder farms	9320.0	20	1864.0	80	7456.0
Private commercial farms	45375.0	-	-	100	45375.0
State farm enterprises	25979.9	-	-	100	25979.9
Total	80674.9	-	1864.0	-	78810.9

Currently, there are 11 ginnery establishments operating in the country. Many of them give ginning services to cotton traders and private commercial farms. Their distribution and number of existing ginneries in the country are given in Table 4.6.

Table 4.6: Distribution and Number of Existing Ginneries in Ethiopia

Private Owned Ginneries	No. of Firms	State Owned Ginneries	No. of Firms
Addis Ababa	4	Middle Awash State Enterprise	1
Gondar Town (Amhara Region)	2	Tendaho State Enterprise	1
Humera (Tigray Region)	1	South Omo State Enterprise	1
		Abbo State Enterprise	1
Total	7		4

According to a study made on the country's cotton-textile chain and respective capacities of existing mills, the combined ginning capacity of both the private and state-run ginneries is estimated at about 200,000 tons of raw cotton per year (Agridev 2002). The national raw cotton production, as indicated earlier averaged about 80,675 tons during the five years period of 1996/97 – 2000/01, of which about 78,810.9 tons made their way to the ginneries. This represented only 39.5% of the total processing capacity of the ginneries.

The country's cotton farming sector needs to expand to satisfy the current demand and generate more employment. This could be achieved by expanding the cultivated area and by encouraging the establishment of large-scale private commercial farms. In addition the introduction of innovative farming practices and technologies is crucial to the development of the sector.

4.2.2. The textile and garment factories

The history of modern textile industry in Ethiopia goes back to the late 1930s with the establishment of the first textile factory, Dire Dawa Textile. Joint venture investments with Italian, Japanese, Indian and British companies were instrumental in the early development of the textile industry in the country.

The share of local raw cotton alone is about 65% in the total raw material consumption of the textile and garment factories in the country. This section attempts to highlight the structure, performance and contribution of the industry to the country's economy.

The textiles sub-sector in Ethiopia has remained for more than two decades the principal source of employment in the manufacturing sector. The latest available data (2002/03) from the Public Enterprises Supervising Authority (PESA) indicates that the sub-sector employed a total of 29,535 workers, of which about two-third are employed in public enterprises and the remaining one-third in private firms. The share of textiles in the total employment of the manufacturing sector is shown in (Table 4.7).

There has been a marked shift towards private sector employment during the post-reform years, particularly since the mid 1990s. As shown in Table 4.8, the dominance of public sector employment has been shrinking as a result of the rapidly expanding private firms, especially in the garment sector, and the transfer of some of the state enterprises to private investors through privatization (Annex 4.1). For instance, during the period 1992-2000, 21 new private-owned textiles and garment factories, with investment capital of about Birr 706 million, have commenced operation (Ethiopian Investment Authority 2002).

Table 4.7: Contribution of the Cotton Processing Sub-sector to Manufacturing Employment (1995-2001)

Year	No. of employees in the manufacturing sector	No. of employees in manufacture of textiles.	Contribution of textile sub-sector to manufacturing employment (%)	No. of employees in manufacture of wearing apparel	Contribution of wearing apparel sub-sector in manufacturing employment (%)	Total contribution of cotton processing to manufacturing employment
1995/96	90039	28387	31.53	4054	4.50	36.03
1996/97	92365	27215	29.46	4582	4.96	34.43
1997/98	93216	25093	26.92	4190	4.49	31.41
1998/99	93678	25659	27.39	3845	4.10	31.50
1999/00	95007	23747	25.00	3752	3.95	28.94
2000/01	93515	24284	25.97	3720	3.98	29.95

Table 4.8: Employment Share and Size of Textiles and Apparel Firms by Ownership (1996/97 – 2000/01)

Description	1996/97		2000/01	
	Textiles	Apparel	Textiles	Apparel
Employment Share:				
Private	2.1	46.7	31.0	50.7
Public	97.9	53.3	69.0	49.3
Firm Size: Workers/ Firm:				
Private	37	89	471	95
Public	1294	558	882	460

Source: Extracted from Diagnostic Trade Investigation Study (DTIS), Ethiopia: Trade and Transformation Challenges, Manufacturing Sector, Volume 2, Annex 10, April 2003.

The contribution of the textiles to aggregate manufacturing output and GDP for the period 1996/97 to 2000/01 is indicated in Table 4.9. The total value of production of the sub-sector ranged between birr 584.6 and birr 709.5 million. The textile factories involved in spinning, weaving and finishing activities, created the bulk of this value. The contribution of the textile sub-sector to total manufacturing GVP was highest in 1996/97 (i.e. 11.01%), but exhibited a declining trend since then, averaging 7.3%. The sub-sector's contribution to GDP was marked by similar declining trend.

Table 4.9: Gross value of Production 1996/7 – 2000/01 ('000 Birr)

Textile Group	1996/97	1997/98	1998/99	1999/2000	2000/2001	Average 1996/97-2000/2001
Textiles	599,017	529,754	578,832	548,775	653,761	532,028
Wearing apparel	58,201	54,904	57,947	62,660	55,721	57,887
TOTAL	657,218	584,658	636,779	611,435	709,482	589,915
Total Manufacturing	5,966,199	6,393,206	7,272,328	8,129,056	8,423,332	7,236,623
% Share of textiles & Apparel	11.01	9.14	8.75	7.52	8.42	7.28
GDP at current market price (million birr)	45,238.4	44,840.3	48,687.6	52,074.2	53,011.3	48,770.2
% share of textile & apparel	1.45	1.30	1.30	1.17	1.34	1.32

Source: NBE, Annual Report; CSA, Annual issues.

4.2.3. The handloom weaving (informal) sector

The weaving industry in Ethiopia depends on simple technology and low-level skill. The sub-sector is characterized by low and fluctuating incomes, little or no access to market, finance, information and technology. The weavers perform their work around small workplaces, which are often unsafe and unhealthy. Nonetheless, weaving is the most important handicraft group in terms of employment and the majority of weavers are located in rural areas.

The total number of weaving establishments in the country was estimated at 297,989 in 1997/98, of which 60% were operating in rural areas. The total number of people engaged in weaving was about 483,901, of which 39% were female and 61% male.

4.3. The market for cotton/textiles in Ethiopia

4.3.1. The lint cotton market

The lint cotton annually processed by the public and private ginneries is sold to the domestic textile mills for further processing and production of textile fabrics. Although the number of private establishments in the sector is increasing from time to time, the private sector is mainly involved in the garment industry. The large cotton mills that consume local lint cotton, as primary input for manufacturing textile fabrics, are mostly state-owned or leased by the private sector from the government on fixed contractual agreements. The major sub-components of the cotton mills include: (i) Integrated mills (Akaki, Awassa, Kombolcha, Bahir Dar, Dire Dawa, Almeda, and Ethio-Japan Nylon textile factories); (ii) Spinning mills (Adie Ababa and Edget Yarn factories); (iii) Spinning and weaving (Arba Minch Textile Factory); (iv) Integrated Blanket Factory (Debre Berhan Blanket Factory); and Woven Blanket Factory (KK Plc.). The magnitude of lint cotton supplied to the textile mills during the period 1996/97 to 2000/01 amounted to 24,861 tons annually, i.e. about 83.1% of total lint produced in the country (Table 4.10).

Table 4.10: The Market Outlets for Lint Cotton in Ethiopia (1996/97 – 2000/01)

Year	Total Lint Cotton Output (Tons)	Supply to Domestic Market		Supply to Export Market	
		Volume (Tons)	%	Volume (Tons)	%
1996/97	30742	25746	83.7	4997	16.3
1997/98	29402	28219	95.9	1182	4.1
1998/99	29370	24335	82.8	5035	17.2
1999/00	28633	20959	73.2	7674	26.8
2000/01	31101	25046	80.5	6055	19.5
Average	29850	24861	83.1	4989	16.9

Ethiopia does not import lint cotton as raw material, though it imports substantial quantities of finished textile products of numerous types. The country has exported about 4,989 tons of lint during the period 1996/97 – 2000/01 (Table 4.10). The volume of cotton exported, representing close to 17% of the total annual domestic production is very low when compared with that of Eastern and Southern Africa. Its share covered merely 3.4% of the region's total lint cotton export of about 150,000 tons, according to data obtained from the International Cotton Advisory Committee.

The major export outlets for Ethiopia's lint cotton are Asia, Africa and Europe. Cotton exported to three Asian countries, India, Pakistan, and Bangladesh, accounted for nearly two-third of the total. Cotton export to Africa goes largely to Djibouti, amounting to about one-fourth (23%), while the balance went to European markets (Agridev 2002).

4.3.2. The market for textiles and garment

The dearth of timely and accurate data on the domestic market situation in Ethiopia has been recognized as extreme. As regards textiles and related products, there is not accurate, detailed, current statistics on market size, consumption pattern, and trade data (on local and imported items). In 1996, the Industrial Projects Service (IPS), an autonomous public consultancy firm, conducted a comprehensive Market Survey on Textiles and Garments in Ethiopia. The study attempted to determine per capita demand for textiles and garments for 1996 and made forecast for 2001 (Table 4.11).

Table 4.11: Apparent Construction of Textile in Ethiopia (1996)

Description	Quantity (Tons)
Domestic Production	
- Yarn and thread	
• Industrial	6805
• Homespun	2858
- Fabrics	8657
- Blanket	4000
TOTAL	22320
Legal Import	
- Yarn and thread	3090
- Garment	280
- Fabrics	1875
- Household textiles	22
- Blanket	208
TOTAL	5275
Illegal Import (estimate)	18228
Export	453
Apparent Consumption	45570
Population 1996 (thousand)	58500
Per capita Consumption (base year 1996)	0.78 (Kg)
Per capita Consumption (predicted 2001)	1.50 (Kg)

Source: Textile Sector Study, IPS, 1996.

The IPS study used historic series of statistics on apparent consumption (domestic production plus imports, less exports) and regressed cross-sectional textile consumption data of 27 low and middle-income developing countries. As shown in Table 4.11, the per capita consumption of textiles and garment for 2001 was 1.5 kg. This level of consumption is far below the world's average of about 8.7 kg and the Africa's average of about 3.2 kg.

4.3.2.1. Domestic supply

Data obtained from CSA's manufacturing survey indicate that during the five year period covered by the dataset (1996/97 – 2000/01), textile and garment production has exhibited a mixed trend (see Table 4.12). Certain products, especially apparel, woolen blanket, thread, cotton fabrics and lint cotton have registered significant growth, while others, including acrylic yarn, sweater, shirts and blankets, made from wasted cotton, have witnessed a decline in production quantities.

Table 4.12: Production Quantities of Textiles and Garment Articles (1996/97-2000/2001)

Description	Unit	1996/97	1997/98	1998/99	1999/2000	2000/01	% Change in Five Years
Cotton Fabrics	'000 sq.m	34,577	38,030	42,959	38,499	44,925	6.76
Nylon Fabrics	"	4,193	4,722	4,047	2,921	1,310	-25.2
Acrylic Yarn	Tons	2,420	1,257	730	354	411	-35.8
Cotton Yarn	"	3,133	2,657	8408	8077	5726	16.27
Blanket (Woolen)	'000 sq.m	3,763	2,757	3100	3004	3015	-4.8
Blanket (Waste Cotton)	Pcs	244,471	194,466	182,084	144,653	90,311	-22.03
Blanket (Others)	"	8,275	16,527	34,744	40,478	N.A	69.75 (4 yrs)
Shirts	Dozen	12,376	16,266	11,647	7,199	4,646	-21.7
Apparel	"	21,883	35,988	58,655	165,926	142,156	59.6
Sweater	"	5,161	2,165	725	1,121	828	-36.7
Sewing and other thread	Ton	3	23	16	24	7	23.59
Embroidery	"	31	51	59	48	50	12.69

Source: CSA, Large and Medium-Scale Manufacturing Industries Survey.

4.3.2.2. Imports and Exports

a) Imports

The consumption of textiles in Ethiopia has largely shifted to ready-made imported clothing due partly to the superior styles, variety, and competitive prices. Textile import has been increasing both in volume and value in recent years. The value and volume of textile import increased by 27.9% and 19.5% per annum, respectively, during the period 1991/92 to 2000/01 (Table 4.13).

Table 4.13: Volume and Value of Textile Imports, 1991/92 – 2000/01

Year	Volume (Metrics Tons)			Volume ('000 Birr)		
	Textiles	Clothing	Total	Textiles	Clothing	Total
1991/92	7,854	424	8,278	73,571	14,705	88,276
1992/93	17,578	318	17,896	130,409	15,514	145,923
1993/94	12,710	1,073	13,783	186,946	34,117	221,063
1994/95	17,505	1,582	19,087	229,950	54,033	283,983
1995/96	16,501	4,808	21,309	308,065	76,391	384,456
1996/97	42,305	7,501	49,806	414,162	69,542	483,704
1997/98	26,681	4,685	31,366	399,757	114,866	514,623
1998/99	39,073	6,887	45,960	473,804	230,897	704,701
1999/2000	71,002	10,178	81,180	433,134	279,885	713,019
2000/2001	20,680	20,562	41,242	461,188	345,433	806,621
Annual% Change 1991/92-2000/01	11.35	53.92	19.53	22.6	42.0	27.86

Source: Nation Bank of Ethiopia, Annual Report, various issues.

The share of textile and garment imports in the country's total value of imports has also been increasing over time. The percentage share increased from 3.8% in 1996/97 to 4.9% in 2000/01 (Table 4.14). It should be noted that these figures don't include contraband goods.

Table 4.14: Percentage Share of Textiles and Garment Imports 1996/97-2000/2001

Description	1996/97	1997/98	1998/99	1999/2000	2000/2001
Total Imports (Million Birr)	12714.4	13228.6	15179.4	16267.2	16513.5
Textile and Garment Import (Thousand Birr)	483704	514623	704701	713019	806621
% Share of Textiles	3.8	3.9	4.6	4.4	4.9

Source: NBE, Annual Report, various issues.

Actual data on contraband textiles is unavailable. The contraband goods confiscation statistics provided by the Customs Authority and summarized in Table 4.15 demonstrate that average confiscation of textiles during the five years period was about Birr 32.5 million. Used clothing and new ready-made clothes account for about 59% and 34% respectively of confiscated goods.

