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Economic and Social Upgrading in Ethiopian Textile and Garment
Firms: A Global Production Networks Perspective

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Abstract

The insertions of developing countries into global economy have ensued a new challenges and opportunities to their firms and workers. The issue of social upgrading in general, and the link between economic and social upgrading in particular is not thoroughly explored despite recently emerging literatures. This study aimed to contribute to the growing literatures in the field through examining the link between economic and social upgrading, and the conditions under which social upgrading is achieved in the context of global production networks. It examined five textile and garment firms in Ethiopia through employing qualitative research approach and case study research strategy with semi-structured interview and focus group discussion being the major data collection instruments. The data was collected from government offices, employers association, trade unions, supplier firm managers, and workers which enabled to capture the perspective of different stakeholders about the issue under investigation, and ensure the validity and reliability of the study.

This study showed that the link between economic and social upgrading is not linear as assumed by neoclassical economic theory. It has identified different institutional conditions mediating the successful transformation of economic upgrading into social upgrading. The contradictory commercial requirements of global buyers for fast delivery time and lower price, and their simultaneous demand for quality products have contributed to casualization of employment, increased work intensity and overtime work, and squeezed the wage rate of workers preventing social upgrading outcomes. Besides, the position of firms and workers within global production networks where entry barrier is lower and competition is higher has also averted the social upgrading opportunity of workers for skills training and wage increment as such position requires less skilled labor force and involves intense price based competition. The social and institutional embeddedness of supplier firms and conditions internal to the operation of firms (such as machinery dysfunctionality, workers absenteeism, and electric power interruption) have also lead to increased work intensity, compulsory overtime work, and casualization of employment.

This study also showed the central role of labor unions, and national labor regulatory frameworks in facilitating the social upgrading of workers provided that certain institutional conditions are meet. Hence, economic upgrading does not guarantee social upgrading as claimed by neoclassical economic theory. Rather, it depends on a wide variety of institutional factors involving the interplay between capital, state, and labor as argued by the institutionalist perspective.

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Abbreviations and Acronyms

AGOA	-----	African Growth and Opportunity Act
CETU	-----	Confederation of Ethiopian Trade Union
CMT	-----	Cut-Make-Trim
COMESA	-----	Common Market for Eastern and Southern Africa
CSR	-----	Corporate Social Responsibility
CSA	-----	Central Statistics Authority
ETGAMA	---	Ethiopian Textile and Garment Manufacturers Association
EU	-----	European Union
FDRE	-----	Federal Democratic Republic of Ethiopia
FGD	-----	Focus Group Discussion
GCCs	-----	Global Commodity Chains
GDP	-----	Gross Domestic Product
GPNs	-----	Global Production Networks
GVCs	-----	Global Value Chains
H&M	-----	Hennes & Mauritz
HRM	-----	Human Resource Manager
ICT	-----	Information Communication Technology
ILO	-----	International Labor Organization
MoLSA	-----	Ministry of Labor and Social Affairs
NGOs	-----	Non-governmental Organizations
NTNU	-----	Norwegian University of Science and Technology
OBM	-----	Original Brand Manufacturing
OECD	-----	Organization for Economic Co-operation and Development
OEM	-----	Original Equipment Manufacturing
SIDA	-----	Swedish International Development Cooperation
UNIDO	-----	United Nations Industrial Development Organization
US	-----	United States

CHAPTER ONE

1.1 Introduction

Over the past two decades global economy has undergone considerable changes driven by liberalization of goods and capital market as well as the reductions of transportation and communication costs. This change has resulted in the fragmentation of production and the geographical dispersion of international production and trade networks which characterized today's global economy. Transnational corporations and lead firms have increasingly offshored their production processes and tasks to developing country suppliers to gain benefits from locational differences in costs, capabilities in manufacturing, trade and investment regimes, marketing, and logistics. This allowed developing country suppliers to integrate into the global economy and to enter into the production of more sophisticated products than they typically produce (UNIDO 2004; Gereffi et.al. 2005; Barrientos 2007; Sturgeon, 2007; Plank et.al. 2009; Stone 2012; Cattaneo et.al. 2013; Hess 2013; Shepherd & Stone 2013; Gereffi 2014; Bernhardt & Pollak 2015). However, globalization is also followed by a process of clustering. It has allowed firms and locations with particular sources of competitive advantage to utilize their advantages over wider geographic areas (Enright 2000).

The insertion of developing countries into global economy has brought both opportunities and challenges to their firms and workers. As such successful insertion is an important condition for their development (Gereffi & Stark 2011) as it may generate income, facilitate access to external and diversified markets, technology, innovation, and knowledge transfer, and capability-building through learning (UNIDO 2004; Rossi 2011; Shepherd & Stone 2013; Bernhardt & Pollak 2015) that may lead to economic upgrading. Economic upgrading refers to the process by which economic actors shift from low value added tasks to high value added tasks in global production networks (GPNs) (Gereffi 2005). However, successful economic upgrading depends on the internal capacity of firms and external linkages as well as on the existing government policies, corporate strategies, human capital, firm ownership, and governance structure among others (Gereffi 2005; Bamber et.al. 2014; Bernhardt & Pollak 2015; Lu et.al. 2015). GPNs may also result in eroding both profits and labor conditions without long lasting benefits for learning and development (Rossi 2011; Xiaoxia et.al. 2013).

Socially, global production networks have become an important source of employment and income. It has created employment opportunities and income for previously marginalized and vulnerable groups such as unskilled workers, migrants and women who did not have access to wage employment beforehand. In cases where such jobs generate better rights and protection for workers, it is social upgrading. Social upgrading is the process of improving the rights and privileges of workers as social actors, and increase the quality of their employment; and it is the outcome of a combination of different factors such as economic upgrading in place, government economic and social policies, the extent and nature of workers organization, lead firms governance strategies, civil society campaigns, and the position of firms and workers within the value chain (Barrientos & Smith 2007; Barrientos et.al. 2010; 2011; Plank et.al. 2012; Barrientos 2014; Gereffi & Luo 2014; 2015; Bernhardt & Pollak 2015; Gereffi & Lee 2016). Nonetheless, workers participation in GPNs has also serious problems in relation to employment conditions of casual and low skilled workers. This stemmed from the purchasing practices of global buyers that demand for fast delivery of quality products while simultaneously reducing prices which deteriorates working conditions of workers (Barrientos et.al. 2010; Rossi, 2011; Plank et.al. 2012; Xiaoxia et.al. 2013).

Different chain and network literatures (Gereffi 1994; 1999; 2001; 2005; Kaplinsky 2000; Humphrey & Schmitz 2000; 2002; Humphrey 2004; Gereffi et.al. 2005; Sturgeon & Gereffi 2009; Bamber, et.al. 2014) have extensively addressed the issue of economic upgrading. However, the issue of labor as an active constituent of global economy (Barrientos 2007; Dicken 2011; Plank et.al. 2012; Carswell & De Neve 2013; Coe 2012; Wad 2013) in general, and the implication of economic upgrading on social upgrading of workers in the context of global production network in particular have not been adequately explored. Thus, this study aimed to fill this gap in the literature by examining the link between economic and social upgrading in Ethiopian textile and garment industry in the context of global production networks.

1.2 Statement of the problem

The implication of the insertion of developing countries into global economy is a contested issue. Firms that have engaged in GPNs have opportunities for economic upgrading through participating in higher value production or relocating themselves within value chains. The expansion of GPNs have also become an important source of employment to those who have challenges of access to wage labor; and provided new sources of income for poorer households. However, the

contradictory purchasing practices of global buyers make workers to fall under pressure; and compel firms to maintain different categories of workers. This makes ensuring decent work a challenging task for more vulnerable workers (Barrientos et.al. 2010). Different studies have indicated that working conditions under global production networks are harsh for different categories of workers (Knorringa & Pegler 2006; Barrientos & Smith 2007; Plank et.al. 2009; Bernhardt & Milberg 2011a; 2011b; Staritz & Plank 2013; Staritz & Morris 2013a; 2013b; Goger et.al. 2014). Hence, the key challenge is how to improve the position of both firms and workers within GPNs (Barrientos et.al. 2011).

Furthermore, supplier firms encounter cut throat competition in the global market which compel them to undertake different measures to improve their efficiency, product quality, and mix of their activities. Previous studies have widely addressed the issue of economic upgrading, and its relationship with economic growth and international trade (Milberg & Winkler 2011; Bernhardt & Pollak 2015). But, labor was considered as passive victim of globalization, and denied role as active constituent of global economy (Dicken 2011; Coe 2012; Plank et.al. 2012; Carswell & De Neve 2013; Wad 2013). In addition, the conditions under which GPNs results in social upgrading is less clear and is not thoroughly explored. Most recently, however, it is receiving more attention (Knorringa & Pegler 2006; Mather 2008; Plank et.al. 2009; Barrientos et.al. 2010; 2011; Bernhardt & Milberg 2011a; 2011b; Bettioli, et.al. 2011; Milberg & Winkler 2011; Rossi 2011; 2013; Christian 2012; Plank et.al. 2012; Christian & Mwaura 2013; Khattak 2013; Shinyekwa 2013; Staritz & Plank 2013; Barrientos 2014; Goger, et.al. 2014; Bernhardt & Pollak 2015; Lee & Gereffi 2015). Therefore, this study intended to fill the existing gap and contribute to these growing literatures by exploring the implications of economic upgrading on social upgrading of workers in developing countries context by taking Ethiopian textile and garment firms as a unit of analysis.

In light of this, the study addresses the following research questions:

- How does economic upgrading leads to social upgrading in developing countries such as Ethiopia?
- Under what conditions is social upgrading achieved in the context of global production networks?

1.3. Thesis Outline

The thesis is organized in the order outlined below. It is organized in six chapters. It starts with introductory chapter which constitute the background of the study, the purpose or the problem statement, the research questions, and the thesis outline.

The second chapter of the study reviews relevant literature and introduces the theoretical framework of the study. This chapter comprises of the shift from global commodity chains to global production networks, Economic upgrading, labor and social upgrading in global production networks, social upgrading, the link between economic and social upgrading in general, and in garment GPNs in particular, factors driving social upgrading, brief account of labor market, enabling environment and regulatory framework; and labor practice challenges in Ethiopia as well as textile and garment global production networks.

The third chapter presents the background of textile and garment sector in Ethiopia, and the research methodology employed with detailed discussions of the research strategy, data collection and analysis techniques used in the study along with the practical challenges encountered in the field as well as ethical considerations.

The fourth chapter of the study addresses the first research question through critically analyzing the interplay between the theory and empirical part. In this section the link between economic and social upgrading is analyzed through emphasizing the different types of economic upgrading and their implications for social upgrading of workers based on empirical evidences collected from the field.

The fifth chapter addresses the second research question on conditions under which social upgrading is achieved in the context of global production networks. Hence, it outlines different conditions that contributes to social upgrading and downgrading of workers.

The six, and the final chapter, comprises the summary, the main conclusion of the research as well as recommendations for future research.

CHAPTER TWO

2. THEORETICAL FRAMEWORK AND LITERATURE REVIEWS

This chapter reviews relevant literatures and set the theoretical framework upon which the study is based. Accordingly, it assesses the different chain and network concepts that have evolved at different time. It also present the concept of economic upgrading, and the conception of labor and social upgrading in GPNs. Moreover, the concept of social upgrading, and its link with economic upgrading along factors influencing social upgrading will be discussed. Besides, the chapter provide a brief account of labor market and conditions in Ethiopia; and finalizes with textile and garment GPNs.

2.1. Shift from global commodity chains to global production networks

Different chain and network concepts were developed to explain the way global production is organized and governed; and how this affect the development of firms, countries, and regions. Bair (2009) has extensively reviewed different approaches in the literature. Commodity chain is defined as "*a network of labor and production processes whose end results is a finished commodity*" (Hopkins & Wallerstein 1986, 159 cited in Bair 2009, 2). This implies that chain connects different productive activities and agents; and emphasizes on the role of labor in production.

The globalization of production has also got much attention among business and management circle. For Porter (1985 cited in Bair 2009, 6) value chains are an instrument of analyzing the connection between different actors and activities within an organization. Business can gain competitive advantage by successfully managing the linkages between various internal functions in a way that provides value for their customers (Humphrey & Schmitz 2000).

Gereffi (1994) has reconstructed the concept of Global Commodity Chains (GCC) by emphasizing on the strategies and actions of firms in the context of trade liberalization. According to Gereffi et.al.

global commodity chains consist of sets of inter-organizational networks clustered around one commodity or product, linking households, enterprises, and states to one another within the world-economy. These networks are situationally specific, socially constructed, and locally integrated, underscoring the social embeddedness of economic organization (1994, 2).

According to GCC literatures global production involves four aspects –*Input-output relations* underlining the process by which raw materials are transformed into final products; *geographical configuration* implies the geographical concentration or dispersion of inputs, production, export, and marketing networks; *governance structure* refers to the process by which some firms exert control over other participants and how these firms (lead firms) appropriate and distribute the value created along the chain; and *institutional context* is concerned with how local, national, regional, and international conditions and policies influence each stage of the value chain (Appelbaum & Gereffi 1994; Sturgeon 2007; Bair 2009; Gereffi & Stark 2011). On the basis of the four dimensions, Humphrey & Schmidt (2002) have come up with the fifth dimension called *upgrading* –the mechanisms employed by countries, regions, and other economic actors to sustain or improve their positions in the global economy. However, the governance dimension has received much attention (Sturgeon 2007).

According to the GCC approach, governance involve two dimensions –buyer driven and producer driven chains. Producer driven chains are controlled by transnational manufacturers in technology and capital intensive industries such as advanced electronics and automobiles while buyer-driven chains are controlled by global buyers in labor intensive consumer goods such as apparel, footwear, shoes, etc. that have no direct ownership of factories but exercising increasing control over production or the chain through their capability to set prices, product specifications, process standards, and delivery schedules in their supply chains (Gereffi 1994; 1999; 2014; Humphrey & Schmitz 2000; Gereffi & Memedovic 2003; Sturgeon 2007; Bair 2009).

Although GCC was a framework that can move across different levels of analysis than previously developed approaches (Bair 2009); and better able to focus on reality of the new forms of industrial organization (Henderson et.al. 2002); it has become a subject of intense criticism. It is considered as narrow to encompass products other than primary products, low-value added and basic goods (Bair 2009). The distinction between buyer-driven value chains and producer-driven value chains is too narrow and overly abstract (Henderson et.al. 2002; Bair 2009). It is ahistorical (Henderson et.al. 2002); and firm centric considering labor as passive victims (Selwyn 2013). In addition, it has undermined the importance of ownership for social and economic development in particular societies (Henderson et.al. 2002). Consequently, the term global value chain (GVC) entered the academic circle (Gereffi et.al. 2001).

Global value chains refers to the different activities that workers and firms undertake to bring product from its conception to end use and beyond. These ranges of activities involve research and development (R&D), production, design, sales and marketing, consumption and recycling (Kaplinsky 2000; Gereffi & Stark 2011; Cattaneo et.al. 2013; Goger et.al. 2014; Lee & Gereffi 2015). It is considered as a framework for explaining the changing global-local dynamics that have emerged (Gereffi & Stark 2011); and for better understanding the way value is created, captured, maintained, and leveraged (Gereffi & Lee 2016).

Global value chains approach has identified five types of governance structures based on three criteria – the complexity of information exchanged between value chain tasks; the codifiability of information; and the capabilities of the supplier. The five kinds of chain governance include: *markets* involve comparatively simple transaction, easy transmission of product specification, and suppliers make a product with minimal input from buyers; *modular value chains* occurs when complex transactions are easily codified, suppliers make a product to customer's specifications and are in charge of process technology, and voluminous flow of information across the inter-firm link; *relational value chains* is characterized by complex information which is difficult to transmit and learn, mutual dependence between suppliers and lead firms; and suppliers are more likely to supply more differentiated products on the basis of geographic origin, quality, and other unique characteristics; *captive value chains* involves the dependence of small suppliers on one or few buyers that exercise a great deal of power that tie suppliers to their buyers under conditions set by, and often specific to that particular buyer. This lead to thick bonds and high switching costs for both actors. *Hierarchical* involve linkages within the firm and governed by management hierarchy, and occurs when product specification cannot be codified, when highly competent suppliers cannot be found or products are complex (Gereffi et.al. 2005; Sturgeon 2007; Gereffi & Stark 2011; Barrientos 2014; Lee & Gereffi 2015).

However, GVC approach is criticized mainly by scholars within the camp of global production networks (GPNs). First, it is criticized as linear view of global production and distribution while global production involves complex multi-dimensional and multi-scalar framework of economic activity (Henderson et.al. 2002; Coe et.al. 2007; 2008; Dicken 2011; Coe 2012; Liu & Chaminade 2014).

Second, although scholars within the camp of GPN appreciate the fivefold typology of governance relationships proposed by Gereffi et.al. (2005) as a major improvement in terms of depth and breadth, it remained narrow in terms of its view of production networks. According to GPNs perspective, the power relationship between firms and their suppliers is not as simple as the large automatically dominate and exploit the small. Instead, the relative power of actors centers on the degree to which an actor possess an asset needed by the other actor and the extent to which access to such assets can be controlled (Coe et.al. 2007; 2008; Dicken 2011).