Table 4.15: Contraband Goods Seizure of Textiles and Garments 1996/97 - 2000/2001 ('000 Birr)

Seized Types	1996/97	1997/98	1998/99	1999/2000	2000/2001	Average
						1996/97-2000/01
Used Cloth (salvage)	12029.2	19388.9	22180.9	20907.5	16344.4	18170
Ready-made clothes	13179.1	16577.0	12107.3	7737.01	6210.02	11162
Other textiles	3565.5	3078.6	3952.7	2231.2	3268.5	3220
TOTAL	28773.8	39044.5	38240.9	30875.71	25822.9	32551

Source: Customs and Excise Tax Authority, Planning Research and Statistics Service, 2002.

b) Exports

Despite its comparative advantage in cotton production, the country's export performance in textile and garment products has remained minimal, limited mainly to semi-processed textiles including woven cotton fabrics, cotton yarn and, to a certain extent, apparel products made of cotton. Table 4.16 shows that during 1996/97-2000/2001 textile and garment exports grew at an average annual rate of 19% in value terms. However, the share of these exports, in the country's total exports, is negligible, accounting for only 0.17 to 0.42%, which indicates that the sector is predominantly domestic market-oriented.

Table 4.16: Percentage Share of Textiles and Garment Exports 1996/97 - 2000/2001

Description	1997	1998	1999	2000	2001
Total Export (Million Birr)	8084.8	8299.2	7402.6	8167.2	8194.3
Textile and Garment Export (Thousand Birr)	27726.1	14159.7	17603.5	22159.4	35133.7
% Share	0.34	0.17	0.24	0.27	0.42

Source: NBE, Annual Report, various years.

The improvement in 2000/01 was apparently due to the increase, both in variety and quantity, of textiles and apparel articles exported. The range of export items has increased from six, mainly cotton yarn and bleach cloth made of pure cotton, to over twenty kinds including knitwear, grey cloth, bedding articles, etc.

Apparently, there has not been noticeable export expansion in the country's textiles/apparel exports, though the global market has become increasingly accessible for poor countries like Ethiopia. New opportunities for export are being created through the AGOA (African Growth And Opportunity Act) arrangement made available by the USA, EBAs (Everything But Arms) that allows market access in the European Union (EU) markets, COMESA and bilateral trade agreements with many other countries.

Under the EBAs initiative of the EU, Lesser Developed Beneficiary Countries (LDBC), including Ethiopia, are allowed to access the EU market for all their export products, except arms, free of duty and without quota restrictions. Ethiopia also enjoys preferential tariff rates for its exports and imports within the COMESA region, which embraces 20 countries, with a population of over 353 million, in Eastern and Southern Africa.

The country has also signed bilateral trade agreements with more than fifteen nations worldwide (Turkey, Yemen, Russia, etc.). The trade agreements provide Ethiopia with the necessary legal framework, which entitles it to benefit from the most-favored-nations treatment by removing tariff barriers. In accordance with the GSP agreement, most of the country's products enjoy preferential tariff treatment in the USA, Canada, Sweden, Finland, Norway, Austria, Switzerland, Japan and many of EU member countries.

AGOA, launched in May 2000, entitled 48 countries in Sub-Sahara Africa (SSA) to trade substantially all their export items to the U.S. market free of duty and without quota restrictions (see Box below for details about AGOA). The U.S. is the largest single country export market of SSA, accounting for 20% of the region's total exports in 2002. The value of exports by AGOA-eligible countries to the U.S. in 2003 was about USD 14.0 billion, which is 55% greater than that of the preceding year, though the increase is largely due to increased oil exports. The Act, since its enactment in 2000 up to March 2004, has created job opportunities for over 190,000 persons and about USD340 million investments in eligible countries.

Ethiopia is qualified (as of August 2001) for the special preferential trade benefits under AGOA. Following the December 2003 eligibility review, 37 of the 48 countries are now eligible for AGOA in year 2004. On December 2003, only one country, Angol, was added to the list of eligible countries; while two countries, Central African Republic and Eritrea were removed from the list for failing to meet the eligibility criteria.

Ethiopia is making consistent progress so far toward implementing AGOA's eligibility requirements. The country, nonetheless, is still required to further put forth a strong commitment and determination so as to remain in the list of AGOA eligible beneficiaries and effectively exploit the export benefits that accrue from it. Concurrently, the country's export strategy should put emphasis on taking advantage of alternative export outlets such as the African and Middle-eastern markets, which offer a comparative cost advantage in view of Ethiopia's geographic location.

AGOA's Objectives and Benefits

The prime purpose behind the introduction of AGOA, as stipulated in the Trade and Investment Policy of the U.S. embraces: (i) reinforcing Africa's economic and political efforts; (ii) providing greater access to U.S. technical support and trade finance facilities; and (iii) providing high-level U.S.-Africa on trade, investment and related issues. With the realization of these objectives, AGOA-eligible countries are bound to benefit from getting their economies healthier and more stable, expanding their exports to the U.S. market and strengthening their local governments.

The specific benefits to be generated with successful implementation of the Act include the following: (i) offering eligible countries duty-free and quota-free access to the vast market of the U.S. for almost all export articles; (ii) eliminating the GSP (Generalized System of Preference) competitive need limitation for the beneficiary countries; (iii) providing additional security for investors and traders in eligible countries; and (iv) promoting the use of technical assistance to strengthen economic reforms and development, including direct support to strengthen firms in these countries.

Country Eligibility Requirements

The criteria to be fulfilled for AGOA eligibility include:

- i) Establishment or making continual progress towards establishing:
 - a market-based economy that protects private property rights, incorporates an open rules-based trade system, and minimized government interference in the economy through measures such as price controls, subsidies, and government ownership of economic assets;
 - the rule of law, political pluralism, a fair trial and equal protection under the law;
 - economic policies to reduce poverty, availability of health care and educational opportunities, expand physical infrastructure, promote the development of private enterprises, and encourage the development of capital markets through micro-enterprises or other programs;
 - the protection of internationally recognized workers' rights, including the right of association, the right to organize and bargain collectively, a provision on the use of any form of force or compulsory labor, a minimum age for employment of children, and acceptable conditions of work with respect to minimum wages, hours of work, occupational safety and health;
- ii) Countries are required not to engage in gross violation of internationally recognized human rights or provide support for acts of international terrorism and cooperate in international efforts to eliminate human rights violations and terrorist acts; and
- iii) Countries are required not to engage in activities that undermine United States national security or foreign policy interests.

4.4. The cotton sector chain

Given the paucity of data, the study has attempted to shed light on the value added effect through the marketing margin build-up computed along the transaction links of the raw cotton–lint cotton–yarn–fabric garment on the one hand, and that of cottonseed–edible oil–oilcake on the other. The computation made to estimate marketing margin is based on primary data collected on conversion or extraction rates at the different stages of processing cotton and prevailing selling prices (as of July 2004) from existing prominent industry actors in cotton processing (ginning and textiles factories) and trading activities. Accordingly, the prevailing average ex-ginnery price of raw cotton stands at Birr 390/quintal. The required quantity of raw cotton to produce 1kg of lint cotton is about 1.75kg at an average lint-extraction rate of 57 percent. The selling price of lint is currently averaged at about Birr 13.50/kg ex-ginnery; and the ex-factory price of cotton yarn and knit garment is Birr 20.00/kg and Birr 43.00/kg, respectively (Table 4.17a).

Table 4.17a: Input Data and Computation Details

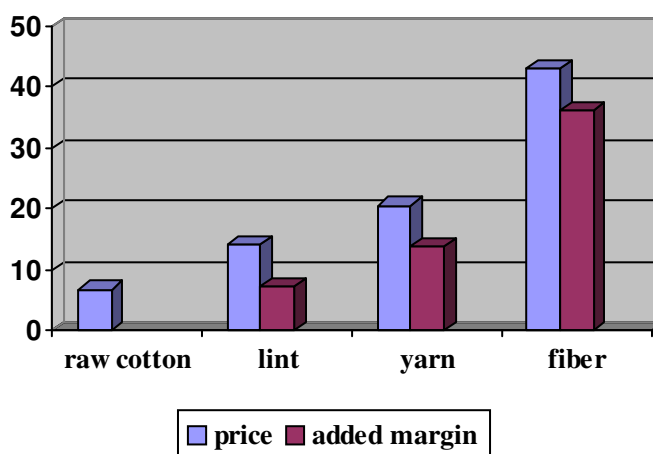
Description	Unit price/qty/
Raw cotton-lint-yarn-garment fabric	
Ex-ginnery price of raw cotton/kg	Birr 3.90
Required cotton/ 1 kg lint @57% av. extraction rate	1.75kgs
Ex-ginnery price of raw cotton for 1kg lint (1.75 @Br3.90)	Birr 6.83
Ex-factory lint price/kg	Birr 13.50
Ex-ginnery cottonseed price/kg	1.07/kg
Ex-factory price of lint/kg	13.50
Required lint/ 1kg yarn @5% waste rate	1.05kg
Ex-factory lint price for 1kg yarn (1.05kg @Br13.50)	14.20
Ex-factory yarn price/kg	20.00
Required yarn/ 1kg fabrics @3% waste rate	1.03kg
Ex-factory yarn price for 1kg fabrics (1.03kg @Br20.0)	20.60
Ex-factory garment fabrics/kg	43.00
Cottonseed-edible oil-oilcake	
Ex-mill cottonseed price/kg	1.20
Required cottonseed/1Ltr oil	7.96kg
Ex-mill cottonseed price for 1L oil (7.69kg @Br1.20)	9.23
Ex-mill wholesale price of oil/L (a)	10.25
Retail selling price of oil/L	11.50
Oilcake residual/ 1L oil produced	6.92kg
Oilcake value (@Br 1.10 ex-mill selling price) (b)	Birr 7.60
Ex-mill oil and oilcake value (a+b)	Birr 17.85

Source: Dire Dawa Textiles Factory, Awassa Textiles Factory, Siedi M. Ginnery (one of the old public ginning plants located at Gondar town, transferred to private ownership through the EPA), and selected oil mills, wholesalers and retailers in Addis Ababa.

Table 4.17b: Summary Table for Added Margin at Each Cotton Processing Stage

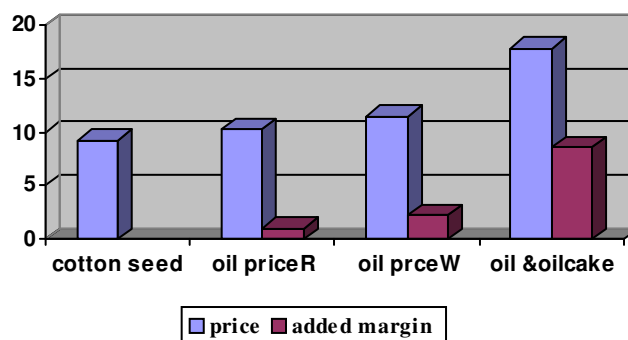
Description	Price (Birr)	Marketing Margin
Raw Cotton to fabric garment:		
Ex-ginnery raw cotton price for 1kg lint (1.75 @Br3.90)	6.83	-
Ex-factory lint price for 1kg yarn (1.05kg @Br13.50)	14.20	7.37
Ex-factory yarn price for 1kg fabrics (1.03kg @Br20.0)	20.60	13.77
Ex-factory garment fabrics/kg	43.00	36.17
Cottonseed to Oil and Oilcake:		
Ex-mill cottonseed price for 1L oil (7.69kg @Br1.20)	9.23	-
Ex-mill wholesale price of oil/L	10.25	1.02
Retail selling price of oil/L	11.75	2.52
Oil and oilcake ex-mill sales (a+b)	17.85	8.62

Figure 2: Cotton-Lint-Yarn-Fiber Chain



As indicated in Fig. 2 (Table 4.17a), the resulting increase in marketing margin for the cotton products at each stage of processing varies significantly, with the margin obtained in converting raw cotton to lint through ginning being the lowest. However, it should be noted that the ginneries also obtain significant income generated from the sales of the by-product (cottonseed) which is used as a principal raw material for the oil mills to manufacture edible oil and oilcake for animal feed. Fig. 3 (Table 4.17b) shows the marketing margin in cottonseed, edible oil and oilcake chain.

Figure 3: Cotton seed-Ex mill oil Price-Retail oil price-Oil & Oilcake sales Chain



The edible oil sub-sector is a relatively well-developed processing agro-industry in Ethiopia, accounting for a significant share in terms of employment and output within the food-processing sector. Cottonseed is among the major oilseeds used as prime raw material for the production of edible oil. According to the Ministry of Agriculture (MOA), the country's annual oilseed output, including cottonseeds, available for edible oil processing was about 170,800 metric tons over the period 1994/95 to 1998/99, of which cottonseeds accounted for about 24%. The total domestic production of edible oil extracted³ over the years appears never to have surpassed the figure of 23,000 metric tons, which is largely accounted for by the small private producers (about 15,000 metric tons (65%) and the balance 8,000 metric tons (35%) by the industrial producers. Given the annual production volume of about 40,180 metric tons of cottonseeds over the period 1994/95 to 1998/99, the level of edible oil extracted from this important source is estimated at 7,230 metric tons per annum (close to 30% of the total). In terms of value, the total value of production of edible oil, extracted from cottonseed, is estimated at about Birr 101.2 million (or USD 12.0 million) per annum, assuming an average price of Birr 14/kg for edible oil.

4.5. Policies, institutions and incentive schemes

The present government has accorded special emphasis for the promotion of the textile sector, taking it as one of the strategic industries for the country's development endeavor. The strategic significance of the sector lies in the fact that (i) it employs a large magnitude of labor force, (ii) it is a domestic resource-based industry having a strong backward linkage with the agricultural sector for its principal raw material, lint cotton; (iii) it has the potential of enhancing the country's foreign exchange earnings through the wide range of exportable products; and (iv) the size of the domestic market for textiles and apparel products is high.

4.5.1. Policies and strategies

Agricultural Development-Led Industrialization (ADLI) has been identified as Ethiopia's long-term development strategy by the current government. It is believed that agriculture can serve as the driving force for the rest of the economy. The pace of economic growth will be

³ The given average rate of extraction of edible oil from cottonseed is indicated in a study made by the Development Bank of Ethiopia "An Assessment of Oil Seed Extraction Rate", Research and Planning Department, May 1996, p.15. The rate is being applied by the Bank as a parameter for appraising loans for the establishment of edible oil industries.

decided by agriculture directly, through its contribution to the growth of GDP, and, indirectly, through its forward and backward linkage effects with other sectors of the economy.

The Industrial Policy incorporates several measures to enhance the development of the sector. Among these measures are establishing and strengthening institutions necessary to promote industrialization and creating a conducive environment for industrial development by developing infrastructure and expanding national technological capacity. The government has also devised an Export Development Strategy (issued in February 1998) with the objective of maximizing the gains from surplus venting through productivity improvement and cultivation of unused land, utilizing the advantage of natural resources for exports of high-value agricultural products, and opening a new basis of exports of manufactured goods, grounded on the country's comparative advantage of labor (MoTI, DTIS 2003). Discovering exportable mineral and fuel deposits is also an important part of the export strategy.