Third, GVC analysis emphasized on the role of value creation, value differentiation, and value capture in a coordinated process of production, distribution, and retail. GPNs on the other hand focuses on the social and institutional context of interconnected commercial operations. GPNs analysis examines not only the interaction between lead firms and suppliers but also comprises of the whole range of actors and institutions (both economic and non-economic) that compete and cooperate to influence and shape global production, such as multilateral organizations, national governments, NGOs, international trade unions, civil society organizations, consumers, and labor (Coe et.al. 2007; 2008; Levy 2008; Bair 2009; Barrientos et.al. 2010; 2011; Dicken 2011; Coe 2012; Hess 2013; Selwyn 2013; Liu & Chaminade 2014; Yeung & Coe 2015). Hence, GPNs are not only economic phenomena but are also political, social and cultural systems.

Furthermore, most studies employing GVC have emphasized on their governance structure and input-output structure while disregarding the spatial and territorial aspects of the chain (Rossi 2011). Accordingly, GPNs goes beyond GVC in that

GPN do not only connect firms functionally and territorially but also they connect aspects of the social and spatial arrangements in which those firms are embedded and which influence their strategies and the values, priorities and expectations of managers, workers and communities alike (Henderson et al. 2002, 451).

Consequently, the analytical scope of GVC/GCC ends at firm level, and do not extend to include workers as social actors (Rossi 2011), i.e. labor is considered as a simple production factor. Hence, GPN is considered as an analytical framework of this study because it incorporates not only the economic and commercial actors of the production chains but also the whole range of actors functioning in the social and institutional contexts that surrounds and influences global production. It also focuses on the role of human agency in terms of affecting the change and transformation

within networks (Barrientos, 2007; Coe et.al. 2007; 2008; Barrientos et.al. 2010). Thus, GPNs allow an analysis of the linkages and tensions between commercial dynamics and social spheres (Rossi 2011; Barrientos et.al. 2011; Barrientos 2013).

2.2.Economic upgrading

Firms in developing countries have to economically upgrade in order to improve or sustain their positions in the international market vis-à-vis low cost producers. Economic upgrading implies the capability of producers to make products more efficiently, to make better products, or to shift into more skilled activities (Pietrobelli and Rabellotti, 2006 cited in Milberg & Winkler 2011, 343). Therefore, economic upgrading involves increased competitiveness of firms through improved use of technology, skills and knowledge. More comprehensively, Gereffi (2005, 171) has defined economic upgrading as “*the process by which economic actors –nations, firms and workers-move from low value to relatively high value activities in global production networks*”. This implies economic upgrading is a shift away from value chains where competition is high and entry barrier is low to value chains where competition is low and entry barrier is high.

There are four forms of economic upgrading –process upgrading, product upgrading, functional upgrading and chain/intersectoral upgrading (Humphrey& Schmitz 2000; 2002; Bettiol, et.al. 2011; Staritz & Morris 2013a; 2013b; Goger, et.al. 2014; Gereffi & Lee 2016). Each of these upgrading types have implications for skill development and jobs (Barrientos et.al. 2010; 2011). *Process upgrading* implies the reorganization of production processes or the substitution of capital for labor to improve efficiency and productivity. *Product upgrading* refers to the production of higher quality and more sophisticated products that often require more skilled jobs to make an item with enhanced features. *Functional upgrading* refers to changing the mix of activities performed towards value added tasks or adding additional stages of production. *Chain upgrading* refers to a shift toward more technologically advanced production chains involving new industries or product markets that often employ different manufacturing technologies and marketing channels. This type of upgrading may require different type of workers or new workers skill sets.

Economic upgrading is driven by different factors. For Gereffi (2005) and Sturgeon & Gereffi (2009) learning is at the center of economic upgrading. It is also determined by internal technological innovation capability and/or by external linkages (involving local linkages within an industrial clusters and linkages with global buyers outside of the cluster (Lu et.al. 2015). Besides,

it also depends on a mix of factors involving government policies, institutions, corporate strategies, technologies, and workers skills/human capital (Gereffi 2005; Bamber, et.al. 2014). In addition, governance structure, sectoral specificities, firm ownership and embeddedness and local firm interaction play considerable role in promoting economic upgrading (Bernhardt & Pollak 2015). Therefore, economic upgrading or downgrading hinges on the extent to which conducive factors internal and external to firms are on the ground. Thus, it is the result of an involvement of multiple stakeholders rather than an outcome of a single factor.

2.3.Labor and social upgrading in global production networks

Global production networks encompass a range of large business enterprises, suppliers and sub-contractors, household factories, state governments, multi-organizations, international trade unions and NGOs actors. The effect of participation in GPNs on developing country firms and workers is a contested issue. GPNs can positively impact labor through best practice of labor standards, high quality employment and best practice of labor rights while at the same time affects labor negatively through vicious competition, lowering profits and race to the bottom (Xiaoxia et.al. 2013).

Although different efforts are underway at national and international levels to improve the rights and welfare of workers through different measures, the implementation of these initiatives has encountered challenges particularly in the context of globalization (Barrientos 2007). In addition, the different layers of outsourcing and the types of contracts between exporting firms and outsourced units have allowed producers and employers to manipulate working conditions and avoid responsibility to workers (Bhaskaran et.al. 2014). Such and other conditions have made workers to work under precarious, informal, insecure, and flexible working conditions in the context of GPNs (Barrientos 2007).

In order to explain the link between economic and social upgrading two strands of literatures have emerged –the neoclassical economic theory and the institutionalist perspective. Labor, according to neoclassical economic theory, is a production factor that is paid at their marginal cost than having social character. This theory aligns wage growth with productivity growth. Rise in productivity ensues rise in wages which entails social upgrading is the consequence of economic upgrading (Milberg & Winkler 2011; Xiaoxia et.al. 2013). Hence, economic upgrading automatically translate into social upgrading. It also argues that labor demand and wage are also determined by technology (Milberg & Winkler 2011; Xiaoxia et.al. 2013). This theory is criticized for not

considering the role of labor in the context of GPNs; and the importance of labor as social agents (Xiaoxia et.al. 2013).

An alternative explanation to neoclassical economic views of labor market is institutionalist perspective. Unlike neoclassical economic theory, the institutionalist approach considers labor as a social agent. According to institutionalist perspective, the extent to which economic upgrading translate into social upgrading is determined by the nature of the institutional arrangements between capital, labor, and the state. Accordingly, economic upgrading does not automatically translate into social upgrading rather it is mediated by bargaining rights, active labor market policies, minimum wages, and union density. Consequently, labor market regulations and their enforcement play considerable role in determining the outcomes. Hence, according to institutionalist approach the link between productivity growth and wage is not guaranteed but contingent on the context (Milberg & Winkler 2011; Rossi & Luinstra 2013; Selwyn 2013; Xiaoxia et.al. 2013).

In order to better understand the link between economic and social upgrading the study takes into account both the neoclassical theory and institutionalist approaches to social upgrading that integrate workers as productive and social agents into the changing dynamics of GPNs in developing countries (Barrientos et.al. 2010; Xiaoxia et.al. 2013).

2.4. Social upgrading

The concept of social upgrading entails enhancement and improvement in workers' rights and entitlement as social actors. The concept is articulated on the basis of ILO's decent work agenda that consists of four dimensions –employment, social protection, workers right and social dialogue (Ghai 2003). The Decent Work Agenda upholds works carried out under conditions of freedom, equity, security and human dignity in which rights are protected and adequate wage and social coverage are provided (Barrientos et.al. 2010; 2011).

In order to measure the four aspects of decent work different authors have developed varied indicators which are not mutually exclusive. According to Ghai (2003) *employment* involves employment opportunities, remunerative employment, and conditions of work; *social protection/social security* aimed at providing workers with protections during difficulties; *workers right/basic rights* consists of forced labor, discrimination at work, child labor under abusive

conditions, and freedom of association; and *social dialogue* comprises of collective bargaining and economic democracy.

Similarly, Anker et.al. (2002, 7) have proposed 11 indicators to measure each dimensions of decent work. These indicators include: employment opportunities; unacceptable work; adequate earnings and productive work; decent hours; stability and security of work; combining work and family life; fair treatment in employment; safe work environment; social protection; social dialogue and work place relations; and economic and social context of decent work.

According to Ghai (2003) the concept of decent work combines both the qualitative and quantitative aspects of jobs that render it an important instrument to frame social upgrading. Social upgrading is defined as

the process of improvements in the rights and entitlements of workers as social actors, which enhances the quality of their employment. This includes access to better work, which might result from economic upgrading. . . But it also involves enhancing working conditions, protection and rights (Barrientos et.al. 2011, 324).

This implies social upgrading is not only the outcome of improved firm competitiveness but it is also a consequence of broader government economic and social policies as well as firms own initiative to protect workers right. According to Bernhardt and Milberg (2011a; 2011b), for a given sector to experience social upgrading or downgrading two necessary conditions have to be fulfilled: an increase or decrease in employment; and real wages or labor standards. However, the treatment of social upgrading in terms of employment generation alone is inadequate; and requires considering the quality of jobs created and retained (Bernhardt & Pollak 2015).

Social upgrading comprises of two components: measurable standards (outcome standards) and enabling rights (process standards) (Barrientos & Smith 2007; Barrientos et.al. 2010; 2011). Measurable standards involve those aspects of workers well-being that are more easily observable and quantifiable. They are easily observable during factory visits and social auditing. This comprises of employment category (regular or irregular), wage level, social protection and working hours, etc. Enabling rights are those aspects of workers' rights that are less easily quantifiable such as non-discrimination, freedom of association and the rights to collective bargaining, voice and empowerment. Lack of access to such rights undermine the ability of workers to negotiate improvements in their working conditions. Social upgrading, thus, involves improvement in both the quality and quantity of employment (Staritz & Morris 2013a; 2013b).

Qualitative analysis of social upgrading tends to combine measurable standards and enabling rights (Barrientos 2007; Plank et.al. 2009; Rossi 2011; 2013; Rossi & Staritz 2012; Khattak 2013; Plank et.al. 2013; Staritz & Morris 2013a; 2013b; Staritz & Plank 2013). On the other hand, quantitative analysis focuses on parsimonious approach considering social upgrading as involving increased real wages and employment growth (Bernhardt & Milberg 2011a; 2011b; Milberg & Winkler 2011; Bernhardt & Pollak 2015).

The above discussion on social upgrading indicates that social upgrading have both qualitative and quantitative aspects; and it may occur out of variety of factors. Hence, social upgrading may involve access to better work which may enable workers that have acquired skills in one job to move to better job elsewhere in GPNs. It also includes enhancing working conditions, protection and rights of workers that may in turn improve the well-being of their dependents and communities.

However, ILO's decent work agenda and the concept of social upgrading have been criticized as analytically and politically flawed (Selwyn 2013). Analytically, it failed to grasp the nature of capitalist exploitation and indecent work. Politically, it emphasizes on improving workers condition through the collaboration between firms, states, and international organizations which represent a top-down understanding of social upgrading. Therefore, Selwyn (2013) calls for a bottom-up approach that recognizes the capacity or ability of workers and their organizations to bring positive changes in their working conditions.

For the sake of this study, social upgrading is defined as the process of improving the rights and entitlement of workers as social actors; and is measured qualitatively through combining both measurable standards and enabling rights. This allows capturing some important aspects of social upgrading that are difficult to measure quantitatively. Besides, it is also difficult to find published data on qualitative aspects of social upgrading (Barrientos et.al. 2011; Milberg & Winkler 2011; Rossi 2011). This was clearly manifested in a study conducted by Bernhardt & Milberg (2011a; 2011b) who encountered lack of published quantitative data on the intangible aspects of social upgrading.

2.5.Link between economic and social upgrading

The concepts of economic and social upgrading are vital factors in global economy, and contribute to more sustainable growth and development. Economic upgrading facilitates innovation and

competitiveness among firms while social upgrading promotes employment on the basis of decent work and respect for labor standards. Nonetheless, how they are related, and what mechanism help to combine them require further analysis (Gereffi & Stark 2011).

It is commonly argued that economic upgrading generally leads to increased employment opportunities for people in developing countries and for people who were previously marginalized from wage employment, such as women and unskilled workers. However, the link between economic and social upgrading is not linear as assumed by neoclassical economic theory. Instead, it is mediated by several factors and varies across sectors, contexts, the type of works and employers, the type of economic upgrading, and the position of workers along the chain in global production networks as assumed by institutionalist approach. A study by Bernhardt & Milberg (2011a; 2011b) in 30 developing countries on four sectors (apparel, tourism, telecommunication, and horticulture) indicated that the link between economic and social upgrading varies across sectors. They found that economic and social upgrading are positively correlated in horticulture and apparel sectors, while there was widespread economic upgrading but no social upgrading in mobile telecom sector. In the tourism sector the study highlighted many cases of social upgrading but less economic upgrading, hence it is possible for social upgrading to occur without economic upgrading. They suggested that social upgrading is not necessarily driven by export performance or economic upgrading.

Moreover, several studies also revealed that the implications of economic upgrading on the social upgrading of workers varies on the basis of the status and skill levels of workers. In this regard, Barrientos (2014) in a study conducted on South African fruit sector indicated that economic upgrading within the supermarket value chains is followed by social upgrading for permanent and regular workers, while casualization of work has led many workers to experience simultaneous social downgrading. Similarly, a study carried out on the mobile telecommunication industry of Uganda found despite economic upgrading experienced by the sector, working conditions remained mixed between different categories of workers that have engaged in different activities. Accordingly, permanent and clerical workers have access to different social benefits and job security while temporary workers and those who work in outsourced activities are paid extremely low wages and lack access to social benefits and pensions (Shinyekwa 2013).

A study on Ugandan tourism global production network (Christian & Mwaura 2013) also indicated that in spite of product and functional upgrading undergone by firms, the social upgrading outcome is differentiated between permanent workers which have witnessed social upgrading and temporary workers which were denied social upgrading opportunities. Likewise, Christian (2012) in a study on Kenyan and Ugandan tourism sector found that economic upgrading (product upgrading and chain upgrading) has led to improvement in measurable standards of social upgrading for permanent and contract workers but not for casual workers.

Staritz & Plank (2013) in a study on the Hungarian and Romanian electronics sector highlighted that internal economic upgrading do not automatically translate into external economic upgrading through local linkages and spillovers nor are they a guarantee for social upgrading. This finding pointed out that social upgrading is differentiated based on the skill levels of workers with small number of well-paid skilled jobs in engineering and management, and the majority unskilled and semiskilled workers on the line are paid lower.

A study conducted on flower companies of Kenya and Uganda (Barrientos 2014) found positive linkages between economic and social upgrading. Economic upgrading within the value chain made improvement in the working conditions and terms of employment of workers through better health and safety conditions and less on farm sexual harassment as well as improved job security. However, some challenges related to the insufficiency of living wage persisted.

On the contrary, economic upgrading of firms may also cause social downgrading of workers. That means, firms may undergo economic upgrading in a situation of deteriorating working conditions (Plank et.al. 2009). According to this study, despite process upgrading in Romanian apparel and electronics sectors, labor rights involving working time and intensity, living wage, and trade union rights remain disputed. A study conducted on South African squid value chain also found that economic upgrading has created thousands of jobs while the working conditions remained poor (Mather 2008). Moreover, improvement made in measurable standards may not also result in progress in enabling rights like freedom of association and the right to collective bargaining (Bettiol, et.al. 2011; Lee & Gereffi 2015).

Economic downgrading may also cause social downgrading. This is indicated by Barrientos (2014) in West African small-scale cocoa farm households where economic downgrading due to declining

incomes and lack of government support have contributed to social downgrading which is manifested through the exit of youth and younger farmers cocoa producers.

2.6. Economic and social upgrading in garment GPNs

The extent to which economic upgrading transfer into social upgrading of workers depends on different factors. A study on Moroccan garment sector (Rossi 2011; 2013) indicated that the extent to which economic upgrading leads to social upgrading depends on the type of economic upgrading, and workers categories. Consequently, process upgrading is positively related to social upgrading, as enhanced efficiency in production leads to reduced overtime work, higher health and safety standards and other improvements in measurable standards. However, the same study indicated that the relationship between product upgrading and social upgrading is less clear; while the link between functional upgrading and social upgrading depends on the categories of workers in which skilled regular workers have access to improved working conditions while those who are low skilled irregular workers tend to experience social downgrading through low wages, precarious working conditions, discrimination at the workplace and so forth. Similarly, Plank et.al. (2012) in a study conducted on the Romanian and Moroccan apparel firms found the implication of economic upgrading on social upgrading is selective based on the category of workers and the dimension of social upgrading. Accordingly, in both countries regular workers have experienced social upgrading in terms of measurable standards such as safety and health, social security, and improved wage whereas irregular workers have no or little access to social upgrading.

On the other hand, Khattak (2013) in a comparative study conducted on South Asian Apparel Firms found positive relationship between process, product and functional upgrading, and social upgrading. According to this study, process and product upgrading lead to skill upgrading which in turn leads to high wages for skilled employees. But, just-in-time delivery, orders on short notices and social upgrading involves negative relationships as suppliers are forced to work overtime in order to meet delivery time.

Goger et.al. (2014) pinpoints that economic and social downgrading are common phenomena in African apparel sector. In African apparel firms social downgrading is a norm, and there is little evidence that workers are benefiting from economic upgrading in cases it occurred except for those who are in formal sectors. Even in a situation of best economic upgrading, the conditions of

employment for informal workers remained highly precarious, which often leads to social downgrading (Goger, et.al. 2014).

The above discussion points out that the implications of economic upgrading on the social upgrading of workers depends on the status and the skill levels of workers as well as on the type of economic upgrading experienced by firms. Therefore, the outcome of economic upgrading on social upgrading of workers is contingent on the existing context on the ground.

2.7. Factors driving social upgrading

The economic and social upgrading (downgrading) of firms and workers can occur in a variety of paths. The type and extent of social upgrading is associated with economic upgrading in place, institutional factors and actors at different levels (Barrientos & Smith 2007; Plank et.al. 2012; Barrientos 2014; Gereffi & Luo 2014; 2015; Gereffi & Lee 2016). In addition, it also depends on the position of workers and firms within the value chain, the type of work undertaken, and the status of workers within any work category (Barrientos et.al. 2010; 2011).

Global buyers influence the occurrence of economic and social upgrading in developing countries through the diffusion of global standards. In order to respond to the pressure from different stakeholders to link economic and social upgrading, and to maintain or enhance their reputations; lead firms have developed codes of conduct that outlines basic labor requirements that supplier firms have to pursue. This has led to the emergence of corporate social responsibility (CSR) (Barrientos & Smith 2007; Barrientos et.al. 2010; 2011; Bettiol, et.al. 2011; Plank et.al. 2012; Barrientos 2013; Hess 2013; Rossi & Luinstra 2013; Barrientos 2014; Mayer & Pickles 2014; Lee & Gereffi 2015; Gereffi & Lee 2016). The private codes of labor practice have observable impact on measurable standards such as changing occupational safety and health practices, toilets, first aid, absence of child labor, and better management of contracts and payslips (Barrientos & Smith 2007; Rossi & Luinstra 2013; Bhaskaran, et.al. 2014; Perry et.al. 2015).

Nonetheless, CSR initiatives of global buyers have been criticized on different ground. First, the initiatives do not address the core labor standards indicated by ILO (such as freedom of association and collective bargaining, elimination of compulsory and forced labor, abolition of child labor, and non-discrimination in employment and occupation). Second, the monitoring processes of factories were flawed –lack in-depth attention to details and intangible aspects of workers' rights, fail to

consult workers, corruption, cultural differences and translation problems. For instance, Barrientos & Smith (2007) and Bhaskaran, et.al. (2014) indicated the ineffectiveness of the auditing mechanisms to capture overtime and other labor condition. Likewise, Plank et.al. (2009) stated the limited impact of private initiatives monitoring on improving the overall working conditions as they are mostly concerned with health and safety issues while sidelining overtime work, and the dismissal and unfair treatment of labor union leaders and their members. Third, absence of uniform codes of conduct followed by buyers lead to confusion and wastage of resources among suppliers. Fourth, the implementation of CSR lack consultation with different actors (Barrientos & Smith 2007; Hess 2013; Rossi & Luinstra 2013; Bhaskaran, et.al. 2014; Mayer & Pickles 2014; Gereffi & Lee 2016).

The purchasing practices of global buyers may also impact social upgrading or downgrading of workers. Supplier firms are caught between contradictory demands of global buyers to ensure quality of product, reduce price and meet delivery schedule on the one hand and to comply with the environmental and private codes of labor practices of large global buyers on the other. As a result, to maintain or improve their position in GPNs, suppliers have to balance between maximizing quality to fulfill buyers' standards and minimize costs of production to remain competitive in the international market. This has implication for labor and potential for social upgrading as it may ensues social upgrading for regular workers and downgrading for irregular workers (Barrientos et.al. 2010; 2011; Plank et.al. 2012; Barrientos 2013; Rossi 2013; Barrientos 2014). In this regard, Barrientos (2014) indicated how the need for high quality products necessitates a more skilled and stable workforce whose retention demands better employment conditions while on the other hand the tension between meeting quality standards and rising costs led to casualization of farm workers in situation where labor accounts for an increasing share of farm level cost.

The extent to which economic upgrading translate into social upgrading is also influenced by the types of economic upgrading, the skill levels of workers; the type of production, the position of firms and workers in the value chain (Nadvi 2004; Knorringa & Pegler 2006; Barrientos 2007; Barrientos et.al. 2010; 2011; Khattak 2013; Gereffi & Lee 2016); and adjustment cost (Brown et.al. 2014). According to Nadvi (2004) who reviewed various agri-food and apparel value chains, insertion into the global value chains creates jobs and income gains for workers; nonetheless this

depends on where they are in the chain. Khattak (2013) states that the impact of economic upgrading on social upgrading is positive in firms producing high-value added products involving skilled employment; while it is slow in firms manufacturing low value-added products and employing low skilled workers. In connection with this, Goger et.al. (2014) found Chinese and Taiwanese investors producing basic products for the US market and that focused on assembly have limited investment in workforce training, and hence less economic and social upgrading.

Furthermore, social upgrading is also affected by different forms of governance networks exercised by global buyers. In this regard, a comparative study conducted on South Asian apparel firms found that firms in relational networks are in a better position to successfully translate economic upgrading into social upgrading than firms in captive networks (Khattak 2013).

Moreover, ownership of firms also matters in social upgrading. Hess (2013) argues that variegation of capitalism and differences related to embeddedness have implication for labor rights and working conditions in garment factories of Cambodia. *Variegated capitalism* refers to the different forms of capitalism that evolved in different countries based on specific cultural and institutional forms which resulted in unique modes of economic organization (see Dicken 2011; Hess 2013). Accordingly, firms from coordinated market economies such as Korean firms are found more compliant than firms from liberal, networked and hierarchical market economies (Hess 2013). However, similar study found the absence of statistically significant correlation between ownership and compliance rate particularly with working hours (Hess 2013). Plank et.al. (2009) also states that union representations are higher in former state owned companies than newly established private apparel and electronics firms of Romania.

Moreover, workers and their organizations also influence the social upgrading of workers. Different studies have shown the indispensable role of workers and labor unions in ensuring better work conditions. A study by Wad (2013) on foreign controlled company in Malaysia; Carswell & De Neve (2013) on Tiruppur garment industry; and Selwyn (2013) on Brazilian Horticulture indicated the ability of workers and their organizations to improve their working conditions through different mechanisms that ranges from strike to legal appeal.

Nonetheless, the size of supplier firms as conditions leading to social upgrading is controversial. A study on Kenyan and Ugandan tourism sector (Christian 2012); and South African Horticulture (Barrientos & Visser 2012) indicated that larger mass tourism subsectors and bigger sites or farm

areas respectively are likely to lead to social upgrading than smaller ones. On the other hand, a study on Moroccan garment (Rossi 2011) found the absence of clear cut evidence that shows size of firms matter for social upgrading to occur.

Gereffi & Lee (2016) have summarized the different trajectories and factors of social upgrading in cluster and GVCs into six types. Each of these trajectories are driven by key actors and mechanisms that differentiate it from other paths. First, *market driven path* refers to a situation whereby market demands goods that are produced with high level of social standards which in turn forces cluster firms to improve labor conditions in their factories or farms. The main driving factor is firms building up their market competitiveness through process and product differentiation. The main challenge in pursuing this path is the failure of market incentives. Second, *CSR-driven path* involves the actions of supplier firms to improve the working conditions of workers to comply with global buyers' social codes of conduct. The key actors in this trajectory are global buyers who are explicitly committed to CSR to avoid reputational damages caused by the public disclosure of labor wrong doings, and supplier firms that want to ensure continuous access to global market and differentiate themselves from other suppliers. Third, *multi-stakeholder path* emerges from a multi-stakeholders initiatives to enhance working conditions in Small and Micro Enterprises in developing countries in a specific sector or across sectors. It is based on the cooperation of multiple stakeholders (private and non-private and global and local actors) that involves national governments, NGOs, trade unions, local firms, and cluster institutions. It also combines compliance monitoring with capability building which enables clusters to learn the way to address labor issues on their own. Fourth, *labor-centered Path* is a path in which workers and labor unions play as significant role as global buyers in promoting upgrading. It underscores the capacity of workers and labor unions to bring change in working conditions through disrupting production and the supply chain through strikes or threat to negotiate with employers. Fifth, *cluster-driven path* is a bottom-up path initiated by cluster firms to improve working conditions within cluster. Cluster driven paths take into consideration local perspectives and contexts, and the economic gain for cluster firms which are not the main concern of global buyers CSR initiatives. It is facilitated by trust and mutual dependence between closely joined firms. Commercial association, chambers of commerce and cooperatives play a key role by providing training and information on quality and social standards in external market. Finally, *public governance path* is concerned with public regulations which have far reaching effect on improving labor conditions involving all the suppliers

under their jurisdiction, irrespective of whether they are inside or out of a cluster or GVC. It focuses on the role of the state to enforce law and prevent defection of individual firms, and resolve problems among various stakeholders.

Each of these trajectories has their own strength and downside, and effective social upgrading involves not pursuing a single trajectory rather combining the different trajectories involving multiple stakeholders with different capabilities and limitations (*for detailed discussion see Gereffi & Lee 2016*).

In general, the above discussion shows social upgrading is the outcome of several different conditions that interact with and influence each other. Therefore, it entails that the realization of social upgrading depends on the role of different stakeholders and conditions, instead of being the outcome of economic upgrading alone.

2.8. Labor market and regulatory framework in Ethiopia: brief overview

In developing countries like Ethiopia, labor market is mostly characterized by unpaid family work, self-employment and very low wage employment (De Gobbi 2006). Informal employment which is characterized by lack of institutional protection, inadequate earnings, and underemployment, is the key source of employment and livelihood for the growing population of Ethiopia (De Gobbi 2006; ILO 2014; Ferede & Kebede 2015). Ethiopian labor market is generally characterized by increased labor productivity, high youth and women unemployment, sectoral, age, gender and geographical variation (*for recent and detailed discussion see Ferede & Kebede 2015*).

Ethiopia has adopted different national regulatory frameworks and international conventions on the rights and protection of workers. It has ratified 21 ILO conventions including the eight fundamental ones. In addition, it has ratified one of the four ILO priority convention (ILO 2014). At national level, the Federal Democratic Republic of Ethiopia constitution guarantee labor rights, and the country has also adopted Labor Proclamation No. 377/2003 which is currently in operation. In addition, other laws and regulations are also enacted. In order to enforce these international conventions and national legislation different public and private institutions were established. Nonetheless, employment, in Ethiopia, continued to have both quantity and quality challenges. The kind of jobs generated lack decent quality (Ferede & Kebede 2015).

2.9. Labor practice challenges: a glimpse at selected cases

Case studies on Ethiopian flower farms indicated that working conditions varies among different employment conditions. According to Nigatu (2010) and Beyene (2014), the flower farms were characterized by provisions of workers with access to different social security benefits such as paid annual leave, sick leave, maternity leave, and pension. In addition, these studies documented the right of workers to join and form labor unions, and the absence of gender based wage discrimination. On the contrary, Buckley (2004) indicated that workplace relations and social dialogue are comparatively underdeveloped in Ethiopia. Moreover, compulsory overtime work during peak time, inadequate wage to support the livelihoods of workers, and lack of transportation services to and from work places are common problems (Nigatu 2010; Beyene 2014).

Concerning, organizational safety and health, studies on flower farms indicated varied experiences. According to Nigatu (2010) the issue of occupational health and safety is taken seriously by majority of farms availing the necessary protective equipment and working through different committees. On the other hand, Getu (2009), Beyene (2014), and Hanssen et.al. (2015) found flower workers right to safe and health working environment is compromised by limited access to personal protective equipment and unsafe pesticide management, and spraying procedure which lead to high prevalence of chronic disease symptoms. This was caused by the reluctance of existing institutions to enforce policies and regulatory measures due to lack of finance and human resources (Getu 2009); high costs of personal protective equipment and unavailability of protective equipment in the domestic market; and lack of awareness, trained man power, modern safety and health equipment, and lack of coordination and cooperation (ILO 2014).

Concerning employment security in flower farms, Nigatu (2010) argued that majority of workers are daily laborers and fixed term workers that are vulnerable to easily get dismissed. Contrary to this finding, Beyene (2014) showed that workers are provided with permanent job contract upon completion of 45 days of probation period which provided workers with a sense of job security. However, written job contract may not guarantee job security as the labor law of the country allows arbitrary dismissal and termination of contracts in cases of quarrel on workplaces and workers manifestation of loss of capacity.

With regards to textile and garment firms labor conditions, a study by Kumar (2011) on issues of labor turnover in Arbaminch textile company indicated the presence of high level of employee

turnover caused by low wage, lack of good relationship between employee and their superiors, lack of training, promotion, participation in decision making, recognition of job, and better job offer leading to lack of motivation. Turnover is higher among those who are experienced and high performing male employees. Female employees are more satisfied in their job than their male counterpart.

2.10. Textile and garment global production networks

Global apparel chains emerged out of the measures of developed countries buyers to contract out production to developing countries. The apparel value chain is organized around five stages –raw material supplies; the provision of components; production networks made up of garment factories; the trade channels established by export intermediaries; and marketing networks at the retail level (Appelbaum & Gereffi 1994; Plank et.al. 2009; Stark et.al. 2011). Each of these segments involves a number of differences in terms of labor skills and conditions, technology, geographical location, and the scale and types of enterprises (Appelbaum & Gereffi 1994).

Garment is typical buyer driven global value chain in which profit is often garnered from a mix of high value added activities such as research and design, sales, marketing, and financial services. In garment GPN different brand name apparel companies and retailers that have no production facilities but who exercise power through their purchasing practice considerably influence how, when, and where manufacturing will take place and occupy the most profitable niche where entry barrier is higher (Stark et.al. 2011).

The global textile and garment industry has gone through different geographical shifts of production. The first shift was from North America and Western Europe to Japan following the displacement of western textile and clothing production by a sharp rise in imports from Japan in the 1950s. Second, from Japan to Republic of Korea, Hong Kong, and Taiwan Province of China that dominated production and export in the 1970s and early 1980s. Third, a shift from Republic of Korea, Hong Kong, and Taiwan province of China to other developing countries (such as mainland China and different Southeast Asian countries (such as Indonesia, Thailand, Malaysia and the Philippines; and Sri Lanka)) in the late 1980s and the 1990s. Besides, the 1990s, have also witnessed new suppliers such as South Asian and Latin American garment exporters (Gereffi & Memedovic 2003; Gereffi 1999). Asia is the main source of clothing export whereas North America and Western Europe are the main destination for clothing imports (Dicken 2011).

The production of garment involves different processes that range from its conception to its arrival in shops for sale. Global buyers design and develop the product to send it to suppliers either physically or electronically through preparing sample and codifying specifications. Once suppliers received product sample and specifications they proceed to procure raw materials which is to be managed either by buyers or their intermediaries or by suppliers themselves. Up on the arrival of the fabric, the cutting department is in charge to cut the product as of the specification. The cut pieces of fabric are brought to the sewing machine workers. Accessories are imported from outside the supplier firm and their purchase is the duty of the supplier. Once the garment has been controlled and approved, it is to be ironed and handed to the packaging units. This is to be followed by storage and loading of garment and transport.

In this regard, Information Communication Technology (ICT) play critical role. It serve as an important mechanism to attain efficient information sharing in textiles and garments supply chain. Besides, the success of Just-in-time operation depends of the degree to which ICT is employed through the length of the value chain. It also helps to save costs in sourcing and manufacturing process through ensuring the timely and accurate information flows that ranges from raw material procuring and manufacturing process through to the delivery to end market (McNamara 2008).

Hence, McNamara (2008) argue that ICT is vital for the communication between suppliers and retailers in three different areas. First, *exchange of information* that involves any data that affects the activities and performance of other parts of the supply chain that comprises of inventory management, sales data, production schedule and shipment details. Second, *synchronized planning* allows all parties to agree about what is to be done with the information that is exchanged. This in turn creates strategies for product introduction, forecasting, and replenishment. Third, *workflow coordination* exploits collaborations between the different supply chain participants.

CHAPTER THREE

3. RESEARCH METHODOLOGY

This section presents the profile of textile and garment industry in Ethiopia and justifications for choosing the sector, research approach, research strategy, sample selection and target groups, data collection and analysis procedures, practical challenges encountered in the field as well as ethical considerations.

3.1. Profile of textile and garment Industry in Ethiopia

In Ethiopia, textile and garment sector contribute 1.6% to the GDP and constitute 12.4% of the industrial output by value terms in 2010. The annual production capacity of the sector comprises of 207 million meter of woven fabric, 102 thousand tons of yarn, 63 million pieces of knitted garment, 50 million kilogram of knitted fabric, and 28 million pieces of woven garment. For the last decade the export performance of the country's textile and garment sector has shown an increasing pattern (Ethiopian Textile Industry Development Institute 2014).