The Export Strategy document states that given Ethiopia's comparative advantage, cotton should be encouraged as a significant exportable item. "There is abundant scope for the production of both short and long fiber cotton that can be grown under rain-fed and irrigated agriculture. Traditionally, cotton production has been targeted at only the domestic market, even when the net social benefit was likely to be greater in exporting the medium and long fiber cotton, cultivated in Afar region, and importing short fiber cotton for the consumption of the textile industries. It is now proposed to reverse this strategy and treat cotton as an exportable product, by keeping trade policy neutral between exports and imports of cotton"⁴. Regarding textiles and clothing, the Export Strategy underlines the need for Ethiopia to enter the export market urgently. It adduces two reasons for this. "First, clothing offers a good possibility of increasing exports. Second, it is a good entry point for the development of a competitive textile industry domestically"⁵.

With respect to textiles and garment sector, "the proposed strategy is to encourage domestic investment operating under international sub-contracting, and technical/management agreement, rather than attracting foreign investment, which is likely to result in a much slower development of the clothing industry. The local firms would, in effect, operate on a fee basis for a CMT (cut, make and trim) service. Foreign firms would provide training, technical as well as managerial, choose or even supply fabrics and components, determine design, and market the product under a multi-year contract. Additionally, a management contract may well be needed to start-up production, at least for the bigger firms"⁶. Affirming that size is not a determinant factor, the Export Strategy encourages clustering of firms to create externalities. The overriding concern, the strategy stipulates, should be to attain an explosive growth-oriented garment industry.

4.5.2. Institutional support

The following are among the major institutions that support and facilitate the operations of the various economic actors in the country including operators in the cotton/textiles sector.

i). Ethiopian Employers' Federation (EEF)

The Ethiopian Employers' Federation (EEF) is a non-profit making and non-political organization formed on voluntary basis. The Federation was established in 1964. It was dissolved in 1978 by the Derg government while unions and federations of workers gained currency. The only body representing employers was the Ethiopian Chamber of Commerce.

The Federation was re-established on May 26 1997 having 11 member associations and enterprises. Its objective is to work amicably with workers' federations as partners, in accordance with the ILO Convention which stipulates the existence of the tripartite stakeholders namely, Workers (CETU), employers (EEF) and government (MOLSA). The

⁴ Export Development Strategy, Addis Ababa, February 1998.

⁵ Ibid.

⁶ Ibid.

tripartite structure helps to develop and improve industrial peace, productivity and profitability in the industries of the country.

Ethiopian employers can be broadly classified into two: private and public enterprise employers, and their proportion in the total registered EEF members is almost equal. The role of labor unions is relatively stronger in the public enterprises than in the private ones mainly because private employers still have bad memories of how unions intervened in the management of their companies during the Derg regime. Such a negative attitude, which has developed over the years on the part of private employers, has hampered the role of labor unions in improving productivity and profitability of their enterprises.

ii). The Confederation of Ethiopian Trade Unions (CETU) and The Federation For Textile Sector Labor Union

As stipulated in its constitution, the main objectives of CETU are: (i) to defend the rights and interests of Ethiopian workers; (ii) to organize workers and strengthen the unity of those organized; (iii) to contribute its due share for peace, democracy, human rights and peoples' equality; (iv) to strive for the establishment of good relationship between employees and employers and their organizations; (v) to represent workers in the labor unions; and (vi) to actively participate in nation building. With the prime aim of creating conducive conditions for workers and basic labor unions,

The Federation For Textile Sector Labor Union was formed in 1994 with 28 basic labor unions. Presently, it has 40 associations (basic labor unions). The total number of members was estimated to be 25032 up to June 2003. This figure constitutes both permanent and contract workers. Out of these, textile related enterprises, both public and private, have about 17336 workers in which 8499 (49.02%) are male and 8837 (50.98%) are female.

Public enterprises' trade unions are relatively stronger than private ones. Private enterprises' employers are reluctant to allow their workers to organize themselves under trade unions. As a result, the employees' attempts to organize and assure their fundamental rights at work are met with stiff resistance by the employers.

iii). The Ethiopia and Addis Ababa Chambers Of Commerce (ECC & AACC)

The Ethiopia and Addis Ababa Chambers of Commerce are working to promote and support the development of the country's industrial sector. The chambers are mainly involved in advocacy and training activities. They also work with the government to curtail the problem related to the expansion of illicit trade thereby protecting the interests of their members. Furthermore, the chambers provide valuable assistance to the Manufacturing Owners' Association on: capacity building, export promotion, and labor related issues.

iv). Government institutions

The Ministry of Labor and Social Affairs (MOLSA) is empowered to coordinate the labor administration system of the country. It is responsible for organizing, coordinating and monitoring of the labor administration system. The ministry is mainly concerned with occupational safety and health measures, labor inspection, industrial relations and labor statistics, and vocational training.

Ministry of Trade and Industry (MoTI)

MoTI is responsible for issuing policies, strategies, and also providing strategic support related to the promotion and development of trade and industry in the country. Textiles manufacturing is among the strategic sectors accorded top priority by the Ministry.

Ethiopian Investment Authority (EIA)

The Ethiopian Investment Authority promotes investment in the country. It gives special investment incentives to investors in the form of customs import-export duties exemption, income tax holiday and Research & Development incentives. It also conducts contract services for foreign and local investors.

Ethiopian Privatization Agency (EPA) and Public Enterprises Supervisory Agency (PESA)

PESA provides support to public sector enterprises seeking to establish various types of partnership arrangements with potential foreign partners. Whilst the Management Boards of these enterprises are free to conclude partnership deals of purely technological and commercial nature, in those areas involving equity sale and lease, EPA supervises and effects transfer to private owners. In the case of Joint Ventures, however, the final decision is made jointly by PESA and EPA.

Ethiopian Export Promotion Agency (EEPA)

EEPA is established to promote the country's exports. Support services provided by EEPA include: Professional support and training to exporters; alleviate problems faced by exporters by ensuring that export-related procedures of institutions relevant to export trade are conducive to the country's export development; undertake and disseminate to exporters supply and market studies on exportable products that will enhance the country's competitiveness in overseas markets; link up Ethiopia's exporters with foreign importers; provide support to exporters in order for them to participate in regional and international trade fairs and other trade promotion events; collect, analyze and disseminate trade-related information to the business community and provide inquiry reply services; and encourage the existence of coordinated and efficient working arrangements among producers, exporters and service providers."⁷

4.5.3. Incentive schemes

The Government has devised a number of incentive schemes targeting private operators engaged in export manufacturing. Among the major incentive schemes that already exist are:

i). Exemption from Customs Duty

An investor who invests in pioneer or priority activities and fulfils the minimum capital requirement shall be exempt from payment of customs duty on investment capital goods such as plant machinery and equipment necessary for the establishment of a new enterprise or of the expansion or upgrading of an existing enterprise. The exemption also includes spare parts of up to 15% of their value. Investment activities in the textile sector eligible for duty-free privilege includes production of fiber crops, manufacture of yarn, thread, apparel and fabrics, among others.

ii). Export incentives

There are no taxes on export products and services from Ethiopia, except on raw coffee. Many duty incentive schemes are provided by Proclamation No. 249/2001, for individuals or firms engaged in export trade.

The National Bank of Ethiopia (NBE) has recently introduced an Export Guarantee Scheme (EGS) for non-coffee exporters so as to provide them with access to bank loans without any other collateral requirement with the prime aim of fostering diversification of the country's exports. Besides, a special loanable fund to finance investment costs of export manufactures

⁷ EEPA, Newsletter, March 2001.

is channeled through the Development Bank of Ethiopia (DBE) on a more relaxed and concessional terms.

iii). Financing of imported inputs

The buyer of finished goods abroad could either supply the inputs directly or arrange a supplier's credit through a bank abroad. In either case, what would be needed is for the NBE to allow commercial banks open import L/C which amounts to a short-term loan of imports, for exporters with committed L/C. The supplier's credit will then be liquidated simultaneously with the export L/C payments abroad.

iv). Exemption from income tax

An investor who invests in pioneer investment activities by establishing a new enterprise shall be exempted from income tax ranging from one to five years on the following conditions specified under Regulations No. 7/1996 depending on the location and priority of the new investment: (i) where the investment is in Addis Ababa, Nazareth or in a locality within a radius of 15km of the highway connecting the two cities, the period of exemption is 3 years; (ii) where the investment is in relatively underdeveloped regions, the period of exemption is 5 years; and (iii) notwithstanding the above provision, a foreign investor whose investment is no less than USD 300,000 is exempted for 2 years. Existing firms undertaking expansion are also beneficiaries of the income tax holiday for up to two years depending on priority of activities involved.

4.6. Key constraints facing Ethiopia's cotton sector

4.6.1. Cotton farming constraints

Ethiopia has a huge potential for cotton production. However, the potential remains untapped as cotton output and yield could not improve due to various constraints.

i). Backward and unsafe farming techniques

The practice of cotton farming in Ethiopia involves poor traditional farming tools and techniques, particularly in the peasant farms. Harvesting practices in all cotton farms involves handpicking while weeding is done by a combination of hand and machines. Cotton farmers, especially smallholders, are exposed to unsafe working conditions and health hazards. They are exposed to pandemic diseases like malaria that are found in almost all cotton plantations in the country.

ii). Inadequate availability of improved inputs

The availability and proper utilization of improved farm inputs including high-yield seed varieties, fertilizers, pesticides, and herbicides is crucial. The available seeds of cotton varieties in the country are inadequate and not developed through research to meet the minimum acceptable international standards of quality (fiber strength, fiber length, whiteness, trash content, fitness and maturity). These deficiencies have severely deterred production and productivity of cotton in the country.

iii). Limited irrigation practices

Irrigation farming practices are restricted to a few state and large-scale commercial cotton farms. The other areas are rain-fed where erratic rains frequently cause crop failures or cotton harvests of inferior quality. The level of production in the non-irrigated areas is also unpredictable because of unreliable rainfall conditions. In the irrigated farms, silt deposits are often not properly removed through dredging and cleaning and the sludge problem makes underground pipes untenable.

iv). Lack of clear policy on land rights

Damage from uncontrolled livestock grazing in pastoral areas (e.g. Afar Region) has also greatly hampered the development of cotton farming. Lack of a clear land policy and traditional property rights, prevailing in these areas, have created great inconveniences to private investors and many have reportedly abandoned their farms (EEA 2000).

4.6.2. Manufacturing constraints

Similar with the cotton farming sector, the problems and constraints facing the ginneries, textiles and garment factories are diverse and complex. Most of these constraints are not unique to the sub-sector, but shared by all other sub-sectors of the manufacturing sector in Ethiopia as well.

i). Very old and obsolete machinery and equipment

Most of the large-sized cotton processing mills established in the period 1950-60 have not been modernized. Even the relatively newer ones such as Awassa, Kombolcha, and Arba Minch Textiles, are aged 15-23 years. As the government is undertaking a privatization program, it has not been willing to make new investment or capital injection to rejuvenate the mills.

ii). Poorly-trained and unmotivated labor

Although Ethiopia has a huge and cheap labor force, the need for adequately trained manpower, with high standards of work ethic and culture, is of paramount importance. Low worker dexterity, prevalence of old and obsolete industrial machines, low pay motivation of workers and poorly developed industrial culture have greatly contributed to low labor productivity. The lack of trained manpower and specialists is severe especially in the finishing process of textile products (dyeing, printing, bleaching etc.), thus weakening their demand in foreign markets.

The fact that a large proportion of the textile/garment factories are still state-owned is also perceived as one major factor constraining their performance, productivity and competitiveness. The state-ownership of these enterprises has also prevented recruitment of a well-qualified, experienced and dynamic management staff since employment and promotion in these enterprises largely preclude competence and relevant qualification and experience as criteria. As a result, most of the factories are being managed by underpaid, relegated and incapable management and marketing personnel. The government has recently introduced the process of contract management to address the problem. A case in point is the Kombolcha Textile Factory where a Chinese company have been contracted to run the factory.

iii). Weak linkages and coordination within the industry

The links between the several manufacturing stages in the cotton-textile-garment processing chain are not strong. The working relation between textile mills and garment factories is so loose that, for instance, a request for fabrics by the latter is not answered promptly by the former. The textile mills, though comparatively large, have also failed to flexibly meet the demands of small and medium garment factories in terms of the right lot size, width and color.

Locally produced packaging materials are also generally of inferior quality. Boxes are usually badly printed and finished. The Ethiopian textile industry imports more than 3000 tons of dyeing, printing, sizing, pre-treatment and other chemicals every year. All manufacturing dye-stuffs have to be imported. Neither cones nor bobbing are locally produced. Except for one local factory, which supplies a very small proportion of the demand, maize starch is predominantly imported from overseas.

iv). Local market orientation

The textile and garment factories in Ethiopia were originally established to satisfy the local market of the country. The factories were not export-oriented and issues like enhanced productivity, quality products and managerial capability were not taken seriously. During 1996 to 1998, for instance, only one percent of the sector's annual production was exported. Given the very low purchasing power of the country's population, such excessive dependence on domestic market outlets has also greatly affected capacity utilization and profitability levels.

vi). Competition from illegal imports

Imports of textiles into the country could be categorized as legal imports and contraband. The main source of origin for both legal and illegal fabrics and ready-made clothes is East Asia, particularly countries such as China, Thailand, Taiwan and South Korea. The local market of the textile mills has been shrinking due to cheaper imports. It is often alleged that a large proportion of what is termed as "legal" imports is in fact under-invoiced or dumped products. Used clothes account for about 59% of the illegal textile imports. Effective regulatory intervention is required to ensure fair competition.

4.6.3. Constraints related to support institutions

i). Institutional deficiencies

The absence of institutional framework has severely constrained the performance of the cotton sector in Ethiopia. A major problem in the development of the cotton sub-sector is the absence of an institutional framework to initiate and implement development programs. Extension services to ensure adequate and quality cotton production are limited or non-existent in the case of smallholder peasant producers. Likewise, institutions which can support the textiles manufacturing sector through providing information on markets and sources of technology, technical assistance and expertise are inadequate or non-existent.

ii). Lack of information support system

Information support systems, especially on market potential, designs, best practices, partnership opportunities, are undeveloped. Except for limited participation in trade fairs, promotion in the form of advertising in foreign media, making contacts, and stationing own agents abroad are not undertaken. The benefits of decreasing transaction costs associated with rapid technological progress in the field of communications, which have made it easier for global producers to compete at any marketplace, have yet to be explored in Ethiopia. The use of the Internet for marketing purposes is largely unknown.

iii). Inadequate financial services

Cotton producers have often faced serious financial shortages to purchase technical inputs such as fertilizers, chemicals for pest control, as well as necessary farm equipment. Likewise, lack of finance was cited as the major constraints deterring the performance of the textile and garment firms, according to the CSA survey in 2000/01 (Table 4.18).