Table 1 below indicate that the total export of the country's textile and garment sector is substantially growing year after year except for the year 2014/15. The decline is caused by different factors: the failure of some garment and textile firms to export; the emphasis of supplier firms on domestic market due to increased demand and absence of quality standards; lack of managerial and technical skills; lack of necessary raw materials and accessories; and the decline in the price of textile and garment products in the international market (Ministry of Industry 2015)¹. On the basis of the type of product, the garment manufacturing subsector plays significant role with very impressive upsurge from the year 2010/11 to 2014/2015 followed by yarn and fabrics export. Besides, the share of textile and garment export have shown growth, for example, from 26.3% to 35.3% in the year 2009/10 to 2010/11 of total manufacturing exports. Besides, the percentage share of textile and garment of the total export of the country has also grown from 0.9% in 2004/2005 to 3.5% in 2014/2015. This shows the degree to which textile and garment industry has started to play considerable role in the economy of the country, and in letting the country participate in global market in terms of manufacturing sector (*see table 1 below for detailed account*).

¹ Ministry of Industry, Ethiopia. 2015. *The Manufacturing Industry Sector: 2014/15 Fiscal Year the Month of June and Annual Export Performance Report, June 2015*. Unpublished (translated from Amharic version)

Table 1: Percentage share of Textile and Garment products of total manufacturing sector, and total country export [Value in '000USD]

Year	Product Type				Textile and Garment Export Sum	Industry Sector Export	Total Country Export	%Share of Textile and Garment Export from Industry Sector Export	%Share of Textile and Garment Export from Total Country Export
	Yarn	Fabrics	Garment	Cultural Clothes					
2004/05	-	2,897	3,446	416	6,759	89,431	793,225	7.6	0.9
2005/06	-	4,181	6,848	73	11,102	96,903	1,008,567	11.5	1.1
2006/07	-	4,421	8,043	154	12,618	124,735	1,185,083	10.1	1.1
2007/08	-	4,565	9,674	373	14,612	142,121	1,481,421	10.3	1
2008/09	3,717	3,708	6,630	383	14,438	114,789	1,450,161	12.6	1
2009/10	8,522	6,325	6,667	1,696	23,210	88,163	1,999,542	26.3	1.2
2010/11	9,124	22,984	26,734	3,382	62,224	176,362	2,747,117	35.3	2.3
2011/12	8,891	8,284	63,090	4,361	84,626	255,450	3,152,884	33.1	2.7
2012/13	23,464	9,599	61,009	4,916	98,988	355,491	3,081,212	27.8	3.2
2013/14	28,147	6,321	72,148	4,738	111,354	397,933	2,904,654	28	3.8
2014/15	12,199	9,185	72,030	4,647	98,061	407,941	2,769,119	24	3.5

Source: Based on information from Ethiopian Textile Industry Development Institute

Textile and garment manufacturing sector is also employing thousands of male and female workers; and it has become an important source of employment for female workers. Figure 1 below shows the number of female workers is increasing very fast and far exceeded the number of male employees relative to mid-1990s and mid-2000s. Female workers constitute about 60% of the labor force in 2014/15, while male constitute the remaining percentage. Female labor forces are usually young who strive to earn their living through getting employed in the industry; and majority of them are either who failed out of high school or are grade 8 complete.



Source: Based on information from Ethiopian Textile Industry Development Institute²

Table 1 and figure 1 above shows a decline in export and growth in employment opportunity. According to the definition of economic upgrading and social upgrading given by Bernhardt and Milberg (2011a; 2011b), table 1 and figure 1 above shows economic downgrading of firms followed by social upgrading of workers.

Ethiopia is the beneficiary of different preferential trade agreement. It is the beneficiary of African Growth and Opportunity Act (AGOA) that provided developing countries the opportunity to export textile and garment products quota free and duty free from 2000 to 2025 to United States market (Abebe 2007). Ethiopia is also a member of Common Market for Eastern and Southern Africa

² Office of Ethiopian Textile Industry Development Institute (ETIDI)

(COMESA). In addition, Ethiopia is the beneficiary of the opportunity provided by EU under the initiative of Everything But Arms allowing least developed countries to have full duty free and quota free access to EU to all their exports with the exception of arms and armaments. Currently, the main export partner of Ethiopia in textile and garment being Germany, Turkey, and Italy followed by China and the United States of America that indicate the degree to which EU member countries are an important destination. The presence of such trade preferential agreement, the low cost of labor and electric power, and its geographical location to the Middle East market as well as the different incentives provided by the government is attracting different Transnational Corporations to invest and outsource their production to Ethiopia.

Textile and garment industry is also given special attention by the government in its Industrial Development Strategy, and Growth and Transformation Plan I and II as a mechanism of integrating into the international market and earning foreign currency due to the low entry barrier of the sector. According to Dicken (2011) the textile and clothing industry has been provided a key position in the national industrialization strategies of developing economies. Likewise, the Federal Democratic Republic of Ethiopia (FDRE) Industrial Development Strategy (2002) points out that the labor intensive nature of the garment sector, cheap labor force, and shortage of capital and the level of technological development of the country necessitate emphasizing on this sector to be competitive in the international market. Hence, the special focus given by the government to this sector and the significant proportion of investment it has attracted in recent years from both foreign and domestic investors, and improved export performance drive the selection of firms operating in this industry as a unit of analysis. In addition, according to assessment conducted by Berg et.al. (2015) sub-Saharan African countries will be the hub of apparel sourcing in the near future; and Ethiopia is mentioned on the top of the potential destination for apparel.

Currently different large Transnational Corporations such as H&M, Tesco, Primark and others have started sourcing garments from Ethiopia. The involvement of such large international buyers drive garment and textile manufacturers to improve their efficiency and productivity, quality and ranges of their products and their activities. Besides, such global buyers' require suppliers for fast delivery time, quality products, and reduced prices while simultaneously demanding supplier firms to meet codes of labor practices. Therefore, while the commercial requirement of global buyers pressurizes manufacturers to economically upgrade, it may also influence the social upgrading (downgrading)

of workers through different ways. Hence, this study intended to disclose the tension between commercial and social aspects of GPNs in the context of Ethiopian textile and garment industry.

Global buyers impose CSR and undertake social compliance audits in order to ensure the sustainability of their supply chain which may open the opportunity for improved working conditions. Besides, they may also play significant role in terms of technology transfer, learning, and sharing experiences with supplier firms. In this regard, the initiative of H&M Company can be an exemplary. In order to ensure the sustainability of textile and garment industry in Ethiopia, a three year project funded by Sweden through Swedish International Development Cooperation (SIDA) and H&M was inaugurated on 4 February 2016. The project is intended to be implemented by the cooperation among ILO Ethiopian country office, Ethiopian Ministry of Labor and Social Affairs, Ministry of Industry, Confederation of Ethiopian Trade Unions, and Ethiopian Employers Federation. The aim of the project is to support the development of socially sustainable textile and garment industry in Ethiopia through improved productivity, labor relations, working conditions, and wages³.

3.2. Research approach and methods

3.2.1. Research approach

Qualitative methodology is selected as a research approach because it allows the opportunity to understand parts of the world more or less as they are experienced and understood in the everyday lives of people who live them out (Crang & Cook 2007). Berg (2001) states that qualitative methodology allows the investigation of social settings and the individuals who inhabit these settings. Besides, it is important to understand the policies and practices pursued by firms and industries (Mullings 1999). Hence, qualitative methodology is preferable to this study because it allows the examination of the policies, practice, and lived experiences of firms and workers.

Qualitative methodology is also important due to the nature of the concept of social upgrading. Rossi (2011) argued that an attempt to measure social upgrading through quantitative measure has a number of limitations. Among others, the limited availability of data in developing countries; and the demand of quality of employment for qualitative data that cannot be extracted from the existing

³ http://www.ilo.org/addisababa/events-and-meetings/WCMS_447447/lang--en/index.htm

measurements at the national aggregate level, or by a quantitative survey. In this regard, a parsimonious study by Bernhardt and Milberg (2011a; 2011b) in 30 developing countries on the link between economic and social upgrading has fallen short of published quantitative data to measure social upgrading mainly associated to enabling rights such as voice, non-discrimination, the right to collective bargaining and freedom of associations. Besides, enabling rights are not quantifiable and difficult to capture by a predefined categories of answers, making the outcome harder to measure. Furthermore, the complexity and confidentiality of GPNs makes collecting a quantitative data that fully capture the reality a challenging task. Consequently, qualitative research methodology is preferable to address the link between economic and social upgrading, and conditions leading to social upgrading.

3.2.2. Research strategy

The research strategy pursued in this study is case study. Case study involves the investigation of a case or cases (person, events, social settings, or group, organizations, programs) over time through detailed or in-depth data collection mechanisms (Berg 2001; Creswell 2007). *"Case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident"* (Yin 2003, 13). According to Yin (2003, 2012) there are three factors necessitating the use of case study. First, when the research question is one of descriptive or explanatory addressing “what” and “why” or “how” questions. Second, case study is important to understand complex human phenomena in real life events such as individual life cycles, organizational and managerial processes, international relations, neighborhood change, and the maturation of industries. Finally, it is relevant for conducting evaluations. In the context of this study, case study is appropriate strategy due to the explanatory nature of the research questions.

Moreover, case study allows employing the whole range of evidences –documents, artifacts, interviews, and observation. This kind of triangulation in turn permits improved validity of the finding (Yin 2003; Creswell 2007; Yin 2012). Besides, *“case studies bring a deeper understanding of the process of upgrading, the role of each of the key actors and the obstacles that upgrading firms face in GVCs”* (Milberg & Winkler 2011, 345). Thus, case study allows investigating the link between economic and social upgrading, and the challenges that firms experience to

economically and socially upgrade by collecting data from relevant stakeholders in settings they are familiar with.

The study employed multiple case study to enhance the ability to theorize about a broader context (Berg 2001), and reach on better generalization (Creswell 2007). In addition, it provides confidence or certainty in the finding of the study than single case study (Yin 2012; 2003). Furthermore, it allows theoretical replications and further strengthens external validity compared to single case study (Yin 2003). Therefore, multiple case study enables making analytical generalization from findings to the broader theory.

3.2.3. Sample selection and Target group

Sampling is the building block of almost every empirical research. There are two factors determining sampling design –available resource such as time, money; and the aim of the study (Rice 2010). Qualitative research aim to build theory and detailed understanding of phenomena. Therefore, such objectives are to be realized through small sample size unlike quantitative research that needs large sample size to reach on statistical generalization.

Accordingly, five textile and garment manufacturing and supplying firms operating in Ethiopia were selected through non-probability sampling method called purposive sampling.⁴The units were purposely selected in a way that allows comparison between different firms. Criteria used in the selection process involved levels of firms' participation in Global Production Networks, and the size (the number of employees) of each supplier firms. The size of firms was categorized on the basis of the number of employees depending on the study conducted by Rossi (2011) on Moroccan garment firms. This is because the classification of manufacturing enterprises by Central Statistics Agency in Ethiopia (CSA 2011 cited in Ketema 2015, 89) (firms having employees between 5 to 30 as small, between 30 to 100 as medium, and more than 100 employees as large) could not entirely capture firms that have engaged in GPNs. In order to allow comparison, firms having different size as small, medium, and large were selected. The selection of the unit of analysis were mediated by access to the enterprises. However, the efforts to balance firm size and export performance for logical comparison remained futile due to the inaccessibility of some firms.

⁴ The term textile and garment is used in this study as some of the firms have engaged in both textile and garment production, and are named after it. Hence, although the term textile and garment supplier firms are used in the thesis, the main concern of the study was on garment units.

Table 2: List of supplier firms on the basis of size of employees, years of establishment and ownership

Supplier firms	Employee size			Comment	Years of establishment	Supplier firms Export performance at national level (Rank)	Ownership
	Regular	Irregular	Total				
AG	138	54	192	Small	2006	29 th	Private
AN	455	205	660	Medium	2005	11 th	Private
AK	1200	372	1572	Large	1986	2 nd	Public
AM	1425	45	1470	Large	2004	4 th	Private
AA	4816	457	5273	Large	1999	6 th	Private

Sources: Information from Ethiopian Textile industry Development Institute; Ethiopian Textile and Garment Manufacturers Association; and supplier firms.

Key informants and supplier firm managers were selected on the basis of their familiarity to the issue under investigation and their position. Accordingly, key informants from the Ministry of Labor and Social Affairs (MoLSA), Confederation of Ethiopian Trade Unions (CETU), Ethiopian Textile and Garment Manufacturers Associations (ETGAMA), and Industrial Federation of Textile and Leather Workers were interviewed.

For the purpose of focus group discussions (FGDs) workers were selected randomly from among those who are mainly in the garment production sections.

3.2.4. Data sources and collection methods

The study employed both primary and secondary sources of data. Primary data was collected from the field through in-depth interview and focus group discussions (FGD) between 26 October and 12 December 2015. Accordingly, semi-structured interview was conducted with key informants from government officials, workers organizations, and employers' organizations. Semi-structured interview was also conducted with firms' general managers and human resource managers (HRMs). Similarly, FGD was carried out with production workers of different firms. Secondary data was collected from both published and unpublished sources.

3.2.4.1. Semi-structured interview

Merriam (1998) considers interview as the most important and common source of data in case study research. It is important when the interviewer is interested to understand the perceptions of participants or to learn how participants come to attach certain meanings to phenomena (Berg 2001). Therefore, it allows explaining the complexities and contradictions in human experiences. In addition, it allows the interviewee to explore issues that are not anticipated by the researcher. Furthermore, it provides maximum opportunity for thorough and accurate communication of ideas between the researcher and the interviewee than questionnaire. Therefore, the data generated through such approach is rich and multi-layered that produces further in-depth evidence than a questionnaire survey (Valentine 2005).

In light of this, the study has employed one of the most commonly used types of interview in Geography called semi-structured interview (Longhurst 2010). Semi-structured interview allows asking questions in a systematic and consistent manner and permits the researcher to probe far beyond the answers to the predetermined questions (Berg 2001). In addition, it allows flexibility and open response to the informant that provides the chance to explore issues they feel are important (Longhurst 2010). Therefore, in order to benefit the most out of the advantages of structured and unstructured interview and compensate the weakness of one for the other, semi-structured interview is relevant instrument of data collection.

Accordingly, four key informant interviews were carried out with Ethiopian Textile and Garment Manufacturers Association, Ethiopian Ministry of Labor and Social Affairs, Confederation of Ethiopian Trade Unions, and Industrial Federation of Textile and Leather Workers. This has allowed the collection of data on the perspective of different stakeholders on the link between economic and social upgrading, the conditions under which social upgrading is achieved as well as the role of different stakeholders in promoting social upgrading. In addition, it is also vital in triangulating the data collected through FGD with workers, and interview with firm managers. The key informant interview was held in the respective offices of informants; and took more than an hour. Of the four key informant interview, two of the interviews were recorded with the consent of the informants and transcribed for analysis.

Furthermore, semi-structured interviews were also carried out with general managers and HRMs of supplier firms. Accordingly, a total of 10 (ten) interviews were undertaken with the general

managers and HRMs of each of the five supplier firms. This has enabled understanding the different kind of economic upgrading undertaken by each firms, the rationale behind upgrading, and ultimately the link between economic and social upgrading. In addition, semi-structured interview with HRMs of each firms has enabled to grasp the existing working conditions and the different aspects of social upgrading that were carried out. All interviews with key informants and managers were undertaken through Amharic language, translated and transcribed for analysis. Here, it is important to mention that my attempt to collect data from ILO, Ethiopia country office could not succeed due to the unwillingness of the officials to provide data.

3.2.4.2. Focus group discussion

The study has also employed focus group discussion (FGD) with workers. According to Conradson (2005) FGD enables investigating the complex understanding and interactions that people have with their everyday environment. Besides, the group dynamics involved in FGD also allows gaining access to data from different perspectives (Berg 2001). It also let comparison of what is said and what is in practice; and why differences occur between what people say and do (Conradson 2005). Accordingly, FGDs were carried out with production workers as the pressure of producing and availing the products as per the demand of buyers mainly rests on them. Stark et.al. (2011) states that most workers are concentrated in the production related parts of the value chain which necessitates focusing on the same.

Table 3: Composition of FGD participants in each firms

Supplier firms	Workers composition		
	Male	Female	Total
AG	1	3	4
AK	1	3	4
AN	2	4	6
AM	1	3	4
AA	2	3	5
Total	7	16	23

Source: My own construction based on data from the field

A total of five FGDs were conducted with employees. The compositions of the focus group participant in all supplier firms consists of a total of 23 workers with male and female constituting 7 and 16 of the total participants respectively. The size of female workers is higher indicating the

level of their involvement in the industry. See table 3 above to find the composition of focus group participants in each firms. Four FGDs were undertaken in the premises of the supplier firms meeting rooms, training rooms, and in open air spaces during working hours. One FGD was conducted in cafeteria outside working hours. This enabled triangulating data gathered through interviews with managers. FGD also allowed gathering in-depth information about the perception, attitudes or beliefs and experiences of workers concerning the link between economic and social upgrading, and the working conditions they experience on daily basis. FGDs were carried out through Amharic language and translated for analysis.