Table 4.18: Summary Table for Major Challenges Facing Ethiopia's Cotton Sector

Key constraints	Adverse effects
Cotton farming constraints:	
i) backward and unsafe farming techniques	-very low output and yield; -farm workers exposed to health hazards at work
ii) inadequate availability of improved inputs	-very low output and yield
iii) limited and improper irrigation practices	-very low output and yield
iv) lack of clear policy on land rights in pastoral areas	-private investors discouraged to participate in commercial cotton farming in these areas
Processing and manufacturing constraints:	
i) unmotivated and poorly trained labor	-very low wage income and poor working condition for factory workers representing the majority; -low output and productivity
ii) very old and obsolete machineries and equipment	-workers highly vulnerable to work-related diseases such as respiratory and skin illness; -high rate of accidents and physical damage at workplace; -women workers suffer from swelling of blood vessels for standing longer hours under strains of physically tasking manual jobs; -low level and quality of products and low productivity
iii) weak linkages and integration	-excessive dependence on imported intermediate inputs;
iv) local market orientation	-poor product-quality, limited possibility for product development and competitiveness in the global market; -low production capacity rates; -low level of profit and growth
v) competition from illegal imports	-shrinking market share of existing firms in the local market
Constraints related to support facilities:	
i) institutional deficiencies	-limited use of improved technologies and modern farming methods;
ii) absence of information support system	-high transaction costs related to communications and technological progresses.
iii) inadequate financial services	-under utilization of capacity resulting in low profitability; -limited chance for expansion and investment in new advanced technologies.

5. LABOUR PRACTICES IN THE COTTON SECTOR

5.1. Formal sector including farming

5.1.1. Employment, remuneration and benefits

(a). Employment pattern

The total employment generated by the surveyed firms, as depicted in Table 5.1, stands at 25,796. But much of this employment is accounted for by the seasonal opportunity associated mainly with picking cotton in the farms. Temporary employment accounted for about 65.5% of the total employment or 76% of the employment in the farm and ginnery group. Permanent employment accounts for about 34.5% of the total employment. However, the labor force accounts for about 96 and 91 percent of the total employment in the garment and print and textile firms, respectively. On the other hand, apprenticeship and self-employment (including family labor) opportunities are insignificant and are limited to the farms. The combined share of self-employment and apprenticeship is only about 0.1% of the total employment for the surveyed firms and farms.

Table 5.1: Total Employment Generated by the Surveyed Farms and Firms

Sub-sector	Permanent	Temporary	Self employed and		Total
			Family labor	Apprentice	
Farms and Ginnery	5139	16609	14	12	21774
Garment and printing	1635	75			1710
Textile	2105	207			2312
Total	8879	16891	14	12	25796

Source: Surveyed farms and firms.

While the sector is an invaluable source of employment, some studies reveal a declining trend in the size of employment in the sector. According to Mulat *et al.* (2003), employment in the textile industry has declined, on the average, by 2.4% and 3.7% per annum during the period 1984/85-1991/92 and 1992/93-1999/00, respectively. As indicated in Section 3, many permanent employees were also displaced from the state cotton enterprises as redundant workers following the post-1991 reform measures, though the expansion of the private cotton farms has generated new employment opportunities.

The gender distribution of the occupational structure of employment in the surveyed firms, presented in Table 5.2, shows that women make up 44.6% of the total workforce. Although women are dominant in the garment and printing industry (84%), they account for only 29 and 38 percent of the textile and farm and ginnery sub-sector, respectively.

Table 5.2: Employment by Gender (%)

Sub-sector	Male	Female	Total
Farm and ginnery	62.0	38.0	100.0
Garment and printing	16.1	83.9	100.0
Textile	70.9	29.1	100.0
Total	55.4	44.6	100.00

Source: Surveyed farms and firms.

Occupational distribution of the labor force in the surveyed firms and farms, as shown in Table 5.3, reflects that the cotton sector generates mainly low-skill employment opportunities. Production, clerical and service workers (guards, office messengers, janitors, etc.) make up 92% of the labor force employed. By contrast, professional employees constitute 2.4% and managerial and administrative employees account for about 2.8% of the total employment.

Table 5.3: Employment by Occupational Category (%)

	Farm and ginnery			Garment and printing			TOTAL
	Male	Female	Total	Male	Female	Total	
Managerial	1.7	0.4	1.2	28.5	2.8	7.0	2.9
Professional	1.8	1.1	1.5	18.6	1.7	4.5	2.4
Clerical	2.6	1.5	2.2	6.8	3.1	3.7	2.6
Production worker							
- Skilled	4.2	0.6	2.8	28.9	83.6	74.8	23.6
- Semi-skilled	6.8	0.3	4.3	1.1	6.4	5.6	4.6
- Unskilled	56.6	87.2	68.6	0.0	0.0	0.0	48.8
Service workers**	26.2	8.9	19.5	16.0	2.3	4.5	15.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Surveyed firms and farms.

** These refer to guards, janitors, messengers, etc.

N.B. Data from the textile company has no clear classification of workers by occupation.

Educational level of the workers can be inferred from the profile of the employees interviewed for the study. Table 5.4 shows that only two employees (2% of the respondents) have B.A / B.Sc degree, while 19 employees (16%) have diploma level qualifications. In other words, about 82 percent of the employees interviewed have no university level education. Vocational or technical training was reported by only 13 percent of the respondents, compared to 39 percent who completed high school education.

Table 5.4: Highest Level of Education Completed

	Male	Female	Total
B.A degree	1 (1.3)	1 (2.5)	2 (1.7)
College diploma	14 (17.7)	5 (12.5)	19 (16.0)
Vocational/technical school	10 (12.7)	5 (12.5)	15 (12.6)
High-school education	30 (38.0)	15 (37.5)	45 (37.8)
Primary school education	14 (17.7)	6 (15.0)	20 (16.8)
Reading and writing through informal education	8 (10.1)	1 (2.5)	9 (7.6)
None (illiterate)	0 (0.0)	5 (12.5)	5 (4.2)
Unspecified	2 (2.5)	2 (5.0)	4 (3.4)
Total	79 (100.0)	40 (100.0)	119 (100.0)

N.B. Figures in parenthesis are percentages.

Training does not appear to be a common practice in the cotton sector, despite the low level of education. Only 27 of the 119 employees interviewed (28%) have ever received training. Only one person out of the 20 workers (5%) from garment and printing has undergone training. The proportion was slightly better for textile (33%) and farm and ginnery workers (23%). It is also striking to note that female workers have less access to training than male workers in all the three sub-sectors: only 7.5 percent of female respondents received training, compared to 30.4 percent for their male counterparts. Group discussions also revealed the quality of training is poor.

Table 5.5: Employees Reporting to Have Ever Received Training While Working for the Firm By Gender and Sub-Sector

Sub-sector	Male	Female	Total
Farm and ginnery	14 (25.5)	2 (14.3)	16 (23.2%)
Garment and printing	1 (12.5)	0 (0.0)	7 (5.0)
Textile	9 (56.3)	1 (7.1)	10 (33.3)
Total	24 (30.4)	3 (7.5)	33 (27.7)

N.B. Figures in parenthesis are percentages.

Data on worker training made available by state-owned textile and garment enterprises provide a clear picture of the capacity of training (Table 5.6). Compared to the size of employment, training opportunity in the enterprises appears quite limited.

Table 5.6: Worker Training in the Garment and Textile Enterprises, 2003/04

Topic of training	Duration (weeks)	Number of workers trained			Focal occupational category
		Male	Female	Total	
Design & pattern	12		3	3	Production
Customer service	4	1	1	2	Marketing
Operatives training	30	82	54	136	Production
Electricity	6	26	2	28	Technical
Junior mechanic training	6	2	2	4	Technical
Basic welding	6	6		6	Technical
Cleaner product	1	67	17	84	Production & Technical
Textile extension*	8	1		1	Production
Cost accounting & management	1	1		1	Finance
Quality management	1	1		1	Management
Performance audit	1	1		1	Audit
Total		188	79	267	

Source: Surveyed enterprises.

* Conducted abroad.

(b). Remuneration, benefits and job satisfaction

Average gross wages of the surveyed employees, as presented in Table 5.7, amounted to a gross salary of Birr 562.32 a month (US\$ 64.6 per month). Wages are relatively higher in farm and ginnery as well as garment and ginnery than in the textile firms. In recent years, wages appear to have been affected by declining profitability of the textile sector.

Table 5.7: Average Gross Salary/Wage of Sample Employees (birr)

		Valid N	Mean	Std		
				Deviation	Maximum	Minimum
Farm and Ginnery	Male	5	719.74	389.50	1686.00	127.00
	Female	14	594.14	372.34	1442.00	180.00
Garment and Printing	Male	8	611.38	550.89	1515.00	57.00
	Female	12	331.08	170.04	812.00	157.00
Textile Factory/Akaki	Male	16	344.75	142.84	600.00	116.00
	Female	14	330.86	175.89	868.00	116.00
Table Total		119	562.32	376.09	1686.00	57.00

Table 5.8 shows earnings by occupation and gender for the sample respondents. Management staff and professionals earn better income than the rest of the staff. The average monthly salary of managerial and administrative workers is 1.2 times that of professional workers, while the average monthly remunerations of professional employees is about 2 times that of the production workers. More importantly, the average monthly wages of most of the occupational categories, namely clerical, semi-skilled production, unskilled production and service work are substantially lower (on the average 30% lower) than the average wage for the sector.

Table 5.8: Average Gross Salary/Wage by Occupational Category and Gender (birr)

		Valid N	Mean	Std Deviation	Maximum	Minimum
Managerial and administrative work						
	Male	5	1009.00	369.21	1515.00	480.00
	Female	1	1442.00	.	1442.00	1442.00
Professional						
	Male	24	934.08	369.67	1684.00	304.00
	Female	6	665.50	351.53	1041.00	180.00
Clerical worker						
	Male	7	364.86	215.94	679.00	57.00
	Female	11	417.82	207.15	812.00	180.00
Production worker - skilled						
	Male	3	1180.00	440.62	1686.00	881.00
	Female	4	316.25	177.36	569.00	157.00
Production worker - semiskilled						
	Male	23	411.30	211.89	1041.00	116.00
	Female	10	323.90	188.91	809.00	116.00
Production worker - unskilled						
	Male	5	549.40	177.80	742.00	347.00
	Female	2	235.00	21.21	250.00	220.00
Service worker						
	Male	12	352.38	214.33	621.00	127.00
	Female	6	319.67	62.95	404.00	260.00
Total		119	562.32	376.09	1686.00	57.00

The interviewees were asked if bonuses were paid at the end of the year and if they have access to overtime payment to supplement their income. Only about 40 percent of the individuals sampled reported to have had bonus payment and all of these except one are from farm and ginnery firms (Table 5.9). Nearly all employees from garment, printing and textile reported no additional pay. Financial difficulties may have contributed to the lack of such incentives.

Table 5.9: Employees Reporting Bonus Payment and Overtime Work

	Farm and ginnery	Garment and printing	Textile	Total
Bonus payment	46 (66.7)	0 (0.0)	1 (3.3)	47 (39.5)
Overtime arrangement				
Regular	1 (1.4)	0 (0.0)	0 (0.0)	1 (0.8)
Occasional	35 (50.7)	14 (70.0)	5 (16.7)	54 (45.4)
Not at all	33 (47.8)	6 (30.0)	25 (83.3)	64 (53.8)

N.B. Figures in parenthesis are percentages.

People with low income are sometimes forced to hold two or more jobs in order to augment their income. Nevertheless, not many workers in Ethiopia are actually involved in such arrangement. Of the 119 employees interviewed, only three (two men and a woman) (2.5%) were found to hold one additional job (Table 5.10).

**Table 5.10: Employees Reporting Additional Job
(other than the one they were found to be working for)**

Sub-sector	Male	Female	Total
Farm and ginnery	1	1	2
Garment and printing	0	0	0
Textile	1	0	1
Total	2	1	3

The study also attempted to gauge the extent to which the respondents were content with their basic earnings. The results, as summarized in Table 5.11, indicate that only 41 employees (34%) claimed to have covered their monthly expenses with their basic earnings. Consistent with the reported income level, the level of satisfaction was higher for workers of

garment and printing (50%) followed by farm and ginnery (41%). Only three workers (10%) of the textile firm were able to meet their monthly expenses with their basic earnings.

Job satisfaction for the selected employees was also found to be low, with only 46 percent reporting satisfaction. Dissatisfaction is highest in the textile factory (67%) (Table 5.12). It was also observed that discontent is slightly higher among men than women, although men were found to earn a higher salary. Several reasons have been given for the dissatisfaction. Undoubtedly, job satisfaction is mainly related to earnings in the cotton sector (Table 5.13).

Table 5.11: Employees Reporting to Meet Monthly Expenses from Basic Salary

Firm/Establishment	Gender of respondents		
	Male	Female	Total
Farm and Ginnery	21 (38.2)	7 (50.0)	28 (40.6)
Garment and Printing	6 (75.0)	4 (33.3)	10 (50.0)
Textile Factory/Akaki	2 (12.5)	1 (7.1)	3 (10.0)
Total	29 (36.7)	12 (30.0)	41 (34.4)

N.B. Figures in parenthesis are percentages.

Table 5.12: Employees Reporting to be Satisfied with Their Current Job

Firm/Establishment	Gender of respondents		
	Male	Female	Total
Farm and Ginnery	24 (43.6)	9 (64.3)	33 (47.8)
Garment and Printing	5 (62.5)	5 (41.7)	10 (50.0)
Textile Factory/Akaki	5 (31.3)	5 (35.7)	10 (33.3)
Total	34 (43.0)	19 (47.5)	53 (44.5)

N.B. Figures in parenthesis are percentages.

Table 5.13: Possible Reasons for Job Dissatisfaction

	Gender of respondents		
	Male	Female	Total
Underpaid	39	18	57
Over qualified for the job	12	2	14
Under qualified for the job	4	2	6
Idle/under utilized	5	3	8
Very busy/over utilized	9	5	14
Risky	13	4	17
Bad working conditions	2	1	3
Total	84	35	119

5.1.2. Social protection

Social protection encompasses the broad areas of income security, health protection and the assurance of safe and healthy working conditions. In their most comprehensive form, social security systems, as stipulated in the Social Security (Minimum Standards) Convention, 1952 (No. 102), are aimed at providing different types of benefits, including medical care, sickness benefits, maternity benefits, survivors' benefits, and old-age benefits. Access to clean potable water and sanitary conveniences at workplace is also a basic requirement.

5.1.2.1. Social security

The provision of social benefits to employees has been a major strength of the former socialist government. It appears that the provision has been maintained in the state enterprises and many private firms have provision for at least some services (Table 5.14). For instance, all employees of the textile factory and 83-85 percent of the sample employees in the farm, ginnery, garment and printing firms have access to medical care that covers up to 100 percent of the total expenses. About 48 percent of the total respondents reported that their employment contracts include educational benefits. Housing allowance is largely limited to employees of the ginnery. Some enterprises also provide transport services or allowances for some of their employees.

Table 5.14: Employees Reporting Access to Social Provisions

Services	Farm and ginnery	Garment and printing	Textile	Total
Medical benefits	57 (82.6)	17 (85.0)	30 (100)	104 (100.0)
Housing allowance/ benefit	21 (30.4)	0 (0.0)	1 (3.3)	22 (18.5)
Education benefit	49 (71.0)	5 (25.0)	3 (10.0)	57 (47.9)

N.B. Figures in parenthesis are percentages.

As shown in Table 5.15, many workers benefit from the provision of insurance and pension or provident fund. Pension/provident payment upon retirement is available for 77 percent of the total respondents. Access to such scheme is higher in government-owned textile, ginnery and garment firms as well as state farms.

A significant deficit in the provision of unemployment or layoff compensation is observed in the garment and printing firms (10%). Provision for old age (pension or retirement) is reported by only 67 percent of the employees from the cotton farm and ginning establishments, compared to 90 and 93 percent of the respondents from garment and printing and textile firms, respectively. Access to mechanisms of social protection is lacking in the smallholder cotton farms.

Table 5.15: Employees Reporting Provision for Contingencies

	Farm and Ginnery	Garment and Printing	Textile Factory/Akaki	Total
Illness	28 (40.6)	10 (50.0)	29 (96.7)	67 (56.3)
Disability	56 (81.2)	11 (55.0)	26 (86.7)	93 (78.2)
Invalidity	30 (43.5)	10 (50.0)	22 (73.3)	62 (52.1)
Death	53 (76.8)	5 (25.0)	26 (86.7)	84 (70.6)
Unemployment (layoff)	25 (36.2)	2 (10.0)	29 (96.7)	56 (47.1)
Pension/provident	46 (66.7)	18 (90.0)	28 (93.3)	92 (77.3)

About 60 percent of the respondents have a fear of losing their job (Table 5.16). Women also felt slightly more insecure than men (63 for females as opposed to 58% for males). Employees of state firms/farms fear that they will lose their job as a result of privatization. Other reasons which contribute to fear of losing job include poor financial position of the enterprise they work for, lack of adequate and relevant qualification, and temporary employment status.

Table 5.16: Employees Expressing Job Insecurity

	Male	Female	Total
Have fear of losing job	46 (58.2)	25 (62.5)	71 (59.7)
Have confidence of finding another job	50 (63.2)	15 (37.5)	65 (54.6)

N. B. Figures in parenthesis are percentages.

5.1.2.2. Working environment

Working days per week and working hours per day tend to be longer for farm workers. On average, farm workers work about 6 days in a week and about 8:30 hours per day, while others work some 5.5 days per week and 8 hours per day.

Night work is reported as a regular duty only by 9 percent of the employees. Involvement in regular night shifts is limited to 5 farm/ginnery workers (7%) and 6 employees of the textile firm (20%). While about 38 percent of the respondents reported working during the night occasionally, the majority of the respondents (53%) never had night-time assignment (Table 5.17).

Table 5.17: Employees Reporting Night Duty

	Farm and Ginnery	Garment and Printing	Textile Factory/Akaki	Total
Regular	5 (7.2)	0 (0.0)	6 (20.0)	11 (9.2)
Occasional	32 (46.4)	13 (65.0)	0 (0.0)	45 (37.8)
No night work	32 (46.4)	7 (35.0)	26 (80.0)	63 (52.9)
Total	69 (100.0)	20 (100.0)	30 (100.0)	119 (100.0)

N.B. Figures in parenthesis are percentages.

Working hours may sometimes be stretched beyond the 8 hours, but should any worker be required to work on a public holiday or overtime, he/she is entitled to overtime premium. Such extra time is welcomed by workers because of the extra remuneration it derives.

Table 5.18 reveals that 81, 72, 68, 46, 66 and 69 percent of total respondents have access to first aid clinic, decent toilet, clean water, washing room, cafeteria, and clean working environment, respectively. There are no basic facilities for 19 to 54 percent of the sample respondents. Working conditions are generally poorer in the Middle Awash (cotton farms and ginnery) in Addis Ababa (garment and printing and textile).

Table 5.18: Respondents Reporting Access to Different Services and Utilities

	Farm and Ginnery	Garment and Printing	Textile Factory/Akaki	Total
First aid clinic	54 (78.3)	12 (60.0)	30 (100.0)	96 (80.7)
Decent toilet	38 (55.1)	18 (90.0)	30 (100.0)	86 (72.3)
Clean water	55 (79.7)	19 (95.0)	7 (23.3)	81 (68.1)
Washing room	20 (29.0)	11 (55.0)	24 (80.0)	55 (46.2)
Cafeteria / lounge	38 (55.1)	11 (55.0)	30 (100.0)	79 (66.4)
Clean environment	42 (60.9)	17 (85.0)	23 (76.7)	82 (68.9)

N.B. Figures in parenthesis are percentages.

5.1.2.3. Occupational safety and health (OSH)

(a). Work-related risks

Cotton sector workers operate in a considerably hazardous environment. The textile and garment industry has high safety problems due to the nature of the manufacturing process. The processing conditions in the textile industry are likely to cause health hazard. The environment is polluted with dust and fibers in the case of cotton spinning. In weaving, there is noise pollution due to constant exposure to sound in a weaving shed. Steam and fumes are common in finishing activities. Similarly, cutting rooms in garment factories also have a

dusty environment since fibre fabrics are cut. Moreover, the textile and garment industry is also susceptible to fire hazards.

There are also considerable risks related to occupational safety and health in the cotton farms due to mechanization and use of chemicals. Agrochemicals such as chemical fertilizers, pesticides, and herbicides are widely used on cotton farms. All the surveyed state and private cotton farms reported that they regularly use chemical inputs. Table 5.19 presents different brands of chemical inputs regularly used in the surveyed state and private commercial farms.

Table 5.19: Agrochemicals Regularly Used by Cotton Farms

Type of input	Trade name of frequently used inputs	Frequency of application*
Chemical fertilizer	Urea and Dap	1 time
Pesticide	Endosulfan 25% ULV/ EC	
	Dimethoate 40% ULV/ EC	
	Mitae	
	Ultracide	
	Korta	3 times
	Edecron	(every 3 weeks)
	Marshal	"
	Deeise	"
		1 time
		"
		"
		"
Herbicide	Glyphosate (roundup)	2 times

* In one production period.

Chemical inputs regularly used in cotton production entail risk associated with their handling, use and disposal. Farm workers are, therefore, prone to chemical hazards and the risk is greater for those involved in mixing, loading, applying and disposing these inputs. Moreover, the residues of toxic pesticides involve environmental risks like the contamination of water, soil, air and agricultural products, which adversely affect workers' health (Table 5.20).

Table 5.20: Major Suppliers of Agrochemicals

Type of input	Major suppliers	Ownership status of suppliers
Chemical fertilizer		
Pesticide	Agricultural Inputs Supply Enterprise	State enterprise
	Ambassel Trading House	Endowment*
	Wondo Trading House	Endowment*
Pesticide	Adami Tulu Pesticide Manufacturing factory	State enterprise
	Agricultural Equipment & Technical Services	State enterprise
	General Chemical Trading	Private company
	Syngenta Chemitex	Private company
	Baysum	Private company
Herbicide		
	Syngenta Chemitex	Private company
	Baysum	Private company

* Party property endowed to the public.

(b). Preventive measures

Employees in the cotton sector should be provided with appropriate safety facilities such as gloves, helmet, masks, uniforms, boots, goggles, fire-alarm, fire-extinguisher, and emergency exit doors. Information gathered indicates that most employees have no access to basic safety items. Less than 20% reported that they use gloves, masks and goggles. Fire alarm, fire extinguisher and emergency exit doors do not exist for over 80 percent of the cases. Less than 10% of the respondents reported that they undergo periodic medical check-up.

Apart from furnishing workers with protective equipment, preventive measures also include adopting proper industrial safety and health management practices. Information collected from the surveyed farms reveals that occupational safety and health have been inexistent in the private commercial farms. The state farms implement programs of occupational safety and health but they have yet to set up safety and health committees and do not provide workers' training on industrial technical safety and health.

(c). Occupational accidents and diseases

Workers in the cotton sector are prone to occupational accidents and diseases. Indeed, about 7.6% of the surveyed employees reported to have faced accidents while working. The major occupational illnesses and accidents described by farm workers are malaria, snake and insect bites, and other minor injuries. Those working for ginneries reported minor injuries and varicose vein as the typical occupational hazards they face. Unlike the private farms, the state-owned farms are provided with clinics and keep records of occupational accidents and diseases. Workers' clinic data obtained from one state farm and ginnery in 2003/04 disclosed 42 cases of minor injuries, 2 cases of partial permanent disability (loss of limb) and 21 cases of varicose vein.

The surveyed garment and textile enterprises provide workers with medical services and hence keep records of work-related accidents and professional illnesses though they are reluctant to provide information on this issue. Information obtained from a state-owned garment establishment discloses workers' clinic attendance for upper respiratory tract infection (URTI) of 189, 216 and 245 cases, respectively, in 2001/02, 2002/03 and 2003/04, indicating the pervasive nature of the problem over time.

The cost of workplace accidents and diseases in the sector includes, among other things, compensation or treatment outlays for injuries and lost workdays. However, the surveyed farms/firms do not keep records to provide reliable information on the cost of occupational accidents and diseases. They, nevertheless, asserted that they lose substantial work time due to work-related injuries and diseases. A state-owned garment enterprise puts the average man-hour loss due to work-related accidents and diseases at about 320 per week. Lack of personal protective equipment, failure to use personal protective equipment, lack of safety awareness and training are reported as the major causes of occupational accidents.

(d). HIV/AIDS at workplace

Group discussions with workers and individual respondents have indicated that a surprisingly low attention is given to control the spread of the HIV/AIDS pandemic among workers. For instance, about 50 percent of the respondents did not see any action taken by their employers to prevent HIV/AIDS during the last three years. About 51 of the respondents also reported that HIV/AIDS has never been a potential business concern of the management and the owners.

Information gathered from the surveyed farms/firms reveals that HIV/AIDS has been a potential business concern of the management and the owners of the textile and garment enterprises. Accordingly, these enterprises implement certain interventions like VCT service and awareness raising activities to control the spread of the pandemic. However, as much as 87.5% of the surveyed farms and ginneries reported that HIV/AIDS has never been a potential business concern of the management and the owners.

5.1.2.4. Fundamental rights of workers

(a). Freedom of association

The country's constitution and labor legislation guarantee the right of workers to organize for promoting and defending their interest. Accordingly, about 66% of the total respondents reported to be members of basic trade unions (Table 5.21). Unionization rates are slightly lower in farm/ginnery (59%) and garment/printing firms (60%) than in the textile firm (83%). More importantly, significant variation is observed between private and public firms. For instance, workers of private commercial farms have no trade unions, while those working in state-owned firms/farms have.

Constraints on freedom of association are observed in the private cotton farms. These farms have reported that they don't have any plan to set up unions in the near future. Any attempt by farm workers to form unions is met with strong resistance from management and owners of farms. Thus, workers are afraid to defend their fundamental rights for fear of losing their jobs. Moreover, workers in the private commercial farms are not covered by any form of collective agreement.

Data from the firms covered by the study show that the number of unionized permanent workers in the surveyed firms stands at 6864 persons, of which 3776 are male and the remaining 3094 female. Hence, the average rate of unionization is in the order of 55%. The data also reveals the existence of low rate of unionization in the cotton farm and ginning sub-sector (Table 5. 21).

Table 5.21: Employees Reporting Membership in Basic Trade Union

Firm/Establishment	Gender of respondents		
	Male	Female	Total
Farm and Ginnery	33 (60.0)	8 (57.1)	41 (59.4)
Garment and Printing	5 (62.5)	7 (58.3)	12 (60.0)
Textile Factory/Akaki	12 (75.0)	13 (92.9)	25 (83.3)
Total	50 (63.3)	28 (70.0)	78 (65.5)

N.B. Figures in parenthesis are percentages.

Though the existence of a trade union in a firm is a valuable indicator of the principle of freedom of association, union strength is important to measure the ground for effective social dialogue and collective bargaining. As shown in Table 5.22, about 76% of the respondents with union membership believe that their unions are weak (40%) or very weak (36%). The unions are viewed as very strong or strong by only 24% of the respondents with membership in basic trade unions. A similar low opinion about the strength of unions was expressed in the group discussions.

Table 5.22: Strength of Trade Unions as Judged by Member Respondents

	Gender of respondents		
	Male	Female	Total
Very strong	2 (40.0)	3 (10.7)	5 (6.4)
Strong	7 (14.0)	7 (25.0)	14 (17.9)
Weak	23 (46.0)	8 (28.6)	31 (39.7)
Very weak	18 (36.0)	10 (35.7)	28 (35.9)
Total	50 (100.0)	28 (100.0)	78 (100.0)

N.B. Figures in parenthesis are percentages.

The respondents expect union leaders to play more active role in wage negotiation, redundancy, social security and lay off issues. Some 98 respondents (82%) reported to have had serious disputes with the management over these issues over the last three years. There is a widespread feeling that many union leaders are ineffective in settling disputes in

favor of members. Union leaders admit that union membership has been declining in recent years.

(b). Child labor

Child labor is not common in the cotton production sector of the country, but one can find children less than 14 years of age in the peasant cotton farms to help their parents or guardians. However, the presence of hired children is not uncommon in the private commercial farms. For example, 8 of the 13 surveyed private commercial farms (61.5%) reported that they hire children temporarily during harvesting periods. The age and sex distribution of recently hired children reported by these farms is shown in Table 5.23.

Table 5.23: Age and Sex Distribution of Working Children, 2003/04

Age group	Male		Female		Total	
	Number	%	Number	%	Number	%
7 – 9	4	2.5	4	3.5	8	2.9
10 – 13	75	48	47	41	122	44.7
14 – 17	78	50	65	56	143	52.4
Total	157	100	116	100	273	100

Source: Surveyed private commercial farms.

The gender distribution of the working children shows that male make up 57.5% and female constitute the remaining 42.5%. The age distribution reveals the highest proportion (52.4%) of those in the age group 14 - 17, followed by those in the age group 10 - 13 that accounted for 44.7%. Accounting for about 3%, the involvement of children less than 10 years of age appears to be limited in the area. The farms reported that they employ children of age less than 14 years without their interest under the pressure of parents and relatives. The families in the area, like many rural families in other parts of the country, expect their children to work and make money to supplement family income.