3.2.4.3. Document Analysis

Document analysis involves memoranda, letters, announcements and minutes of meetings, agendas, and other written reports of events, administrative documents, letters, newspapers, and formal studies (Yin 2003). Document analysis is vital as unobtrusive source encompassing wider coverage in terms of time, many events and many settings. As such, this study employed different information collected from Ethiopian Textile Development Institute, and Ethiopian Textile and Garment Manufacturers Association which enabled to identify supplier firms based on the size of their employees, and their level of participation in GPNs. This in turn helped to formulate and identify the appropriate units of analysis as well as assess the profile of textile and garment industry in Ethiopia.

Besides, document analysis is relevant to prove the reliability and quality of the study, and provide contextual materials upon which to base primary research (Clark, 2005). Yin (2003) also stated that document analysis enables reinforcing and augmenting evidences from other sources as well as make inferences or find new questions about the organization. In light of this, a wide range of secondary sources such as journals, books, electronic materials, and other relevant materials were employed to substantiate arguments and corroborate the study. This enabled defining the problem, and opened the way to understand different perspectives, conclusions, and interpretations. It has also helped in developing theoretical frameworks of the study.

3.2.5. Procedure of data analysis and presentation

All interview notes and tape recordings were transcribed into Microsoft word document to reduce repeated and inappropriate data. This data reduction process has helped to sort, focus, and organize the data in a way convenient for analysis.

The analysis of evidences gathered from the field has involved case study analysis strategy stipulated by Yin (2003). Accordingly, data was analyzed through *relying on theoretical proposition* (Yin 2003) as the main goal of the study is to analyze the causal relationship between economic upgrading of firms and social upgrading of workers. More specifically, cross-case syntheses was used through formulating word table that shows the different forms of economic upgrading undertaken by each supplier firms, and the consequent social upgrading of workers that followed. In order to analyze the conditions under which social upgrading of workers is achieved in the context of GPNs, after in-depth reading of the transcribed data collected from the field was undertaken different conditions influencing social upgrading of workers were identified and analyzed.

3.2.6. Practical challenges in the field

Doing research has different challenges. The primary practical challenge I have encountered has to do with access to data to identify cases. Although I have consulted Ethiopian Textile Industry Development Institute for data, the institute was not willing to provide relevant documents related to the size of employees, and export performance of supplier firms claiming that it is not entitled to provide such data to third party. In addition, some other government offices were also reluctant to cooperate claiming that the introduction letter from Institute of Geography NTNU, was not directly addressed to their respective offices. As a result, I have to look for other alternative, and I found official brochure published by Ethiopian Textile and Garment Manufacturers Association that contain the address, contact person, size of employees, and production capacity of firms that allowed me to undertake the selection of cases.

The other practical challenges is access to enterprises, and high profile organizations such as ILO. Supplier firms were reluctant to allow me to collect data. Some firms deny permission to my plan to talk to employees about the existing working conditions. In order to overcome the challenge, my request of the Ethiopian Textile and Garment Manufacturers Association to introduce me to supplier firms failed due to the reluctance of the association's contact person claiming that the managers are busy, and they consider such actions as waste of time. As a result, I revealed that I was working in one of the university in the country which allowed me to get trust and have some kind of permission among firms. This indicate the importance of positionality that being a worker in a university allowed me to gain the trust of firm's managers.

Interviewing some of key informants and most managers of enterprises was also challenging due to the frequent change of appointment and interruption of conversation due to phone call. There were situations in which interview was interrupted and postponed to afternoon or after an hour. I was patient and I adjusted my time, or tried to talk to other stakeholders when such things happen. Besides, in my interview with government officials there was a tendency to sideline some questions claiming that the questions need concrete data or figures which they do not have at hand. Furthermore, in my interview with managers I have sometimes panicked as they demand me to shorten the questions. Such attitudes of government officials and managers may have to do with undermining of the output of the study as most of the time the output of research are not practically observed. In addition, my age as young researcher may have also lead managers and key informants from taking me seriously. Besides, this has also to do with the power differential between me as a student and the informant as high ranking governmental and corporate officers. Nonetheless, once I have started the conversation both managers and key informants have allowed me to go through all issues.

Getting workers during working hours was a challenging task. Although four of the five enterprises have allowed me to talk to workers during working hours and provided me with rooms (training rooms, open air spaces, and meeting rooms), one of the enterprise was reluctant to allow me to talk to workers during working hours. As a result, I have undertaken the discussion outside their working hour. In this regard, it is important to mention that most workers were not willing to meet me outside the working hours which could have to do with the fear of the reaction of their managers or reluctance to spend their precious rest time talking with me.

In building trust with workers focus group participants, the role of four supplier firms' human resource managers in encouraging workers to cooperate with me in the process of my study has played an indispensable role. In addition, my age as young researcher has also helped me to easily create rapport with workers who were mostly young. Moreover, in supplier firms that have allowed me rooms to conduct focus group discussion, the discussion was conducted in separate rooms that allowed workers to share their views without any kind of fear.

In the process of focus group discussion, in some cases there were a tendency on behalf of senior workers to dominate the discussion. In order to maintain the balance, I have moderated the

discussion through encouraging newly employed workers to share their views on the issue under discussion.

Last but not least, since the data collection was undertaken through the working language of the country, Amharic, I have strived a lot to translate the data collected through interview and FGDs. This was a challenging task as English was not my first language and I am not fluent speaker of English language.

3.2.7. Quality of research design

Case study research strategy has to fulfill four conditions that are related to design quality – construct validity, internal validity (for explanatory or causal case studies only), external validity, and reliability (Yin 2003).

Construct validity is about “*establishing correct operational measures for the concept being studied*” (Yin 2003, 34). Yin (2003) recommends different strategies of ensuring construct validity. Accordingly, data was collected from different stakeholders through different data collection methods; and evidences collected from the field are adequately cited, where relevant. In addition, the conditions under which data were collected –the time and place of the interviews and FGDs are also described.

Internal validity is concerned with forming causal relationship in which certain conditions are indicated to lead to other conditions; and it is only applicable in explanatory studies. It is argued that the use of data source and methodological triangulation can ensure internal validity. Consequently, data was gathered from different relevant stakeholders, and cross-case comparison is carried out (Yin 2003).

External validity is concerned with the degree to which the study is generalizable beyond the immediate case study. Multiple case study is one way of ensuring external validity. Accordingly, the study has employed multiple case study design through purposively selecting five textile and garment firms. In order to reach on analytical generalization of the findings to broader theory, a thorough review of literatures and theories were made, and different factors influencing the link between economic and social upgrading were identified and documented (Yin 2003).

Reliability is about following similar procedures described by earlier researcher so that the later researcher can reach on the same finding and conclusion through pursuing the procedures followed

by the former investigator. It is not about replication which involves replicating the finding and conclusion of one case by doing another case study. Case study protocol is considered as an important mechanism of increasing the reliability of case study research. Accordingly, the study has documented research questions, theoretical framework of the study, data collection procedures (such as the time taken to collect data), relevant attachments, list of interviewees and literatures.

3.2.8. Ethical considerations

Ethical considerations are issues that the researcher is expected to take into account toward research participants while undertaking study. There are different ethical issues that needs to be taken into consideration while doing research.

In order to respect the privacy of research participants, I have not asked about their personal life in any way. Furthermore, the field notes, transcripts, and recorded voices were kept in restricted areas and on my personal computer. Moreover, the confidentiality of supplier firms and identity of informants were kept secret through using abbreviations and numbers for the sake of analysis.

In order to get the consent of the participants I have revealed myself as a researcher, and informed participants about the aim of the study, the issues to be covered, and the role of the participants. In addition, the right of participants to withdraw from the process of the study was also respected.

In order to keep myself and participants from actions that inflict harm, I have taken maximum care to avoid raising any issues that may offend and contribute to participants' physical and psychological harm. In addition, I have made maximum care to protect myself from any danger through renting secured hotels while in the field, and getting home early in the night. In addition, I have informed my family and partners where I have been to, and kept regular contacts on phone.

CHAPTER FOUR

4 ANALYSIS AND DISCUSSION OF RESULTS

4.1. The relationship between economic and social upgrading

This chapter assesses the link between economic and social upgrading in the context of global production networks based on the data collected from the field in Ethiopia. Economic upgrading implies the process by which firms improve their efficiency and productivity through reorganization of production or employing latest technology (*process upgrading*) or it is the process of producing more sophisticated and quality products (*product upgrading*), or it is change in the mix of activities carried out by manufacturers towards a higher value added tasks (*functional upgrading*), or a complete move toward higher value added production chain which stem out of applying knowledge gained in one sector to another (*chain upgrading*). Although the initial intention of the study was to assess the link between economic and social upgrading in light of the above four forms of economic upgrading, in the process of the study, the fourth type of economic upgrading is dropped out due to lack of firms that have undergone chain upgrading. Therefore, the study assesses the implications of the remaining three forms of economic upgrading on social upgrading of workers.

Social upgrading implies the process of improvements in the rights and entitlements of workers as social actors, and enhancing the quality of their employment. Accordingly, it has two components –measurable standards and enabling rights. The measurable standards are aspects of social upgrading that can be easily observed and quantified while the enabling rights involve the qualitative dimensions of social upgrading that is difficult to quantify. The measurable dimension of social upgrading comprises of wage, working hours, safety and health facilities, social security registration, enabling work environment on factory floors, and written contracts. On the other hand, the enabling rights involve non-discrimination between different types of workers, freedom of associations, voices and dignity, and collective bargaining. Therefore, it is on the basis of these indicators that the link between economic and social upgrading is analyzed. Table 4 below shows the link between economic and social upgrading in the five supplier firms studied in Ethiopia.

Table 4: The link between Economic upgrading and social upgrading

Cases	Economic upgrading	Social upgrading
AG	Process upgrading	<p>*Skills training to employees, wage increment (<i>permanent employees</i>) <i>Permanent workers</i> –Written contract, social security registration, paid sick leave, maternity leave, annual leave <i>Temporary and daily laborers</i> –oral contract, no social security registration, <i>All workers</i> –injury benefits, safety and health facilities fulfilled, no gender based wage discrimination, severance benefits, safety committees</p>
AN	Process upgrading	<p>*Reduced workload, and skill training (<i>permanent workers</i>), <i>Unskilled workers are repositioned within the firm</i> <i>Permanent workers</i> –labor union, social security registration, paid sick leave, maternity leave, and annual leave, written contract <i>Temporary workers</i> –written contract, no social security registration <i>All workers</i> –no gender based wage discrimination, no shift work, injury benefits, partially fulfilled safety and health facilities, severance benefits, no child care.</p>
AK	Process, product, and functional upgrading	<p>*Wage increment and skills training (<i>skilled and permanent workers</i>), <i>improved work flow, unskilled and aged workers are dismissed.</i> <i>Permanent workers</i> –labor union, written contract, social security registration, workers share company, paid maternity leave, annual leave, and sick leave. <i>Temporary workers</i> –written contract, no paid annual leave, maternity leave, sick leave, not registered for social security, <i>Daily laborers</i> –oral contract, no social security, no paid annual leave, maternity leave, sick leave <i>All workers</i> –no gender based discrimination, injury benefits, shift work, severance benefits, adequate safety and health facilities, factory clinic, safety committee, no child care.</p>
AM	Process, and functional upgrading	<p>*Skills training (<i>permanent workers</i>), better air conditioning and ventilation, <i>Permanent workers</i> –written contract, provident fund or social security registration, paid annual leave, sick leave, and maternity leave, labor union <i>Temporary workers</i> –written contract (foreigners), <i>Daily laborers</i> –oral contract, no social security, factory clinic, no paid annual leave, maternity leave, sick leave, <i>All workers</i> –injury benefits, no gender based wage discrimination, severance pay, safety and health facilities fulfilled, factory clinic.</p>
AA	Process, product, and functional upgrading	<p>*Skills training, wage increment (<i>permanent and skilled workers</i>) <i>Permanent workers</i>: written contract, provident fund, or social security registration, paid sick leave, annual leave, and maternity leave, labor union, <i>Temporary workers</i> –written contract, no annual leave, maternity leave <i>Daily laborers</i>: oral contract, injury benefits, no annual leave, maternity leave <i>All workers</i>: safety and health materials fulfilled, factory clinic, severance pay, no gender based discrimination, injury benefits</p>

Source: Own construction on the basis of data collected from the field

** Shows the form of social upgrading undertaken as a result of economic upgrading by supplier firms*

Table 4 above consists of the different forms of economic upgrading undergone by supplier firms studied and the corresponding social upgrading. It is constructed from the empirical evidences collected from the field through interview and focus group discussion with participants.

It is possible to identify different types of social upgrading that resulted due to economic upgrading, and the overall pictures of employment conditions in each firm. The impact of economic upgrading on social upgrading of workers varies among workers of different status and categories. Besides, as indicated above, those social upgrading outcomes marked with asterisk are the outcome of one or more forms of economic upgrading undergone by firms while the remaining social upgrading outcomes are the consequence of different institutional factors both internal and external to firms. Generally, the table provide cross reference to the analysis and discussion section of the thesis.

4.1.1. Process upgrading and social upgrading

Process upgrading refers to improvement in the production process or efficiency of firms' either through the introduction of new technology or reorganization of production. All supplier firms that were studied have undergone process upgrading in one way or another. Process upgrading has involved a combination of automation through installation of new machineries, reorganization of production, implementation of *kaizen*, bench marking, providing on the job skills training to employees, recruitment of foreign workers as a means of facilitating technology transfer, and recruiting additional employees.

Process upgrading has been driven by the demands of both global buyers which have high level of interest in the efficiency of production processes and faster delivery time, and supplier firms desire to minimize production cost, adhere to the delivery schedule, and ultimately become profitable. The above argument parallels Gibbon & Ponte's (2005) and Lee & Gereffi's (2005) work that argue process upgrading and product upgrading of supplier firms are encouraged by global buyers. In relation to this, one of the managers whom I have interviewed ascertained that

We have replaced the work done by six machines with one. We carried out process upgrading through automation because of the inconsistency of labor productivity and to reduce the cost of production incurred for workers. Our buyers need increased production and consistent delivery time. We are also driven by the interest to make profit (AN firm general manager, personal interview 2015).

The above quote indicates the inefficiency of the existing labor forces, and the desire of firms to change the *status quo* with new technology that reinforces the existing labor force that would ensure

both customer satisfaction and improve profitability of firms. The automation of operations could also result in the reduction of workers so as to minimize labor cost implying social downgrading.

Similarly, supplier firms have undergone process upgrading by implementing Kaizen. *Kaizen* implies a continuous improvement that involves every stakeholder in the industry and it has three main pillars (Desta 2014). First, housekeeping implies the process of managing work places and involves sorting, straightening, scrubbing, spreading the experience, standardizing the cleaning schedule. Secondly, elimination of wastes or any other non-value adding activities such as overproduction, walking and transporting parts, unnecessary stock, etc. Third, standardization implies setting certain standards that a company adhere to, and periodically review for continuous improvement. The Ethiopian Kaizen Institute, and Ethiopian Textile Industry Development Institute are the two institutions providing support for supplier firms to implement kaizen. The support involved some practical assistance such as relocation of certain machines and better usage of inventory and storage space.

The implementation of kaizen in the supplier firms have resulted in on factory floor improvements. It created pleasant and safe working environment, eliminated different kinds of waste by reducing the need to search for tools, made operators job easier through minimizing physically strenuous work and freeing up spaces which created sense of belonging and love for the place of work among employees. Accordingly, it has reduced the level of absenteeism of workers. According to AA firm human resource manager, the implementation of kaizen in general and one of the components of housekeeping, shining in particular, has resulted in cleaner and safer factory floors and allowed more efficient use of available spaces. Moreover, focus group discussions with workers also affirmed that the implementations of kaizen by their respective firms have allowed them to keep their work environment clean and attractive.

Furthermore, the aspiration of kaizen to encourage teamwork has also allowed workers to discuss different issues being in groups which enabled them to share their experiences about what they have encountered in their workplace. Teamwork builds sense of solidarity and cooperation among team members which in turn initiate workers to claim for their rights. Besides, team work also creates sense of competition among different teams enhancing the efficiency and productivity of workers, and hence firms.

Kaizen has also reduced the rate of interruptions in work flows, according to workers. AK firm workers focus group discussion specified the issue as follow:

Previously we have to work one day for some time and stay idle, and the other day we get too busy and encounter high level of workloads. But now we are observing changes in terms of the flow of work although we still sometimes get busy while there are voluminous and urgent orders (AK firm workers, FGD 2015).

The above quote shows that the implementation of kaizen has contributed to the social upgrading of workers through reducing work intensity, workloads, and overtime work that could have been resulted out of interruptions in work flows. On the contrary, workers of AA firm complained about the frequent interruptions in work flows regardless of the implementation of kaizen by the firm.