The presence of hired children was neither reported by the surveyed state cotton farms and textile/garment firms nor were seen working during the survey. According to the survey results, regulations on minimum age have been applied in these farms/firms for many years. Moreover, data on the age of employees collected from the farms/firms reveal the minimum and maximum age of the employees to be 20 and 55 years, respectively. The average age of the employees in the farms/firms stands at 36.5 years.

Nevertheless, some studies indicate the incidence of child labor in state cotton farms. Table 5.24 presents data from previous survey on 100 child workers in Melka Werer cotton plantation. All the children are found to be between 7 and 14 years of age, those in the age group 10-12 constituting the majority (62%), followed by those in the age group 13 - 14 which make up 25%. The results of the survey reveal that 52% of the working children are male, 40% female, and 8% missing cases, indicating the predominance of male.

Table 5.24: Age Distribution of Working Children at Melka Werer Cotton Plantation

Age group	Frequency	%
7-9	13	13
10-12	62	62
13-14	25	25
Total	100	100

Source: Tesfamichael 1998.

The findings of the study reveal that most of the children work full-time for long hours without break, normally in excess of 40 hours per week, and get paid Birr 3.50 (US 0.50) per day, which is extremely below the minimum set by the law (Tefamichael 1998). Moreover, the

majority of working children are found to be involved in hazardous work. According to Tesfamichael (1998), "59% of the working children are exposed to agro chemical hazards during mixing and loading of fertilizers, herbicides and toxic insecticides". More importantly, the majority of the surveyed child workers have no formal education and a few are elementary school dropouts (Table 5.25).

Table 5.25: Education Level of Working Children by Sex at Melka Werer Cotton Plantation

Grade	No of working children	
	Male	Female
1-4	16	16
5-8	7	2
9-10	0	1

Source: Tesfamichael 1998.

5.1.2.5. Social dialogue

Social dialogue on issues relating to work may take place at three levels: between employers and employees in relation to terms and conditions of employment; between management and workers over the functioning of an enterprise; and between social partners and public authorities on social and economic policy.

When asked, only 55% of the respondents indicated that they have agreement on wages and working conditions (Table 5.26). The proportion is also lower for respondents from farms/ginneries (48%) than those from garment/printing (65%) and textile (63%). About 45% of the respondents have no collective agreement, indicating a substantial deficit in workers' right for collective bargaining. The majority of the respondents (56%) also felt that workers of their respective firms are not involved in a dialogue with employers with respect to conditions of employment (Table 5.27).

Table 5.26: Employees Reporting Collective Agreement on Wages and Working Conditions

	Farms and ginnery	Garment and printing	Textile	Total
Yes	33 (47.8)	13 (65.0)	19 (63.3)	65 (54.6)
No	36 (52.2)	7 (35.0)	11 (36.7)	54 (45.4)
Total	69 (100.0)	20 (100.0)	30 (100.0)	119 (100.0)

Table 5.27: Involvement in Discussion with Management/Employer in Relation to Terms and Conditions of Employment

	Farms and ginnery	Garment and printing	Textile	Total
Yes	34 (49.3)	4 (20.0)	15 (50.0)	53 (44.5)
No	35 (50.7)	16 (80.0)	15 (50.0)	66 (55.5)
Total	69 (100.0)	20 (100.0)	30 (100.0)	119 (100.0)

Respondents were also asked about their participation in discussions with management over the operation of their firm. Only 39% reported that they were consulted by the management. The level of participation is lower in garment/printing (25%) and textile (30%), compared to farm and ginnery (46%). Such low level of participation is believed to be among the reasons that contributed to the low productivity of the firms.

Collective deliberations on social and economic policies with social partners and public authorities were reported to be inadequate and non-transparent for the most part. There is a consensus among participants of group discussions that opportunities to influence government policies are minimal since trade unions are weak and have limited bargaining power.

In the state farms/firms management boards constitute important participatory institutions that provide workers possibilities to effectively participate in issues related to working conditions as well as social and economic policies. According to the "Public Enterprises Proclamation No. 25/1992", all state enterprises including those in the cotton sector are administered by management boards.

Management boards are vested with significant powers and duties that include, among other things, deciding on policy issues and approving the internal regulations of the enterprise as well as its work program and budget (Negarit Gazette 1992). In addition to the legal right of direct representation in such an influential institution as the management boards, workers in state enterprises can collectively engage, through meetings, in discussions and consultations with the boards in relation to working conditions, the functioning of the enterprises and major economic and social policy issues related to the operation of the enterprises. Moreover, discussions between unions and management boards on issues relating to workers' rights are commonly practiced in these enterprises. Accordingly, management boards can help workers in the state cotton sector to have a voice on issues that affect their rights such as privatization, which is quite sensitive to workers' needs and legal rights.

In general, the potential for meaningful social dialogue between the social partners at the national and enterprise level is constrained in the cotton sector. There is no indication that meaningful social dialogue is taking place. It has not been possible to utilize dialogue to achieve flexibility in the labor market or improve the welfare of the workers, as stipulated in the labor proclamation.

5.2. The informal weaving sector

The contribution of cottage and handicraft activities to employment is quite significant. The sector provides employment in its own right and also supplements other sources of income. The rapid population growth and the failure of the modern sector to absorb the ever-growing labor will result in renewed interest in the cottage and handicraft industry. In particular, weaving can be viewed as one of the most promising handicraft activities in Ethiopia because of the high demand for woven products.

Data for the weaving sector came from interviews with 38 randomly selected weavers living and working around Shiro Meda, Addis Ababa. Previous studies in the same area were also utilized to provide further insight.

5.2.1. Demographic Characteristics

Traditional weaving is a male-dominated activity and no female weavers are reported among the sample establishments covered in the survey. The religious affiliation of the operators indicates that most of them (68.4%) are members of the Orthodox Church while Protestants accounted for 21.1% (Table 6.1). Married respondents constituted 52.6%. Migrants from the Southern Nations Nationalities and Peoples Region (SNNPR) dominate the weaving activity of Shiro Meda.

Designing and making fine weaving products indeed requires some basic level of education. Nonetheless, 44.7% of the respondents have only primary school education and a further 31.6% are illiterate (Table 5.28). The industry is an important source of employment for the semi-literate and literate labor force. The employment status of the sample weavers shows the self-employed represent the majority, accounting for about 73.7%, followed by temporary employees that constituted 13.2% of the respondents. Weavers with the status of permanent employees and apprentices account for 7.9% and 5.3%, respectively.

Table 5.28: Education and Status of Employment

	Percent
Education	
Vocational / technical school	2.6
High-school education	21.1
Primary school education	44.7
Illiterate	31.6
Total	100
Employment status	
Permanent	7.9
Temporary	13.2
Apprentice	5.3
Self employed	73.7
Total	100

Table 5.29 shows the source of weaving skill and the method of recruitment of the surveyed weavers. Consistent with many handicraft activities, most weavers (73.7%) learned the skill from their parents. Weaving is a family tradition in which young boys start by assisting their fathers and later become independent weavers. The other equally important means of acquiring the skill, as reported by 73.7% of the respondents, is through apprenticeship. Such group of weavers start as assistants (often without pay) to family members, relatives or friends. Reported by 68.4% of the weavers, observing others weaving constitutes the third important means of learning the skill. A few respondents (6.8%) reported to have acquired weaving skill through formal training.

Table 5.29: Source of Weaving Skill (multiple response)

	Percent
Source of skill	
Formal training	6.8
Family tradition	73.7
Apprenticeship	31.8
Observing others	29.5

5.2.2. Remuneration

Weaving is a low-paying activity. In spite of the 12 working hours, the average monthly income of the sample weavers is only about Birr 202, compared to the minimum government wage rate of Birr 200 per month (Table 5.30). This average income is equivalent to per capita income of Birr 50 per month (assuming a family size of 4 persons) or about US\$ 6 per month. Survival on such extremely low level of income is only possible by forgoing most of the basic needs. Moreover, 55 percent of the respondents earn less than Birr 160 per month. Only 12 respondents reported a monthly income of Birr 320 or more.

Table 5.30: Reported Monthly Income from Weaving (in Birr)

Income Range	Percent
20 – 80	28
81 – 160	27
161 – 240	19
241 – 320	14
321 – 400	5
401 – 480	3
644 and above	4
Average Income = Birr 202.7	

Given the very low level of income, the main preoccupation of weavers is meeting subsistence requirement and basic expenses such as house rent. Accordingly, very little finance, if any, is left for the expansion of the weaving business or introduction of new technologies. For the vast majority, life as a weaver is deplorable with little or no prospect for improvement.

5.2.3. Child labor

Child labor is a pressing issue in the weaving industry. The survey result discloses that child labor is pervasive in the industry. The focus group discussions and the key informants reported that children of age 6 to 17 years are engaged in weaving. Moreover, the fact that more than half of the child weavers are those in the age group 12-15 was reflected in the group discussion. It is also observed during the group discussion that the vast majority of the children are male, which is consistent with the dictum that weaving is essentially a male-dominated activity.

Table 5.31 presents data from previous survey on child weavers in the same area (Shiro Meda). Out of the 125 weavers in the age group 6 - 17 covered in the survey, male accounted for 92% and female constituted the remaining 8%, confirming the predominance of male in the activity. The age distribution reveals the highest proportion (47%) of those in the age group 15 - 17, followed by those in the age group 12 - 14 that account for 38%. However, the figures revealed that the majority of the working children (53%) are below the age of 15 years, reflecting the acute incidence of child labor in the industry. Apparently, a fairly similar pattern of age distribution is observed for both male and female children.

Table 5.31: Age, Sex and Ethnic Distribution of Child Weavers

Age group	Sex					
	Male		Female		Total	
	Frequency	%	Frequency	%	Frequency	%
6-9	2	2	-	-	2	2
9-11	14	12	2	20	16	13
12-14	45	39	3	30	48	38
15-17	54	47	5	50	59	47
Total	115	100	10	100	125	100

Source: Adapted from Yadeta (2002).

Working hours of children engaged in the weaving industry are generally very long. Data obtained from an earlier survey is depicted in Table 5.32. It reveals that 68.5% of the 127 children surveyed work six days a week. Moreover, while the labor legislation states an 8-hour working day for adults, about 78% of the surveyed children work for more than 8 hours a day, of which 69% work for more than 12 hours per day. Quite surprisingly, 29% of the children are obliged to work as long as 16 to 18 hours a day, indicating the truly pathetic condition of working children in the weaving industry.

Table 5.32: Working Hours Per Day and Working Days Per Week for Children

Working hours	Working days									
	< Four		Five		Six		Seven		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
1 - 4 hours	1	33	1	3	4	4	-	-	6	5
5 - 8 hours			6	17	15	17	-	-	21	17
9 - 12 hours			4	11	8	9	-	-	12	9
13 - 15 hours	1	33	18	50	32	38	-	-	51	40
16 - 18 hours	1	34	7	19	28	32	1	100	37	29
Total	3	100	36	100	87	100	1	100	127	100

Source: Yadeta (2002).

5.2.4. Working conditions

A weaver in Shiro Meda, the sample survey disclosed, works 6 days in a week on average. The sample respondents reported that their daily average working hours is 11.1 hours and additional 3.3 hours at night. When compared with the official 8 working hours in a day, the hours of work for operators in the weaving industry is excessively long extending to night time, which obviously offers them little time for rest (Table 5.33). The weavers in the study

area are forced to work for such long hours in order to augment the very low and inconsistent wage rates and secure the barely subsistent income for their families. Given such tight working schedule, weavers affected by illness (causing inability to work) have limited chance of making-up for lost income. With little or no saving (due to very low level of income), households in which the breadwinner is out of work, due to illness or otherwise, are likely to face serious difficulties.

Table 5.33: Average Days and Hours of Work

	Average working days/hours	Official working days/hours	Variation
Working Days/week	5.8 days	5.5 days	0.3 days
Working hours/day	11.1 hours	8.0 hours	3.1 hours
Night work/day	3.3 hours	-	3.3 hours

In deed, working for abnormally long hours under bad working conditions— poor sanitation, unsafe water, and lack of other basic facilities—has made the weavers vulnerable to many kinds of diseases. Group and key informant discussions revealed that backache and respiratory problems (because of dust emitted during weaving) are also causing problems to the weavers. These problems are serious, particularly for those working in small rooms with no adequate ventilation.

Table 5.34: Sources of Exposure to Diseases and Poor Health

	Respondents (%)		
	Yes	No	Total
Working long hours	92.6	7.4	100
Night work	88.9	11.1	100
Poor sanitation	70.4	29.6	100
Physical fatigue	71.1	81.5	100
Obsolete and poorly maintained equipment	18.5	81.5	100

6. CONCLUSIONS AND RECOMMENDATIONS

Ethiopia has a considerable potential in cotton production and processing. However, employment opportunities remain minimal in the sector due to various constraints, including backward farming technologies, unfavorable land policy and lack of support institutions. The textile and garment sector is constrained by poorly trained and unmotivated labor, local market orientation, institutional deficiencies and lack of information support system, weak intra- and inter-sub-sectoral linkages, inadequate supply of accessories and materials, poor infrastructure, inadequate financial services, and competition from illegal imports.

The findings of the study show that there exists significant level of decent work deficits in the cotton sector. Though the sector constitutes an invaluable source of employment, available data reveal a declining employment opportunity in the sector. The post-1991 reform measures that were designed, among other things, to ensure a competitive environment, both for the private and public sector of the economy, resulted in the displacement of a significant size of the permanent employees of the state farms as excess labor. Moreover, as employment opportunities tend to concentrate in the lower range of qualifications, remuneration of workers in the sector in general, and the weaving industry in particular, is very low. Given an average monthly wage of Birr 562.32 in the formal sector and Birr 202.2 in the traditional weaving industry, a significant proportion of the workers in the sector can be labelled as the working poor.

Workers' wages are supposed to be supplemented by different social benefits, such as bonuses, payments for social services (such as educational supplement and medical services), provision of transport services, access to housing, and leave benefits such as paid annual leaves, medical leaves and maternity leaves (for female workers). However, the survey results showed that the provision of these benefits is greatly curtailed in the sector. Much of the deficit in this area is observed in private cotton farms and the traditional weaving sub-sector.

Decent and conducive working environment requires the provision of basic facilities like a potable supply of water, a clean place to eat (cafeteria), a clean working environment, sanitary and toilet facilities. However, adequate facilities are not provided for a considerable size of the workforce in the sector. Except in the textile factories, much of the deficit is observed in the other sub-sectors.