The difference between the two firms (AK and AA) could be attributed to the commitment of the firm's management and other stakeholders to effectively implement kaizen in a way that improve the work flow. It could also be related to the skill level of human resources in the planning department of the factory or to different internal and external factors such as the performance of different departments within the firm, and access to inputs or raw materials.

Besides, access to personal protective equipment is an important precondition not only to protect workers potential and actual health related problems but also to improve the productivity of firms. The implementation of kaizen has contributed toward the fulfilment of safety and health materials for workers except in one of the firm (AN firm) in which newly employed workers have challenges to have access to safety and health materials. The inadequate access to personal protective equipment is caused by the mismatch between the size of workers and the financial capacity of the firm. It is also caused by the lack of trust of employers on the stability of new employees which limited the accessibility of protective equipment to this groups of workers.

Counterfactually, personal protective equipment are adequately provided to all workers in some other firms irrespective of their level of seniority. Such differences between firms is mainly attributed to presence of safety committee that closely works with local labor inspectorates to ensure that safety and health facilities are fulfilled (*see table 4 above*). Besides, it could also be related to the different roles that local labor and social affairs offices play as supplier firms are located in different regional states. In addition, the strength of labor union offices also matters (*see chapter 5 section 5.3.3*). This shows the degree to which local institutional conditions under which supplier firms are embedded influences the social upgrading of workers.

4.1.1.1. Implications of process upgrading on different categories of workers

The impact of process upgrading on social upgrading of workers is uneven among different categories of workers, except on factory floors. It has resulted in skill training and wage increment for permanent and skilled workers while inducing the relocation or dismissal of unskilled or inefficient and old aged workers. The general manager of AG firm explained the outcome of process upgrading on workers as follows:

The reorganization of production has improved productivity of our factory, efficiency of workers, quality of production process, and delivery time. As a result, we have provided wage increment and skills training to permanent employees. However, workers are still not happy claiming that the work intensity is higher. ...The challenge is high level of power interruption, and workers turnover (AG firm general manager, personal interview 2015).

The above quote shows, in spite of process upgrading undergone by the firm, the intensity of work remained higher due to frequent electric power shortages and workers turnover which poses pressure on the existing labor forces causing social downgrading. This finding goes in line with Plank et.al. (2009) that emphasized the continued disputability of labor rights involving working time and intensity, living wage and trade union rights despite process upgrading. Lee and Gereffi (2015) have also stated that economic upgrading may not be followed by social upgrading, and undeniably it can worsen social conditions.

The quote also entails the outcome of process upgrading is differentiated based on the status of workers as it resulted in wage increment and skills training to permanent workers while leaving out temporary workers. Employees of AG firm also ascertained the differentiated impact of process upgrading between permanent and temporary workers whereby the former categories earned salary increment, but not the later. The human resource manager of AK firm also reiterated similar notion. This finding parallels Lee & Gereffi's (2015) argument that regular workers may benefit from higher wages and strong labor standards as a result of economic upgrading while many others are put in highly flexible, unprotected and insecure work conditions.

The implications of process upgrading on the social upgrading of workers is also differentiated based on the skill levels of workers. Process upgrading has caused the social downgrading of unskilled and marginalized workers causing their relocation within firms or dismissal. The general manager of AN firm explained the impact of process upgrading on workers as follow:

...We have no dismissed workers due to the installation of the new machineries. Instead, unskilled employees were shifted to other positions in the factory. For instance, from making pocket to collar work (AN firm general manager, personal interview 2015).

The negative repercussions of process upgrading on social upgrading of workers was also confirmed by AK firm general manager who stated that the process upgrading undertaken by the firm has induced the dismissal of unskilled or inefficient and aged workers while rewarding skilled workers with salary increment and skills training in order to enable them improve their skill levels (*see table 4 for comparison*). Hence, differences in the skill levels of workers influence the implication of process upgrading on social upgrading or downgrading of workers.

The above discussion shows that process upgrading has a positive impact on the measurable aspects of social upgrading leading to regular flow of work, improved access to safety and health facilities on both factory floor and individual level, increased wage rate, and skill training. This notion corresponds to Rossi's work (2011) that contends process upgrading is positively linked to social upgrading impacting measurable standards of social upgrading within this spectrum. However, the outcome of process upgrading is segmented among different categories of workers. It has led to skills training and improved pay rate for skilled and permanent workers while ensued the repositioning and layoffs of unskilled and marginalized workers. In addition, the benefit of process upgrading is not accrued to temporary workers. Moreover, different signs of social downgrading such as compulsory overtime work and high level of work intensity persisted in spite of process upgrading due to the purchasing practice of global buyers and other internal and external factors influencing the operation of the enterprises (*see chapter five for detailed discussion*).

The study hardly identified the impact of process upgrading on the enabling rights of workers. This can be manifested through the repeated complaints of workers encountering repeated mistreatment by production line supervisors and management. This is mainly prevalent in firms that have no or weak labor unions (*see chapter five section 5.3.3*). This could have occurred out of the attitude of employers to consider workers as production factors whose productivity is supposed to improve by enhancing the measurable standards rather than social actors that affects the production and productivity of firms.

4.1.2. Product upgrading and social upgrading

Product upgrading refers to the process by which firms improve or change the range of products towards higher value added activities either through introducing new products or improving the existing ones. The empirical evidence reveals that two of the five factories (AK and AA) have experienced product upgrading. The remaining three factories have not undergone product upgrading.

Product upgrading is driven by the demand of global buyers, and in response to the demand of market. The suspicion among supplier firms that they may not obtain market access if they produce different product other than what is ordered by global buyers has lead them to specialize in a particular type of product through only changing the product range. In addition, supplier firms also want to maintain the production of their preexisting products due to the capacity they have developed, and in order not to ruin their reputation through engaging in the production of new products to which they are not familiar. AK firm general manager explained the drivers of product upgrading and the rationale behind specialization as follow:

We mainly produce towels and bed sheets. We produce the same products, but we have changed the design as per the specification and demands of our customers. Previously we used to produce a bed sheet which was 1.90m height, but now we have managed to produce 3.50m of bed sheets. We have developed good capacity in the production of the two products that we do not want to change. If the situation of the global market changes, we may resort to product development (AK firm general manager, personal interview 2015).

In this case, the aim is not to produce sophisticated and higher value added products. Rather, to satisfy the demands of different customers through a wide range of products (different size), and increase the profitability of the supplier firm.

Typical product upgrading has been carried out by AA supplier firm through a shift from producing knitted products to woven products. Such measure has been taken by the supplier firm upon the existing market demand and prediction of the future. In addition, woven products have comparatively higher value addition than knitted product, according to AA firm general manger. Hence, the trend in the shift is described in such way:

Product upgrading was carried out in the form of expanding the garment production department. Initially we were producing knitted products such as T-shirts. Later we started producing woven products such as jackets, trousers, etc.

We have undertaken product upgrading due to the vast market opportunity and the convenience of the later type of garments to add value (AA firm general manager, personal interview 2015).

In this case, product upgrading is aspired to change the product mix supplied by the firm with the intention to earn more profit through the production of high value-added, and higher quality products than the previously existing relatively lower value added mix of products. This in turn enables the supplier firm to adapt to new trends and achieve higher standards.

It is only in AA supplier firm that higher quality products have been manufactured in separate section by skilled workers. These workers who are producing higher value added products are very experienced and are paid slightly above the rest of employees due to the desire of the firm to retain them as they have specialized skills and demands in the labor market. This is in line with the argument that economic upgrading translate into social upgrading provided that the demand for high quality products requires a stable and more skilled workforce whose retention necessitates better employment conditions (Barrientos 2014). Whereas, in AK firm which has undergone product upgrading, production is undertaken along with the production of other lower quality products manufactured for the domestic market, and workers have not experienced social upgrading as different from other workers producing comparatively inferior quality products. The difference between AA and AK firms in providing social upgrading opportunity could have emanated from the product upgrading strategy opted by the two firms as the former engaged in mix of higher value added products while the later emphasized on specialization while introducing wide range of products. Hence, it is possible to draw a dual scenario where product upgrading lead to the emergence of workers who have special skills acquired through training and paid better wage or where product upgrading may not result in any kind of social upgrading for workers in any respect. Therefore, the implication of product upgrading on social upgrading of workers is a contested issue. This study unearths the relationship between product upgrading and social upgrading is less clear; and hence, it is in line with the finding of Rossi (2011; 2013) on Moroccan garment firms.

4.1.3. Functional upgrading and social upgrading

Functional upgrading involves change in the mix of activities undertaken by firms to a higher value added activities. It involves either totally shifting towards a new activities in the value chain or

improving once position in the value chain by moving up while maintaining the original activities as in the case of Ethiopian textile and garment firms included in this study.

Functional upgrading in apparel global value chain involves different stages. First, assembly (cut-make-trim) involves the process by which garment sewing plants are provided with imported inputs; and the manufacturer is responsible for cutting, sewing, supplying trim, and/or shipping the ready-made garment while receiving the fabric along with detailed specifications from buyers. Second, full-package (Original Equipment Manufacturing) involves the manufacturer taking the responsibility for all kinds of manufacturing including finishing and distribution. Manufacturers procure and finance the necessary raw-materials and are responsible for packaging, delivery and shipping the final product to buyers at an agreed selling price. Third, full-package with design (Original Design Manufacturing) is concerned with the manufacturer undertaking all steps involved in the production of a finished garment comprising of fabric/input purchasing, design, cutting, sewing, trimming, packaging, and distribution. Fourth, Original Brand Manufacturing (OBM) involves branding of products in addition to design and manufacturing. Upgrading at this stage involves selling own brand products (Gereffi 1999; Gereffi & Memedovic 2003; Stark et.al. 2011). Functional upgrading is an important step to garner significant gain in the apparel GPNs (Humphrey & Schmitz 2000).

The Ethiopian garment manufacturing is dominated by assembly of production which underscores the production of garments initiated and designed elsewhere, according to the information from Ethiopian Textile Industry Development Institute. The entire case firms have engaged in the CMT (cut-make-trim) contracting while three of the vertically integrated firms (AK, AM, and AA) have also engaged in full package production. All of the three vertically integrated firms rely on their own design to supply the domestic market, while they receive specifications and designs to supply global buyers. They also procure raw materials such as cotton by themselves and transform it into intermediaries in their respective factories or they import inputs from foreign countries such as Pakistan, India, Bangladesh, Spain, and Switzerland. In addition, these firms also provide transportation services to their customers up until Djibouti port with the expense of global buyers. This shows the characteristics of original equipment manufacturing. In addition, two of the three firms (AM and AA) have developed their own brands for domestic market supply due to value addition accrued to branding and in order to differentiate their product from other similar

manufacturers while the other (AK) firm has envisioned to make its own brand for the domestic market.

Functional upgrading is driven by the desire to earn more profit as full package production involve higher value addition than cut-make-trim kind of production. It is also related to the desire of firms to utilize their respective idle resources so that they can be competitive in the international market. In this regard, the general manager of AA firm has explained the rationale for functional upgrading as follow:

We have now transformed from cut-make-trim to full package in order to use the idle resource we have at hand. Cut-make-trim kind of production has lower value addition. Due to our transformation to full package production, we have managed to add 93% value. We want to penetrate the international market by utilizing the existing idle resources. With cut-make-trim production it is difficult to compete in the international market. ...We have also kept on working on cut-make-trim due to its wide market opportunity (AA firm general manager, personal interview 2015).

The quote above points out that the owners of the firms have realized that it is difficult to be competitive in the international market with only cut-make-trim type of production as this particular position involves intensive competition and lower entry barrier than full package production in the international market.

4.1.3.1. Challenges underpinning functional upgrading

Undergoing functional upgrading has challenges related to finance, human resource, raw materials, and winning the confidence of the global buyers to deliver the final product. In this regard, Gereffi (2005) stated that the success of upgrading in GPN depends on a mix of factors involving government policies, institutions, corporate strategies, technologies, and workers skills. Countries that want to develop full package capacity need to develop a strong textile industry as fabric supply is the most important input in the apparel chain (Gereffi 2005). Nevertheless, the acute shortage of raw materials in terms of both quality and adequacy has deterred Ethiopian garment supplier firms from functionally upgrading. In connection with this the general manager of one of the firms stated that

In order to undergo functional upgrading you need to have access to quality raw materials that can meet the export standards. However, it is difficult to procure export standard inputs from the domestic market. We get all the necessary inputs and accessories from our customers. We were exporting to EU's market for a brief period of time (six months) with the assumption that we could procure adequate

raw materials from the domestic market and this could not happen, and EU buyers were reluctant to provide us with raw materials that compelled us to leave the EU market (AN firm general manager, personal interview 2015).

The above quote shows the shortage of raw materials supply in the domestic market to make garment which lead the supplier firm to lose its European market. Another manager has also ascertained the extent to which undergoing functional upgrading is influenced by the skill level and experience of the labor force in the domestic market as follow:

.... Undergoing functional upgrading demand us to have skilled manpower which we have to recruit from the labor market or train on our own. This demands significant investment in terms of time, energy, and finance. There is also high level of labor turnover. Moreover, it is difficult to find skilled human power in the labor market. In the last forty years the government is only certifying graduates rather than equipping them with the necessary skills and knowledge (AG firm general manager, personal interview 2015).

The above quote explicitly indicates the extent to which skilled labor force is needed to undertake functional upgrading, and how its lack deter the initiatives of supplier firms to functionally upgrade. In this regard, a work by Barrientos et.al. (2010; 2011) strengthened the above contention arguing that functional upgrading involves new worker skill sets. The ability of firms to have skilled and experienced labor force is also constrained by labor turnover and lack of competitive and skilled labor force in the labor market. This is attributed to the low quality of education in the country which urges the government to take measures to improve the quality of education.

4.1.3.2. Implications of functional upgrading on social upgrading

The implication of functional upgrading on social upgrading of workers is one of mixed between different types of employees. Beginning new operation necessitate the provision of training to workers in order to enable them get along with new ways of doing things. In view of this, the manager of one firm explained the measures they have taken to enable workers get along with the new activities, and the outcome of functional upgrading as follow:

We have provided training to our workers in order to increase their skill and get along with the new way of work. However, the very fact that the factory has undergone functional upgrading do not necessitate provision of additional benefits to workers. Every matters are addressed as per the policy of the firm. The factory has its own policy, and we work in line with this policy (AA firm general manager, personal interview 2015).

This implies the mere fact that firms undergoing functional upgrading may not necessarily realize social upgrading for workers. Instead, the social upgrading of workers is influenced by the internal policies and decisions of firms. It also entails functional upgrading provides an opportunity for social upgrading of workers mainly in terms of skill and knowledge upgrading which benefits firms to carry out their operation effectively. This is not to deny the benefits that skill training would have on the social upgrading of workers as it allows them to negotiate for better benefits and services as well as increases their position in the labor market.

Functional upgrading has different implication for different categories of workers. According to general managers, the realization of functional upgrading requires workers with multiple skills and knowledge sets. Supplier firms have been training newly recruited workers in a variety of different skills. This was also confirmed by AM firm workers focus group discussion who stated that newly employed workers are getting trained in a variety of skill sets which have allowed them to get promotion most frequently than their senior workers counterparts. Their multiple skills and demand in the labor market have allowed newly recruited workers to have access to social upgrading than other categories of workers who have specialized in single operation. Therefore, the implication of functional upgrading on social upgrading of workers is segmented between workers having diversified skill sets and those who have specialized in single operation.

CHAPTER FIVE

5. CONDITIONS LEADING TO SOCIAL UPGRADING (DOWNGRADING) OF WORKERS

This section examines the conditions under which social upgrading (downgrading) is achieved in the context of GPNs. Accordingly, conditions leading to social upgrading (downgrading) will be identified and discussed under three different themes. These include conditions leading to: social upgrading, social downgrading, and mixed outcomes on the basis of the finding from the field.

5.1. Conditions leading to social upgrading

This study has identified three factors facilitating the social upgrading of workers. These include corporate social responsibility, employers' initiatives, and level of productivity of firms.

5.1.1. Corporate social responsibility

Global buyers have formulated CSR principles as their own private codes of labor practice. Such inspiration is mainly attributed to the pressure from different groups and the need to prevent damage related to their reputation. However, the degree to which such codes of labor practice is effective in terms of ensuring decent work conditions is highly disputed (Barrientos & Smith 2007; Barrientos et.al. 2010; 2011; Mayer & Pickles 2014; Lee & Gereffi 2015; Gereffi & Lee 2016)

The involvement of global buyers has prompted improved safety and health facilities, cleanliness of working environment, access to clean water and toilet, adequate rooms for lunch and rest, and access to first aid kits on factory floors. In this regard, the general manager of AK firm stated that

Buyers have social compliance audits. ...They mainly emphasize on assessing how we discharge wastes from the firm, safety and health of employees, the presence of clean water and toilets, the cleanliness of factory floor and the existence of conducive conditions for production. The audit for social compliance is undertaken every two years (AK firm general manager, personal interview 2015).