Despite the fact that cotton sector workers are exposed to a considerably hazardous environment, the findings reveal that the concern given by the firms to work risks is unsatisfactory. While significant progress in implementing occupational safety and health programs are observed in the state cotton farms, industrial safety and health management practices are non-existent in the private commercial farms. Moreover, the cotton farms are never visited and inspected by labor inspectors. Operators in the smallholder peasant cotton farms and the traditional weaving industry are much more exposed to poor working environments—low safety and health standards and environmental hazards. Nevertheless, no significant work-related accidents were reported by the surveyed firms. Occupational safety and health (OSH) records on accidents and diseases and their cost implication in terms of treatment, compensation and workdays lost are found to be poor in the sector. Workers in the formal cotton sector are found to have inadequate social protection while those in smallholder cotton farms and the weaving industry lack access to social protection systems.

Occupational safety and health (OSH) records on accidents and diseases and their cost implication in terms of treatment, compensation and workdays lost are found to be poor in the sector. Significant gap in social protection against contingencies is also observed in the sector. Workers in the formal cotton sector are found to have inadequate social protection while those in the smallholder cotton farms and the weaving industry lack access to social protection systems.

The attention given to the threat posed by HIV/AIDS in the sector in general and in the cotton farms in particular is surprisingly low. A serious and potentially disastrous limitation on the prevention of HIV/AIDS is particularly observed in the cotton farms. The pandemic has never been a potential business concern of the management and the owners of the farms. Unlike the textile and garment enterprises that implement certain interventions, like VCT service and awareness raising activities, the cotton farms do not implement any workplace intervention aimed at controlling the spread of HIV/AIDS among workers. Moreover, the management of the firms/farms in the sector lack knowledge of the ILO code of practice on HIV/AIDS at workplace.

Though the right of workers to organize and collectively bargain is recognized by the constitution and the labor legislation, constraints on freedoms of association are observed. Unions are still seen as a threat in the private cotton farms, and, so far, all workers in these farms are not represented by any form of workers' organization and they are not covered by collective agreement. As employers and workers are often unfamiliar with the details of the labor law, its application is found to be impractical and/ or enforcement is weak. Similarly, workers in the weaving industry are not represented by any organization that has tangible effect in terms of securing their fundamental rights at work.

Unions that represent workers do exist in the textile and garment firms and the state cotton farms though they are weak and ineffective due to limited financial services and fear of suppression. Work stoppages aimed at protecting workers' interest are rarely applied even when conciliation or arbitration procedures have failed. Low level of income has meant that workers have little or no means of survival if they go on a strike. The unions are also poor to support striking workers. In addition, there is concern that government authorities may view strikes as politically motivated and take harsh measures to replace striking workers with new employees.

Forced or compulsory labor is not a major issue in the textile and garment enterprises. The findings of the study provide no indication of any form of forced or compulsory labor in these enterprises. However, there are indications of forced labor in the cotton farms. Workers employed in the farms on casual, temporary or seasonal basis work without written employment agreement and do not enjoy labor protection equal to that of permanent farm employees. Moreover, working hours in many of the farms tend to be extremely long during planting and harvesting. The incidence of forced labor in cotton farms is nevertheless a difficult area to evaluate unless a detailed study is conducted. Similarly, child labor is not a pressing issue in the textile and garment sub-sector but it is observed in the cotton farms, mainly during harvesting. Child labor is, of course, a common and serious problem in the weaving industry. The survey reveals that the weaving industry is indeed a "sweatshop for children".

Even though work in the cotton sector has traditionally been associated largely with female workforce, the sector is dominated by male workers except the garment firms. Female employment is also concentrated in occupations that demand relatively lower qualification and hence command lower wages. The survey results reveal no indications of discrimination at workplace on any alleged basis including gender and real or perceived HIV/AIDS status.

The potential for meaningful social dialogue is highly constrained in the sector. Labour-management dialogue is significantly limited. Similarly, collective deliberations of the social partners on social and economic policies are inadequate and non-transparent for the most part. Opportunities to influence government policies are generally minimal mainly due to the weak institutional basis of the constituents of social dialogue. Trade unions are weak and have limited bargaining power. The national employers' association is still at its infancy while sectoral employers' association is yet to be established. Moreover, the expertise of workers' and employers' representatives on a range of economic and social issues—the details of the labour law, and skill on bipartite and tripartite decision-making etc.—is limited.

A strategy for reducing decent work deficit (in Ethiopia) should include:

Encourage investment in jobs: the strategic importance of the cotton sector lies in the fact that it can employ a large number of people directly or indirectly as a result of its various backward and forward linkages with the different sectors of the economy. There is a huge potential of enhancing the country's foreign exchange earnings through the wide range of exportable textiles and apparel products. Similarly, the domestic market for some products can be strengthened. The government needs to invest in institutions, infrastructure and human resource development and institute supportive land and financial policies to enhance private investment in the cotton sector and thereby generate employment to match the ever-expanding labor force of the country.

Improve occupational safety and health programs (OSH): Employers, workers and the government need to make concerted and committed efforts to improve performance of OSH. Employers are required to design and implement adequate safety measures to prevent workplace hazards, and workers are expected to observe safety and health rules and regulations. The government should also introduce legislative reforms that would bring OSH standards to an acceptable level.

An important step in dealing with accidents and diseases in the sector includes improving the OSH information system. Moreover, there is a need for cotton farms to use environment-friendly agro-chemicals to protect workers' health and the environment. In this regard, the Ministry of Agriculture, in cooperation with the Environmental Protection Authority and suppliers of agro-chemicals, is supposed to provide technical assistance related to the purchase, safe handling, use and disposal of toxic chemical inputs. It is also important to strengthen the labor inspection activities of the Ministry of Labor and Social Affairs and develop collaborative working environment with other stakeholders.

If real progress is to be made in the OSH situation in smallholder cotton farms and the weaving industry, there is a need to provide operators and workers with information and guidance on simple and low-cost measures that can be taken to reduce risks and protect health. Educating of workers about occupational safety and health services is important. Training to raise awareness and improve work practices in the peasant cotton farms and the traditional weaving industry can be usefully linked to small business management training. In the case of smallholder peasant farms, dissemination of occupational safety and health information, using the existing agricultural extension structure, is worth considering.

Employers and relevant government authorities need to have greater awareness of the fact that HIV/AIDS, together with inadequate working conditions, can have disastrous impact at household, firm, community and national levels. With the pandemic emerging as an increasingly serious threat in the country, there is a need for implementing workplace intervention on HIV/AIDS as well as developing workplace policy on HIV/AIDS, focusing on prevention, non-discrimination and care for infected workers. Besides, the ILO code of practice on HIV/AIDS and the world of work could be usefully implemented in the sector.

Improve social protection: Workers and operators in the smallholder cotton farms and the weaving industry are excluded from social protection schemes. Given social norms still play a large role in influencing social behavior, the effort to address the social exclusion of these workers and operators need to focus on informal social insurance mechanisms based on principles of either solidarity or reciprocity. In this regard, the potential for micro-insurance schemes and community-based schemes should be explored. Though such schemes cannot be the basis of a comprehensive social security system, they could be a viable way for workers and operators in the smallholder farms and weaving industry to have access to minimum protection.

Improve social dialogue: Social dialogue relies on the strength of the parties involved. The major area of attention should therefore be the strengthening of tripartite. But tripartite can only be as effective as its individual constituents. Accordingly, the growth of workers' and employers' organizations need to be encouraged and so do bipartite relations between the two. Workers' and employers' organizations could be strengthened by improving

management, generating revenue, expanding roles, widening services and thereby attracting members. This requires the organizations be supported and empowered through appropriate legislations and financial assistance. Particularly, the independence, representation and capacity of workers' and employers' organizations and their representatives need to be strengthened.

If social dialogue is to assume its rightful place in the sector, the social partners must be able to demonstrate their expertise on, and contributions to, social and economic policy issues in social dialogue. Of crucial importance to all parties to social dialogue in the sector is, therefore, the need to acquire the technical and professional capacity to participate effectively in bipartite and tripartite social and economic negotiations. Towards this end, not only it is important to augment the financial and human resources and capacities of the social partners, but it is equally important to elevate their status, engage them in purposeful dialogue, and draw them into the government's decision-making process. Moreover, capacity building training in the basic concepts of efficient labor administration need to be provided, with particular emphasis on upgrading skills and the services offered by the federal and regional labor offices.

Empower trade unions: Trade unions, at least in the cotton sector, will cease to exist in the near future if current trends of low morale and ineffectiveness are to continue unabated. Trade unions need to be supported and empowered through appropriate legislations and financial assistance. Poverty alleviation programs and the attainment of decent work cannot be realized without free and independent unions that have the support and confidence of their members.

Give special attention to protection of the poor: Earnings of casual and informal-sector workers have declined below the poverty line due to low enterprise productivity and absence of collective bargaining. Temporary or seasonal workers are exposed to unbearable working conditions and are often paid miserably low. Prices paid to weavers for their products are extremely low, not comparable to the labor and material costs incurred. Appropriate measures should be taken by the concerned authorities to ensure that remunerations do not fall below minimum subsistence requirements.

Eliminate child labor: Poor parents from rural areas (one particular ethnic group in the Southern Region) appear to send their children to work for weavers in Addis Ababa under deplorable conditions. The effort to end child labor in traditional weaving should focus on addressing the poverty situation of families sending their children to work. Legislative restrictions and awareness-raising education on adversities of child labor should help curb demand on the receiving end.

Promote weavers' cooperatives: One of the most important problems of weavers is failure of the market. A cooperative can be an effective instrument to gain bargaining power and enhance participation and inclusion. If managed properly, a cooperative can negotiate for better prices for weaving products with consumers and distributors. It can also buy raw materials in bulk at lower prices from wholesalers or manufacturers and sell them to members at reasonable and affordable prices.

Create a common production facility for weavers: A common production facility and working place for weavers could have considerable impact on the productivity and living conditions of the members and the cooperatives can play a leading role in building and running the common facilities.

Strategic Intervention to Address Decent Work Deficits in the Cotton Sector of Ethiopia

ILO's strategic objectives	Major findings of the situation in the cotton sector	Current government and partners (social and development) to address the problem and existing policy and legal environment	Proposed ILO intervention strategy at policy, program and project levels	Expected outputs and outcomes
Standards and Fundamental Principles and Rights at Work	<ul style="list-style-type: none"> - Unions are seen as a threat in the private cotton farms, and so far workers in these farms are not represented by any form of workers' organization - Workers in smallholder cotton farms and the weaving industry are not represented by any organization that has tangible effect in terms of securing and promoting their fundamental rights at work - Child labor is observed in cotton plantations mainly during harvesting but it is common and serious problem in the weaving industry 	<ul style="list-style-type: none"> - The Ministry of Labor and Social Affairs (MOLSA) - Federation of Agricultural Sector Labor Unions - Ethiopian Employers' Association (EEA) - The Federal Micro and Small Enterprises Development Authority (FEMSEDA) - UNICEF - NGOs - The National Constitution - The national labor legislation 	<ul style="list-style-type: none"> - Training program to workers and employers in private commercial cotton farms aimed at raising their awareness on the legal rights of workers to organize and improving their knowledge of the role of trade unions and the importance of industrial relations - Technical support aimed at assisting workers in the private commercial cotton farms to organize and better claim and protect their rights - Technical and financial support to promote membership-based organizations (like cooperatives, informal workers/operators associations, etc.) that represent workers and operators in the weaving industry and smallholder cotton farms and give them voice to protect and promote their interest - Program, involving social partners and NGOs, on awareness raising, advocacy networking and social mobilization to provide a forum for exchanging information and experiences aimed at understanding the problems of child labor and their solutions that will lead to change in social attitudes towards child labor in the sector - Program aimed at forging cooperation with the media, religious institutions, schools, NGOs and community leaders to form a broad coalition against child labor in the sector - Project on capacity building of governmental and non-governmental organizations aimed at enhancing capabilities for direct intervention programs for prevention and rehabilitation of child workers in the sector - Integrated and comprehensive projects aimed at removing child workers from the sector and providing them with educational facilities, providing their families with feasible developmental opportunities and supporting labor-based projects that generate reliable and decent incomes for adults in the family 	<ul style="list-style-type: none"> - Unions that represent workers in the private commercial cotton farms - Membership-based organizations that give voice to operators and workers in the weaving industry and the smallholder cotton farms - Progressive abolition of child labor in the sector
Employment Promotion	<ul style="list-style-type: none"> - Employment opportunity in the formal cotton sector tends to decline - Employment opportunities in the sector tend to concentrate in the lower range of qualifications - Remuneration of workers in the sector in general and the weaving industry in particular is very low 	<ul style="list-style-type: none"> - The Ministry of Labor and Social Affairs (MOLSA) - Employers' and workers' organizations - Public Enterprises Supervising Authority (PESA) - The Ethiopian Investment Authority - The Federal Micro and Small Enterprises Development Authority (FEMSEDA) - The national investment policy 	<ul style="list-style-type: none"> - Technical and financial support to encourage government investment on institutions, infrastructure and human resource development and develop supportive land and financial policies to enhance investment in the sector and thereby generate increasing and sustainable opportunities for productive and remunerative employment in the sector - Training program to operators in the weaving industry on work improvement & development, and small business management to improve their productivity and competitiveness and thereby raise their income - Project to promote weavers' cooperatives with a view to improve weavers' bargaining power in the market for raw materials and weaving products 	<ul style="list-style-type: none"> - Increased and sustainable opportunities for productive employment in the sector - Improved productivity and hence better income in the weaving industry - Improved access to credit and business support services to operators in the weaving industry and smallholder cotton farms

			- Technical and financial support aimed at establishing networks that can provide improved access to credit and business support services to operators in the weaving industry and smallholder cotton farms	
Social Protection	<ul style="list-style-type: none"> - Occupational safety and health programs and management systems are inadequate in the state cotton farms and hardly implemented in the private commercial farms - Serious limitations are observed in the level of responsibility for safe handling, use and disposal of chemical inputs in the private commercial farms - Labor inspection is generally poor in the sector and inexistent in the cotton plantations - Poor OSH records and hence inadequate information on occupational accidents and diseases and their cost implication characterize the sector - Poor working environments, and low safety & health standards characterize the weaving industry and the smallholder cotton farms - Workers in the formal cotton sector are provided with inadequate social protection against contingencies while those in the smallholder cotton farms and the weaving industry lack access to any social protection system 	<ul style="list-style-type: none"> - The Ministry of Labor and Social Affairs (MOLSA)- Employers' and workers' organizations - The Ministry of Health - The Ministry of Agriculture - The Federal Micro and Small Enterprises Development Authority (FEMSEDA) - The national labor legislation 	<ul style="list-style-type: none"> - Program to develop OSH training packages relevant to the sector and provide OSH training courses and seminars for representatives of workers' and employers' organizations aimed at raising awareness on the fact that improved OSH standards result in higher productivity and hence more competitive and successful business - Seminars to introduce the ILO occupational safety and health management systems (OSH-MS) guidelines to the social partners - Project to support enterprises in the sector in developing and implementing appropriate OSH programs and management systems - Projects to improve OSH information system and infrastructure in the sector and enhance the capacity and efficiency of labor inspection activities - Training program aimed at reorienting labor inspectors from an approach that emphasizes enforcement (which often opens up opportunities for corruption and harassment) to a role that is educational, persuasive, transparent and participatory. - Project focusing on integrating occupational safety and health needs in smallholder cotton farms into the strategy for rural development and introducing occupational safety and health extension services using the existing agricultural extension structure - Project focusing on the extension of occupational health services to the weaving industry using the existing public health structure and a community health approach - Training to operators in the weaving industry on such issues as the physical environment, the premises and workplace hygiene to encourage low-cost measures that can reduce risks and protect health. Training to raise awareness and improve work practices in the weaving industry can be usefully linked to small business management training - Technical assistance and awareness raising activities to enhance the coverage and effectiveness of social protection system in the formal cotton sector - Projects aimed at establishing community-based micro-insurance schemes that can provide access to minimum social protection in the smallholder cotton farms and the weaving industry. Technical and financial support is of crucial importance to ensure the financial viability and sustainability of such schemes 	<ul style="list-style-type: none"> - Better understanding on the part of the employers and workers on the link between improved OSH standards productivity - Improved OSH program and management practice in the sector - Improve OSH information system and infrastructure and hence better information on occupational accidents and diseases and their cost implication that will help to adopt efficient prevention methods - Better working environment and improved OSH standards in the weaving industry and the smallholder cotton farms - More effectiveness of social protection system in the formal cotton sector - Access to minimum social protection in the smallholder cotton farms and the weaving industry
Social Dialogue	- The institutional basis of social dialogue is generally weak	<ul style="list-style-type: none"> - The Ministry of Labor and Social Affairs (MOLSA) - Confederation of Ethiopian Trade Unions (CETU) 	<ul style="list-style-type: none"> - Technical and financial assistance to strengthen trade unions - Technical support organize sectoral employers' organization and promote sectoral bipartite social dialogue 	- Improved strength of workers' and employers organizations

	<ul style="list-style-type: none"> - Trade unions are weak and have limited bargaining power - The national employers' association is still at its infancy while sectoral employers' associations is yet to be established - The expertise of workers' and employers' representatives on a range of economic and social issues and the details of the labor law is limited - The practice of bipartite and tripartite social dialogue is limited and the social partners' skill on bipartite and tripartite decision-making is questionable 	<ul style="list-style-type: none"> - Federation of Textile Sector Labor Unions - Federation of Agricultural Sector Labor Unions - Ethiopian Employers' Association (EEA) - The Public Enterprises Supervising Authority (PESA) - The National Constitution - The national labor legislation 	<ul style="list-style-type: none"> - Training program to the constituents of social dialogue in the sector aimed at improving their technical and professional capacity to participate effectively in bipartite and tripartite social and economic negotiations and developing their skill on bipartite and tripartite decision-making. -Project to augment the financial and human resources and capacities of the social partners related to the sector with a view to elevate their status to engage in purposeful dialogue and thereby draw them into the government's decision-making process. 	<ul style="list-style-type: none"> -Better institutional basis for bipartite and tripartite social dialogue -Better technical and professional capacity of the constituents of social dialogue to engage in purposeful dialogue -Improved status of the social partners to play a role in the social and economic policy making process
Cross-cutting Issues (Gender and HIV/AIDS)	<ul style="list-style-type: none"> - Female workers are generally underrepresented in the sector - Female employment tend to concentrate in occupations that demand relatively lower range of qualification - HIV/AIDS has never been a potential business concern of the management and the owners of the cotton farms, indicating a surprisingly low attention given to the threat posed by the pandemic in the farms - The management of the firms/farms in the sector lack knowledge of the ILO code of practice on HIV/AIDS at workplace - Workplace intervention aimed at controlling the spread of HIV/AIDS among workers is inadequate in the textile and garment enterprises and inexistent in the cotton plantations 	<ul style="list-style-type: none"> - The Ministry of Labor and Social Affairs (MOLSA) - Workers' and employers' organizations - Women's organizations - NGOs - The Ministry of Health - The National Secretariat for the Prevention of HIV/AIDS - UNAIDS 	<ul style="list-style-type: none"> - Initiative to set up sectoral working group, including the social partners, women's organizations and the NGO sector, to develop a comprehensive sectoral strategy for female employment - Technical and financial support to encourage gender-differentiated approach to education and training policies in the sector - HIV/AIDS awareness raising and training program and seminars to introduce the ILO code of practice on HIV/AIDS at workplace to the social partners - Technical assistance to develop appropriate workplace policies on HIV/AIDS, focusing on prevention, non-discrimination and care for infected workers - Project on capacity building for the social partners aimed at sectoral policy development to effectively respond to the pandemic 	<ul style="list-style-type: none"> - Improved share of female employment in the sector - Better opportunity for female employment in higher positions - Increased social partners' awareness of the potentially disastrous effect of HIV/AIDS and improved capacity and commitment to prevent the spread of the pandemic among the workers in the sector, leading to the development and implementation of workplace as well as sectoral policy on HIV/AIDS

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Annex 3.1. Types of Labor Market Information and Focal Institutions

Type Of Information	Focal Institution
1. Total population classified by age, sex, Region etc.	CSA
2. Total Labor force classified by age, sex, wages, region, industry, occupation, employment status, hours worked, unemployment, underemployment, Trained unemployed etc.....	CSA/MOLSA
3) Information of Establishments and No. Of employees classified by sex, age, industrial group, occupation, employment status, hours worked, earnings and wages, labor turnover and productivity.	MOLSA, CSA, HASIPA, Chamber of Commerce, Employers Federation
4) Employment Service Information: Notified Vacancies, registered Job-seekers, placement effected classified by age, sex, occupation, industrial group, non-national workers classified by age, sex, marital status, wags, earnings, area occupation and employment status	MOLSA, CSA
5) Social Protection Information: No. of people social security benefits classified by sex, marital status, wages, earnings, earnings, area occupation and employment status	MOLSA, pension Authority
6) Education and Training: School dropout and people attending University, College, Technical and Vocational schools classified by age, sex, region level of education, annual dropout rates, etc.	MOE, Training Agencies
7) Information of Employers Organization classified by Industry, Geographic area, Organizational structure and membership.	Employer's Organization
8) Worker's Organization Classified by Industry, Geographic area, structure and membership.	Workers Organization
9) Civil servants classified by region, sex, occupation education, age, wage, etc...	Civil Service Commission
10) Number of Investments, Amount of Capital, Employment Created, Investment approved, terminated, inactive, classified by sector and region.	MOFED, Investment Office
11) Information of HIV/AIDS	MOH, Trade Unions, Civil service Commission, Employers Federation
12) Information on Poverty	MOFED
13) Information on working Conditions such as Causes of Accidents, by Industry, Type of Accidents etc.	MOLSA
14) Information on Labor Relations	MOLSA
15)) Information on Impacts of Liberalization, SAP, Globalization, Privatization	Employers Organization and Trade Unions
16) Price of commodities, producer, and consumer	CSA

Source: MOLSA - Labor Department -Manpower Research & Statistics Team -2003.

Annex 3.2: Current Unemployment Rate of Population Aged Ten Years and Over By Age and Urban and Rural Areas During the Last Seven Days (1999)

Age group	Total/Country Unemployed		Urban		Rural	
	Number	Percent	Number	Percent	Number	Percent
All ages	2,171,735	100.00	969,142	100.00	1,202,593	100.00
10-14 years	277,822	12.79	68,224	7.04	209,598	17.43
		0.00		0.00		0.00
15-19	485,992	22.38	211,654	21.84	274,338	22.81
		0.00		0.00		0.00
20-24	446,658	20.57	240,995	24.87	205,663	17.10
		0.00		0.00		0.00
		0.00		0.00		0.00
25-29	309,870	14.27	158,263	16.33	151,607	12.61
		0.00		0.00		0.00
		0.00		0.00		0.00
30-34	179,328	8.26	73,698	7.60	105,630	8.78
		0.00		0.00		0.00
		0.00		0.00		0.00
35-39	161,132	7.42	70,253	7.25	90,879	7.56
		0.00		0.00		0.00
		0.00		0.00		0.00
40-64	283,556	13.06	129,768	13.39	153,788	12.79
		0.00		0.00		0.00
		0.00		0.00		0.00
65+	27,377	1.26	16,287	1.68	11,090	0.92
		0.00		-		-
Total		100.00		100.00		100.00

Sources: CSA- The 1999 National Labor Force Survey Report, March 1999.

Annex 3.3: Currently Unemployed Population Aged Ten Years and Over by Sex and Education Level 1999

Urban/rural And Sex		Total Unemployed Persons*	All illiterate	All literate	Not Stated	All literate			
			%	%		All %	Non-formal %	Grades 1-6 %	Grades 7-8 %
Country	Total	2198790.00	53.47	46.53	0.01	100.00	6.84	37.10	18.71
	Male	648060.00	34.74	65.24	0.03	100.00	10.15	34.61	17.01
	Female	1550730.00	61.29	38.71	0.00	100.00	4.50	38.85	19.91
Urban	Total	996197.00	21.48	78.50	0.02	100.00	3.54	29.71	20.77
	Male	337630.00	10.60	89.35	0.05	100.00	3.78	27.66	19.28
	Female	658567.00	27.06	72.94	0.00	100.00	3.38	31.00	21.70
Rural	Total	1202593.00	79.96	20.04	0.00	100.00	17.55	61.06	12.04
	Male	310430.00	60.99	39.01	0.00	100.00	26.03	51.92	11.38
	Female	892163.00	86.56	13.44	0.00	100.00	8.98	70.30	12.71

Annex 3.4: Number of Trade Unions and Members By Industrial Federation

S.N	Name of Federation	No of Trade Unions			No of Members			
		Pr.	Pu.	Total	Male	Female	Total	Percent
1	Transport & Communication I.	4	17	21	13045	5372	18417	10.14
2	Fed	18	25	43	7812	3191	11003	6.06
3	Food& Beverages Ind. Fed Bank & Insurance Ind. Fed Hotel & Tourism Ind. Fed	-	6	6	3975	2343	6318	3.48
4	Trade & Technical Ind. Fed Power Generation Ind. Fed Textiles Ind. Fed	29	75	104	7555	4665	12220	6.73
5	Construction Ind. Fed.	23	24	47	8029	5266	13295	7.32
6	Agricultural Forestry & Fishing Ind. Fed	18	23	41	18831	2944	14775	8.13
7		16	19	35	14533	12885	27418	15.09
8		22	43	65	25039	2970	28009	15.42
9				83	43215	6977	50192	27.63
Total		130	232	445	135034	46613	181647	100

Source: CETU, Statistical Unit, August, 2003.

Annex 4.1: Privatized Enterprises

No.	Name of Enterprise	Buyer	Contract Price (thousand Birr)	Contract Date	Type of Sale
1	Kaliti spinning and socks knitting factory	Shoa Cotton Ginning Plc.	20646.3	03/20/00	Full sale
2	Akaki Blanket Factory	KK PLC	10173.8	03/18/00	Full sale
3	Adei Ababa Yarn Factory (Block 1)	Mr. Atila Yildirim	29040.0	10/02/99	Lease for 5 years
4	Dire Dawa Textile Factory	Mr. Atila Yildirim	111248.0	12/14/99	Hire-sale
5	Awassa Textile SCo.	-	-	1999	Management contract (Chinese))
6	Kombolcha Textile SCo.	-	-	1999	"
7	Arba Mich Textile SCo.	-	-	2000	Lease
8	Nazreth Garment	Zhejiang Zhagi Rongxing Weaving Co. Limited	N.A.	2002	Lease plus Mgmt. contracting
9	Akaki Textile	" "	N.A.	2002	Joint venture (40% foreign) plus Mgmt. contracting

Source: Ethiopian Privatization Agency.

Annex 4.2: Cotton Production in Ethiopia and the State Farm Enterprises (1992/93-1994/95)

Year	State Farm Enterprises					Total
	Ethiopia	Middle Awash	North Omo	Tendaho	Abobo	
<u>1992/93</u>						
Area (ha)	40000	4953	2859	5087	1120	14010
Yield (kg lint/ha)	250	746	234	368	387	475
Output (tons)	10000	3689	668	1869	433	6659
<u>1993/94</u>						
Area (ha)	41000	1813	2473	6120	1603	12014
Yield (kg lint/ha)	366	496	485	376	118	402
Output (tons)	15000	899	1199	2303	433	4834
<u>1994/95</u>						
Area (ha)	42000	5125	2597	6936	1366	16024
Yield (kg lint/ha)	392	844	260	546	217	567
Output (tons)	16000	4325	674	3787	296	9082
<u>Average</u>						
Area (ha)	41000	3964	2643	6045	1365	14017
Yield (kg lint/ha)	333	749	309	439	224	437
Output (tons)	13667	2971	847	2653	387	6858

Source: USAID, Ethiopia Textile Sector Study, 1996, quoting data from PESA, Textile Sector Task Force.

Annex 4.3: The Number of Workers in the Textile Related Enterprises (June 2003)

No	Name of the enterprise	Sex		Total
		Male	Female	
1	Dire Dawa textile factory	945	1555	2500
2	Akaki textile share company	1633	653	2286
3	Kombolcha textile share company	1086	837	1923
4	Bahir Dar textile share company	940	671	1611
5	Almeda textile share company	897	429	1326
6	Awassa textile share company	711	222	933
7	Addis Izmir textile factory	297	633	930
8	Arba Minch textile factory	552	246	798
9	Ethio-Japan nylon textile share company	347	103	450
10	Akaki garment share company	79	408	487
11	Nazareth garment share company	48	378	426
12	Gulalle garment share company	40	345	385
13	Addis garment share company	47	291	338
14	Nazirawi garment share company	37	-	37
15	Adei Abeba silk and yarn share company	272	1028	1300
16	Edget silk and yarn factory	230	359	589
17	Nifas-Silk thread factory	40	253	293
18	Shoa ginner company	203	314	517
19	Gonder ginner factory	31	14	45
20	Local textile arts organizing enterprise	61	70	131
21	Textile skill training and producing enterprise	3	28	31
	Total	8499	8837	17336
	Percentage	49.02	50.98	100

Source: Federation for textile sector labor unions of Ethiopia.

Annex 4.4: Actual Value of Production as Percentage of Yearly Capacity (1996/97-2000/2001)

Capacity Utilization in %

Year	Spinning, Weaving and Finishing	Knitting	Apparel
1996/97	43.95	71.72	54.04
1997/98	33.0	N.A	30.43
1998/99	31.23	32.29	20.14
1999/2000	-	-	-
2000/2001	54.31	31.48	48.23
Average	40.50	45.0	44.0

Source: CSA, Manufacturing and Electricity Industries Survey.