The above quote shows the degree to which the private codes of labor practices emphasized on the measurable aspects of social upgrading of workers while sidelining the enabling rights of workers such as non-discrimination, voice and dignity, freedom of association and collective bargaining which are the base for the promotion of the former dimension of social upgrading. This is also confirmed by AK firm workers who claimed that the audit undertaken by global buyers every two years are mainly concerned with the health and safety of workers and the way production is carried

out. Furthermore, AG firm human resource manager has also ascertained that the involvement of global buyers has led to the improvement of the factory floor through replacing or repairing outdated and damaged facilities; and the provision of personal protective equipment and training to workers about how to operate these facilities. Contrary to AG firm human resource manager's claim, workers indicated that in spite of observing improvements on the factory floor, they were not provided with any kind of training related to safety measures they have to take and how to use personal protective equipment. On the other hand, the production manager of the firm has shown me a document containing the signature of workers proving they have taken training related to the operation of safety and health facilities, the precautions they have to make, and the action they have to take in case of emergency. The contradiction between the evidence collected from workers, human resource manager and production manager of the firm could have to do with the intention of supplier firms to keep deceitful documents in order to conceal defects and build the image of their firm to the external environment.

Moreover, to ensure the sustainability of the supply chain, global buyers undertake regular audits and monitoring every year or two. According to Rossi (2011) such long time interval in monitoring and auditing process is practiced when buyers build trust on their supplier firms through long term relationships. The presence of regular audits have made firms to form internal auditors to monitor the working conditions. Nonetheless, the elongated monitoring time interval of global buyers could allow supplier firms to do whatever they want in between the auditing periods.

The social compliance audits undertaken by global buyers is positively viewed by the management of supplier firms considering the outcome of the audit as a benchmark for further improvement. According to all managers, global buyers or auditing companies provide them with feedbacks concerning the defects they have identified, the causes of the defects and suggest things that needs to be further improved. Based on such feedbacks, firms react for further improvement. Unlike this contention, Rossi (2011) found in Moroccan garment firms that the outcomes of monitoring and auditing are not followed by feedbacks which hinder the ability of supplier firms for further improvement.

5.1.1.1. Challenges underpinning corporate social responsibility

Complying with the CSR of global buyers is not without challenges. According to managers' it has various challenges related to employees' attitude and additional cost it requires. Firms' initiative

to comply with the private codes of labor practices has encountered resistance from workers which can be explained through refusal to use safety and health facilities. The general manager of AK firm explained the challenge as follows:

... the challenges coming from workers resistance demand changing the attitude and understanding of employees. The standards emanate from buyers themselves. Buyers bring us the experience of their countries as their customer demand them to source products that meet both social and environmental standards (AK firm general manager, personal interview 2015).

This shows compliance with the private codes of labor practice requires raising the awareness of workers which demands additional investment. It also shows how cultural differences between global buyers who are the source of codes of labor practice and the manufacturers' poses challenges to comply with the labor standards which entails labor standards are influenced by the social embeddedness of firms. The human resource managers of both AA and AM firms confirmed that workers reluctance to use personal protective equipment is a problem at national level. Nevertheless, workers questioned the quality and environmental adaptability of the facilities available. One of the key informant from trade unions confirmed this stating how employers' consider the provision of quality personal protective equipment as an additional expense than a necessity for successful accomplishment of production processes.

Moreover, full compliance with the private codes of labor practices is deterred by the additional cost it poses. This corresponds to the finding that adjustment cost is a determinant factor for factories to become noncompliant (Brown et.al. 2013). This entails compliance issues that requires high degree of investment or cost are unlikely to get improved. In this regard, AN firm general manager explained the situation as follow:

There are standards or codes of labor practices that global buyers demand us to meet but which are difficult to fully comply with. For example, workers toilet needs to be up to standard through fulfilling different facilities such as soap, towel, etc. The majority of workers deface facilities. They (workers) steal soaps and other facilities. It demands providing awareness raising trainings. However, providing such training consumes our time, energy, and money. When auditors visit our firm we keep the necessary facilities in place but we remove the moment auditors leave the premise of the firm (AN firm general manager, personal interview 2015).

This entails the reluctance of employers to meet the requirements of global buyers that incur them additional costs. This led to the third challenge which has to do with the strategy employed by supplier firms to hide defects. Since supplier firms are informed about the auditing in advance, they

disguise flaws. This corresponds to the finding of Bhaskaran et.al. (2014) who argued that in audits performed by global buyers the timing of the audit is usually known in advance that opens the way for concealing many violations. AM firm employees confirmed that they were informed by their line supervisors to use their personal protective equipment when the firm is to be visited by auditors. This kind of deception is in line with the finding of Rossi (2011) who stated that in one of the Moroccan garment firms workers were informed by employers to inform auditors they receive the minimum wage which they really did not.

The global buyers auditing processes have also fallen short of consulting workers, who are the main stakeholders, in most firms. This in turn makes the outcome of the auditing process biased and exclusionary. This is in line with the finding of Rossi & Luinstra (2013) who stated that the monitoring process of the labor codes of conduct in firms are flawed that can be expressed through lack of in-depth attention to details, failure to consult workers, corruption, cultural differences and translation problems.

In general, private codes of labor practice has considerable impact on the social upgrading of workers particularly on issues like safety and health facilities, cleanliness of factory floor, and the existence of favorable conditions for production. This fits the finding of Plank et.al. (2009) and Bhaskaran et.al. (2014) who indicated the effectiveness of firm audits in terms of addressing issues that can be visually verified. However, the involvement of global buyers have not resulted in any kind of improvement in terms of the enabling rights of workers. This corresponds to the finding of Plank et.al. (2012), Rossi & Luinstra (2013), and Gereffi & Lee (2016) who indicated the failure of apparel retailers codes of conduct to ensure an all rounded social upgrading. This is due to the attitudes of global buyers to consider workers as factors of production than social actors; and their failure to fully involve with them in the process of establishing standards that are meant to benefit workers (Jenkins 2002).

5.1.2. Employers initiatives

Supplier firms extend different benefits to their workers irrespective of economic upgrading undergone. In order to boost the morale of their workers, create sense of ownership, retain their workers, and ultimately increase their productivity; supplier firms take different initiatives such as increasing wage rate, provision of free meal, and extending different benefits beyond the legally

guaranteed rights. The study found supplier firms provide salary increment on regular basis every two or three years whether they have undergone economic upgrading or not based on their own policy.

Some firms also allow workers to leave workplace early when production slows down. These firms employ workers below the standard weekly and sometimes daily working hours in order to allow workers get sufficient resting time, prepare their meal, and avoid possible delays to get home.

Moreover, some other firms also provide annual leave above the legal limit set by the labor proclamation of the country as part of their strategy to keep workers motivated. Furthermore, all supplier firms provide transportation services or allowances to their workers both to and from workplaces. There are also firms that provide meal to their employees either free of any payment or with lower amount of payment than what is offered outside.

These kinds of initiatives are driven by the existing labor market and standards of living. When supplier firms surpassed by other similar firms in terms of the wage rate and benefits they provide to their workers, they feel threatened that they provide social upgrading in order to retain their labor force. In addition, employers improve the wage rate of their employees by assessing the existing standard of living (inflation, cost of living, etc.).

This finding parallels Perry et.al. (2014) who found different mechanisms (such as provision of free breakfast, transport and healthcare services) that firms practice in order to keep their workers happy and enhance their productivity. This implies that social upgrading is driven by firms both for the sake of workers and the productivity of firms.

5.1.3. Firms level of productivity

The social upgrading of workers also hinges on the level of productivity of supplier firms. According to both key informant interview, and managers, the collective agreement between labor unions and employers at industry level set the minimum amount of profit that employers should earn to provide incentives to their workers.

Such firm productivity based social upgrading measures consider employees as productive factors whose value increases with improved productivity; and supports the presumption of neoclassical economic theory that relates wage increment with enhanced productivity. This notion implies economic upgrading automatically leads to social upgrading. Nonetheless, such approaches to

social upgrading according to key informant interview is ineffective due to the higher and unattainable levels of target profit set by supplier firms.

5.2. Conditions leading to social downgrading

There are conditions contributing to the social downgrading of workers in the context of global production networks. This includes commercial requirements of global buyers, raw material supply and infrastructures, nature of the sector, position of firms in GPNs and factors associated with the internal operation of firms. Each of these conditions are addressed in this section.

5.2.1. Commercial requirements of global buyers

Supplier firms are caught between contradictory commercial requirements of global buyers. On the one hand, global buyers demand for fast delivery time and reduced price, while simultaneously requiring quality products which increases cost of production of supplier firms. Such tensions between the two requirements undermine the rights and entitlements of workers. It pressurize workers to work overtime, and earn low wage rate and benefits compared to production works they carry out. According to the empirical evidence from the field, both voluntary and compulsory overtime work are common practice in the supplier firms. During peak time due to the urgent delivery time required and the need to substitute the labor forces which are absent due to different reasons, workers are compelled to work overtime. In addition, there are also scenarios whereby workers are provided with certain production targets that they have to meet within the working hours, and if they fail to meet the target they are forced to work above the standard working hours; and they are not paid. The payment related to such kinds of work depends on the enthusiasm of production line supervisors to convince the firm management that workers deserve to be paid for their accomplishment outside working hours. However, line supervisors are not in a position to do so, according to workers.

Nonetheless, there are also situations in which workers voluntarily work overtime with the desire to earn additional income, and out of the positive view that the profitability of the firm is a necessary condition for them to get employed and paid. Therefore, overtime work is carried out based on the voluntary and mutual understanding between workers and the management. The payment for overtime work is negligible when calculated against the wage of workers. According

to the labor proclamation of the country, overtime is calculated differently on different days, and is calculated against the wage of workers⁵.

The issue of overtime work addressed above concur with the findings of Hess (2013) who argued that lack of compliance with regulations concerning working hours including overtime is similar across firms; and is a problem common across the global garment industry. It is also supported by Plank et.al. (2009) that workers are forced to work overtime during peak times to meet targets, and are not sometimes paid at a premium rate as required by the law.

Similarly, the voluminous order supplier firms receive and the shorter lead times deny the rights of employees to have access to paid annual leave when they require. Even in cases where workers have been allowed to take annual leave, they are not provided with the whole annual leave guaranteed by the law at a time, according to workers. This is confirmed by AA firm human resource manager that the intention to prevent the negative impact of annual leave on the operation of the firm has made annual leave to be provided based on the schedule of the firm. This parallels the finding of Plank et.al. (2009) that workers are switched to other operations internally or forced to take leave when orders decrease.

Moreover, in order to meet urgent delivery time and voluminous order, and minimize the cost of production, suppliers recruit temporary and daily laborers up until the work is over. Accordingly, while permanent workers have access to social upgrading through skills training and wage increment, temporary and daily laborers are denied such kinds of social upgrading opportunities. This parallels the argument that different types of workers have varied experiences due to the demand of lead firms to improve quality while reducing prices and ensuring flexibility and short lead times (Plank et.al. 2009; Barrientos et.al. 2010; 2011; Xiaoxia et.al. 2013; Bernhardt & Pollak 2015).

The above discussion reveals that the commercial requirements of global buyers have contributed to the social downgrading of workers through overtime work, increased work intensity, denied annual leave, and reduced wage rate. Therefore, the commercial requirements of global buyers plays considerable role in terms of encouraging the social downgrading of workers. This is, of

⁵ http://www.ilo.org/dyn/travail/docs/327/Proclamation%20No%20377_2003%20-%20Labour%20Proclamation.pdf

course, without denying the differential impact of the commercial requirements of global buyers on different kinds of workers.

5.2.2. Raw material supply, infrastructure, and Internal operation of Firms

It is a necked reality that adequate supply of raw material is one of the necessary conditions for firms to properly carry out production and undergo economic upgrading. In the context of Ethiopia, the shortage of raw materials or inputs (cotton) supply in terms of both adequacy and quality has induced supplier firms to procure raw materials from foreign countries which incur them additional transportation costs.

Besides, cultivating cotton, in Ethiopia, is also costly that manufacturers are compelled to procure cotton from domestic market with higher cost. According to AK firm general manager, the production cost and supply of inputs such as cotton by domestic producers in Ethiopia is higher compared to other competitors in the international market. Consequently, in order to compensate the additional costs of production incurred for transportation of raw materials from abroad and procuring from domestic market, manufacturers pay lower wage rate to their workers.

Moreover, poor national infrastructures have also repercussions for the social downgrading of workers. Firm managers have reiterated the recurrent interruptions of electric power supply and lack of adequate transportation service from Djibouti port to Addis Ababa as major challenges hindering the fast delivery of inputs and their further processing. The transportation is essentially by roads which makes it slow and expensive; and sometimes force suppliers to rely on air transport. This in turn, poses pressures on both firms and workers to meet production targets and orders by global buyers leading to downgrading of employees through increased work intensity.

There are also internal factors related to firms that causes the social downgrading of employees. The dysfunctionality of machineries and lack of spare parts have negative implication for the proper accomplishment of production processes. Moreover, workers turnover, mismatch between the size of labor force and order received by firms, and absenteeism due to different factors such as annual leave or maternity leave, and sick leave have also implications to the social downgrading of workers. These causes overtime work and increased work intensity resulting in social downgrading of workers. In addition, it also encourage casualization of employment as employers recruit additional temporary and daily laborers to meet the demand of global buyers.

This shows how lack of supply of raw materials and poor infrastructure, and conditions internal to the operation of firms induces the social downgrading of workers. Hence, labor right is affected by the social and institutional embeddedness of firms in a particular setting.

5.2.3. Nature of the sector and products, and position of firms in GPNs

The buyer driven nature of the sector has allowed global buyers to set the price with which suppliers are expected to supply a particular product which negatively affected manufacturers. Consequently, suppliers lower the wage rate of their workers to minimize the cost of production in general, and compensate the lower price set by global buyers in particular. In this regard, Sturgeon (2007) argue that while global buyers demand supplier firms for price concession, supplier firms have responded through gaining price concession from their workers and upstream suppliers.

Moreover, supplier firms included in this study mainly produce basic or standardized products such as shirts of different type, polo-shirts, T-shirts, bed sheets, and towels. These are lower value added products; and this has an implication to the social downgrading of workers. That means, the manufacturing of basic products does not require sophisticated skill and knowledge which reduces the chance of employees to get skill training. This lack of skills training in turn negatively influence the potential of workers to socially upgrade. This corresponds to Khattak's (2013) finding which showed the positive implication of economic upgrading on social upgrading in firms producing higher value added products involving skilled workers than firms manufacturing lower value added products and employing low skilled workers.

Ethiopian textile and garment supplier firms are also concentrated in GPNs where entry barrier is lower and competition is higher. Consequently, different supplier firms at global level supply products at lower price which provide buyers the opportunity to switch between lower price and higher price suppliers. Hence, sustaining relationship with global buyers require supplying products comparatively at lower price than competitors in the international market. This in turn contributes toward social downgrading of workers through cutting the wage rate of workers. According to AK firm general manager, the presence of competitors (Indian, Pakistani, Bangladeshi and other firms) supplying garment at lower price, and the decisions of global buyers to keep price lower compel them to supply garment at lower price. As a result, one of the mechanism to overcome the pricing challenge is to pay lower wage rate.

5.3. Conditions leading to mixed outcomes of upgrading(downgrading)

There are factors that could result in mixed outcomes of both social upgrading and downgrading of workers. That means, there are conditions that have both social upgrading and downgrading impacts. These involve national labor regulatory frameworks, status of workers, and labor unions.

5.3.1. National labor regulatory frameworks

This section aimed not to go through the evaluation of different labor regulations adopted by the country and the extent to which they are effective. Instead, it aimed to raise the different regulatory issues that were recurrently raised by managers, key informants, and workers as a cause for social upgrading (downgrading). In addition, my observation is also involved.

Different stakeholders have different views about labor proclamation No. 377/2003 adopted by the Ethiopian government. Employers considered the labor proclamation as something that is highly biased toward promoting the interest of workers. According to AG firm general manager, the labor proclamation has a sort of socialist orientation, and it is formulated to help the government to gain the vote of workers. Similarly, key informant 2 argued that initiatives such as maternity leave, severance pay, and limitation on overtime work causes workers absenteeism and turnover which incur employers additional cost and lose of their skilled and experienced workers. On the other hand, the key informant interview from trade unions organization claimed that it is natural for labor proclamation to favor employees, as employers have ample power in terms of both wealth and knowledge than workers. The other informant from government office argued that the labor proclamation is an impartial regulatory framework that aimed to serve the interest of both employers as makers of capital, and protect employees for they are human beings that should not be considered as a commodity. These difference in perspective shows the interest of each stakeholders to gain the best out of the regulatory framework, and promote their own interest.

5.3.1.1. National regulatory frameworks as conditions for social upgrading

The national labor regulatory framework has positive social upgrading outcomes in spite of differences of views among different stakeholders about it. The regulatory frameworks are effective in terms of avoiding gender based discrimination. FGD with workers and personal interview with managers specified the absence of gender based wage, promotional, and pension

discrimination (*see table 4*). All permanent employees are paid equal wage for equal work, and are treated in the same manner.

The extent to which permanent employees have access to social security benefits is also uniform across supplier firms (*see table 4*). This evenness in social security provision to employees emanate from the legal framework on the ground. According to the human resource managers of all supplier firms, workers earn social security benefits due to the labor proclamation that empowers permanent workers to get so. Accordingly, all permanent workers across the cases are registered either for provident fund or pension funds shared between workers and employers. They have also access to paid sick leave provided that they present medical certificate; paid maternity leave; and paid annual leave as prescribed in the law. Besides, workers are also provided with paid special leave in case of marriage and death of relatives. The empirical evidence also shows that all workers (both permanent and temporary, daily laborers) are entitled to have injury benefits. Besides, if workers get injured or become ill outside the working hours, the factories compensate some share of their medical expenses provided that they avail medical certificate (*see table 4*).

The study found varied experiences in relation to the role of labor inspectors representing the government. In some firms, labor inspectors have indispensable role in improving the existing working conditions through consulting and training workers and labor union leaders about their rights and responsibilities as well as the safety precautions they have to make. They work in close collaboration with safety committee of firms to create of safe working environment. In other firms, however, labor inspectors do not visit the factory floor, and consult workers about the prevailing working conditions. The difference in the role of labor inspectorates could have happened due to the differences in the institutional capacity and concern of regional labor and social affairs bureau to protect the rights of workers.

5.3.1.2. National regulatory frameworks as conditions for social downgrading

It is found that certain gaps in the provisions of the labor proclamation contributes to the social downgrading of workers. The absence of minimum wage for private organization employees means that workers lack the ground to claim salary increment, and employers are free to set minimum wage. This was confirmed by all FGDs and managers that workers accept the wage rate proposed by firms without any kind negotiations except for professional workers who are very rare in the labor market. This causes employees to be underpaid for their accomplishment.

Moreover, article 67 (1) of labor proclamation no. 377/2003 allows employers to require their workers to undertake overtime work, though not compulsory, under four conditions. These involves “*accident (actual or threatened); force majeure; urgent work; and substitution of absent workers assigned on work that runs continuously without interruptions*” (Federal Negarit Gazeta 2004, 2470). In spite of time restrictions and conditions set on overtime work, employers abuse the provision compelling workers to work overtime beyond the standard hours.

Furthermore, the labor proclamation opens the way for the use of different kinds of temporary employment contracts on the basis of the agreements of the parties involved (*see article 10 of Negarit Gazeta No. 377/2003, 2004 for lists of the conditions under which temporary employment is allowed*). In addition, it also allows for unfair and arbitrary dismissal of workers without notice in case of quarrels on workplaces, absenteeism without good cause, and sign of loss of capacity which are open to different interpretations and abuse. Although the labor proclamation allows workers the right to strike, the provision was filled with a list of restrictions about illegal or unacceptable strikes which frustrates workers from taking such actions (*see Federal Negarit Gazeta 2004, 2496*). Therefore, these and other factors contributes toward the social downgrading of workers.

5.3.1.3.Challenges underpinning national labor regulatory frameworks

The existence of labor regulation that favor workers is necessary, though not sufficient, to protect workers right. Protecting workers right require the proper and efficient enforcement of regulatory frameworks that depends on the existing institutional capacity to do so. According to key informant from Ministry of Labor and Social Affairs, the existing policies and proclamations on labor are proactive in ensuring industrial peace and protecting the health and safety of workers. However, the policies fall short of proper enforcement due to lack of awareness, lack of necessary human resources both in terms of size and type, and poor coordination between federal and regional government labor and social affairs office. This is in line with Staritz & Morris’s (2013a; 2013b) finding that labor inspectorate and the Ministry of Labor have limited mechanism and capacity to scrutinize firms and ensure compliance with labor rights in Madagascar.

In addition, the aspiration of the government to attract and maintain investment or capital has also constrained the effective enforcement of the national and international regulatory frameworks adopted by the country. According to a key informant from trade union, employers are misinformed

by the government about the presence of cheap labor to be exploited. Therefore, the social upgrading (downgrading) of workers is influenced by the favorable legal framework in place and depends on the degree to which it is enforced as well as the orientation of the government toward the interplay between capital and labor.

5.3.2. Status of workers

The categorization of workers as permanent or temporary, skilled or unskilled, senior or newly employed, has repercussions for social upgrading (downgrading) of workers. The commercial requirements of global buyers, and other internal and external factors force supplier firms to maintain two categories of workers. On the one hand, permanent workers have access to social upgrading opportunities through skills training and wage increment, while temporary workers do not have access to such kinds of social upgrading opportunities and labor union protections (*see chapter four & table 4 above*). But, it is important to note that temporary and daily laborers are hired for a brief period of time during which firms have voluminous and urgent orders that cannot be achieved through the existing labor forces. Besides, as can be observed from table 2 section 3.2.3 of the thesis the number of regular permanent workers far exceed temporary and casual workers.

Besides, the nature of employment contract between employers and workers also create differences on the level of social upgrading. Oral contract leaves daily laborers vulnerable to flexible and precarious working conditions as the contract may get terminated at any time by employers. According to Barrientos (2007) many workers in global production system encounter poor working conditions, and lack legal and social protection.

Furthermore, the skill sets of workers have also considerable repercussion on level of social upgrading (downgrading). This is manifested not only between permanent and temporary workers but also among permanent workers who have multiple skill sets who can work on diversified operation, and who have specialized in single operation. This is mainly prevalent among supplier firms that have undergone functional upgrading. The desire of supplier firms to retain workers with multiple skills and their demand in the labor market have comparatively allowed this category of workers to gain better access to social upgrading and also negotiate for different benefits. On the other hand, workers that have specialized in single operation are relatively disregarded from having access to social upgrading and benefits. In addition, unskilled and marginalized (aged and

inefficient) groups of workers get dismissed or repositioned within firms thereby socially downgraded whereas skilled workers get salary increment and skills training implying social upgrading.

Moreover, the level of seniority of workers have also implications for the ability of workers to get access to social upgrading. Employers want to make sure that newly employed workers are stable before they invest on this categories of workers in skill training and provision of personal protective equipment. As a result, the low level of trust of employers on newly employed workers in relation to their stability has denied them access to different benefits.

5.3.3. Labor unions

Labor unions are a group of organized workers to pursue common goals related to work such as safe work conditions, better wages and benefits, and work security. Workers have power when organized into labor unions with the ability to call work stoppages at the level of industry, enterprise or broader economy (Sturgeon 2007). The empirical evidence indicated only one of the firm (AG) included in this study has no labor union in its undertaking (*see table 4*).

Collective bargaining is one of the mechanism through which workers organizations ensure the rights of workers are respected. Collective bargaining involves different levels (national and industry). At national level, it involves tripartite negotiation between the government (Ministry of Labor and Social Affairs), trade union representatives (Confederation of Ethiopian Trade Unions), and Ethiopian Employers Federation. The tripartite negotiation is a forum which is held every two months to discuss different emerging issues in the relationship between workers and employers. It is a forum where different legal issues are initiated, discussed, and forwarded for amendment.

In spite of the amicable relationship between Ethiopian Employers Federation and Confederation of Ethiopian Trade Unions (CETU), the non-membership of most employers to the federation has limited the role of the federation to protect workers' rights. Nonetheless, the federation can still influence working conditions through supporting different initiatives at national level through the tripartite forum. According to key informant from trade unions, the non-membership of employers' to the federation is due to the belief among employers that they wield much power than workers in terms of wealth, knowledge, and their voice can also be heard by the government. Therefore, they avoid joining their organization.

On industry level, collective bargaining is concerned with the entitlement and benefits that a particular employer is expected to deliver to employees, and what is expected of workers. This kind of collective bargaining leads to the formation of collective agreement which is in line with the labor proclamation of the country to which workers and employers are expected to adhere. Nonetheless, the collective agreements are not fully enforced as the different benefits that workers are entitled to get are not observed in practice. In addition, the turnover of labor union leaders also delay the amendment of some of the collective agreements which were supposed to be amended every two years or three as the union leaders are not substituted upon their departure. This may also indicate the reservations of employers toward labor unions.

5.3.3.1. Attitude of employers toward labor unions

Personal interview with managers reveals the positive attitudes of managers toward labor unions. Labor unions are medium of communication between workers and employers. The presence of labor unions as intermediaries allow workers to express their views, and feel that they are in conducive environment which in turn have positive influence on their commitment to the firms. Managers and labor union leaders regularly meet each other in order to discuss different issues related to the plan and performance of the enterprises, as well as to negotiate on the benefits of workers. In this regard, AK firm general manager stated that

We have frequent discussion with labor union leaders on how to increase the efficiency and productivity of the firm. We consult labor union leaders from the very start of the planning to performance evaluation.... We have meeting with all workers once a year, and every week with labor union leaders (AK firm general manager, personal interview 2015).

The above quote indicates the positive attitude of employers toward labor unions and their contribution to the productivity of the firm. In addition, the presence of regular meeting also helps firms to consider and address the demands of workers at the right time which results in efficiency gains and improved process for the firms.

However, key informant interview with trade unions office indicated the existence of ample cases in which activist workers and labor union leaders are threatened by employers for organizing workers and asking for their rights. According to the key informant from trade unions, employers consider organized labor as a threat that snatch and share their profit through the instrumentality of collective agreement. Consequently, employers use different strategies to stop workers from

getting organized –threatening and dismissing activist workers; and postponing the process of negotiating collective agreement, if they get organized. This finding correspond with Plank et.al. (2009) who argued that dismissal and unfair treatment of union leaders or employees willing to form labor union is a common practice in the Romanian apparel and electronics sector. In addition, employers employ their relatives, families or friends in order to prevent any claim for different benefits and rights. These and other related factors have undermined the development of labor unions at national level in Ethiopia. According to key informant from the Ministry of Labor and Social Affairs (MoLSA) “*employers and labor organizations are underdeveloped in Ethiopia at national level*” (personal interview 2015). The difference in view between managers and trade union leaders, could be attributed to the interest that they represent.

5.3.3.2. Firm size and labor unions effectiveness

The existence of strong labor union is instrumental to protect the rights and entitlements of workers. The study found size of firms seems to matter in the degree to which labor unions are effective in terms of ensuring social upgrading of workers. Accordingly, larger firms tend to have stronger labor unions presence than smaller and medium sized supplier firms. This is in line with the findings of Olaverri & Huerta (2011) who in Spanish manufacturing firms found strong influences of labor unions in larger enterprises.

In addition, the years of establishment of firms also influence the existence or non-existence of labor union offices at firm level. According to one of the key informants “*labor union may not be formed in newly established factories but long established firms have labor unions*” (Key informant 2, personal interview 2015). The argument of the key informant can be verified through comparing the empirical evidence presented in table 2 and 4 above which indicate the presence of labor union in long established supplier firms.

5.3.3.2.1. Large firms and labor unions

Larger firms’ labor unions (AK and AM) are better positioned to protect the rights and entitlements of workers than small and medium (AG and AN) supplier firms. Larger firm’s labor unions protect the rights of workers through different measures ranging from negotiating with the firm management to taking cases to the court when extreme matters happen. In one of the supplier firms’ FGD showed the degree to which the labor union office is playing substantial role in protecting both the individual and collective rights of workers.

Last time we were compelled by the firm management to work overtime. ... If you try to speak about your right individually, you will get penalized alone by the management claiming that you are the one who provoked other workers. But if you take the case to labor union office, you may get the penalty lifted. They (employers) have this saying “all bosses are right” (AM firm workers, FGD 2015).

The above quote shows the extent to which the voice and rights of workers are disputed both at an individual and collective level had it been without the presence of labor union offices. Employees of the same firm also mentioned how the labor union office worked toward protecting the right of their fellow worker who was forced by the firm management to reduce wage and take on lower level position. According to workers, the labor union office has supported the employee through providing him power of attorney which enabled him to get reinstated to his initial position and pay rate with the decision of the court. This was also confirmed by AK firm workers FGD who claimed that the labor union office is protecting their rights when they get mistreated by their supervisors and firm management through consultation and providing them power of attorney.

Moreover, being a member of labor unions also allow workers to get access to different types of benefits and entitlements such as share of medical treatment and different benefits distributed by the labor union to its members. This was explained by AK firm workers FGD as follow:

Being a member of labor union has different advantages, for example, when we get sick and treated outside the firm’s clinic, the labor union covers 25% of our expenses. On the basis of our collective agreement when there are some benefits provided by the firm, only members of the labor union are entitled to get. Due to the labor union we have managed to establish workers share company. Being a member of trade union has both social and economic benefits. We are also providing social services through establishing schools. The labor union has also dairy farm which enabled us to get access to milk with cheaper price (AK firm workers, FGD 2015).

The above quote shows the degree to which labor unions are playing significant role in protecting the rights of their members as well as strengthening their capacity both economically and socially. The labor unions are playing vital role in building the livelihoods of their members through investing on diversified fields which will earn workers lifelong assets. Besides, it is also serving the interest of the surrounding community which enables to win the heart and mind of the community. This was confirmed by AK human resource manager who claimed that the labor union office is providing workers with different benefits and is working on different fields that will make the future of its members bright. Workers of AM supplier firms have also affirmed that being a

member of labor union has enabled them to gain access to different material benefits such as chicken during holidays, and tyres and different materials with cheaper price so that they can sale it in the local market with some profit.

Nevertheless, the mere fact of the existence of labor unions in large firms cannot guarantee the protection of workers' rights and access to different benefits. The experience of AA firm confirms this fact. Unlike AK and AM firm's labor unions, AA firm labor union office do not influence the decision of the management of the firm, and is weak in protecting the rights and benefits of its members regardless of the size and year of the establishment of the firm. This could be due to the ownership or the affiliation of AA firm to one of the political party in the country which negatively influence the independence and impartiality of labor union leaders to challenge the decision of the firm's management. In this regard, AA firm workers FGD participant revealed that

Different workers are leaving the labor union claiming why we could not have access to different benefits. The labor union leaders are not protecting and serving our interest. For example, if an individual worker left out of work due to different reason for a day, he/she get penalized 5% of his/her monthly salary in addition to his/her wage per day; and the labor union does say nothing about such abuse of workers. This is part of the collective agreement that aimed to reduce workers absenteeism. If your supervisor penalize you, you remain penalized and the labor union office do not bring any change. Labor unions also distribute benefits on the basis of friendship and kinship relationships (AA firm workers, FGD 2015).

The above quote shows the grievance of workers toward the labor union for turning blind eye on their mistreatment and its partiality in distributing different benefits which caused workers to leave their membership. The unfairness of the collective agreement negotiated by the labor union has also exposed employees to double punishment for absenteeism from work.

5.3.3.2.2. Small and medium firms and labor unions

In small and medium size supplier firms' workers are not either represented by labor unions at all as in case of AG firm, or labor unions have lost the trust of their members as in AN supplier firm (the union was dysfunctional during the data collection). In connection with this, one of the participants of AN firm workers FGD and former member of the labor union revealed that

I used to be the member of the labor union, but now I am not a member. I left the labor union because other than paying the monthly contribution, I did not get any kind of benefit as a member. When sensitive and strong issues happens between our

employer and workers, leaders of the labor union do not insist with the matter rather they prefer to retreat (AN firm workers, FGD 2015).

This indicates the extent to which workers have lost trust on their union leaders due to union's failure to ensure the protection of workers' rights when infringed by the firm's management, and lack of special benefit that membership earns to workers as different from non-members. In this particular firm, the interview with the human resource manager of the firm indicated that the labor union office is dysfunctional because the labor union leaders have left the firm pending the collective agreement from being negotiated and amended.

Furthermore, in the other firm (AG) the study found contradicting response from the general manager and employees. According to the firm manager, the firm has labor union in its undertakings, and it is compulsory for workers to be member of the labor union. Nevertheless, workers have no any kind of idea as to what it means by labor union by the time of the data collection. They have also mentioned that they have no workers representative in the firm at all.

Workers explained that

We have no labor union in the firm. We are new to the issues, and we have no idea about labor union. We have no workers representatives in our premises. However, there are different facilities that are not available in this firm but in the sister company (AG firm workers, FGD 2015).

This shows the lack of awareness among workers about one of the important mechanism through which they can ensure their rights and benefits protected. This emanates from the low level of educational achievement of workers, and the limited work done by relevant stakeholders to raise the level of awareness of workers about their rights and responsibilities. This is confirmed by key informant interview from trade union who explained the low levels of awareness among workers about their rights and responsibility is associated with the low level of their educational achievement. Therefore, membership to trade union, allow workers to be aware of their rights and responsibilities as the labor union office provide awareness raising training to its respective members.

In general, the discussions above indicated the degree to which labor unions are important in terms of protecting the rights of workers and provisions of different benefits, leading to social upgrading. Nonetheless, the effectiveness of labor unions in delivering this outcome hinges on the size of firms, and the independence and stability of union leaders.

CHAPTER SIX

6. SUMMARY AND CONCLUSION

The study aimed to contribute to the debate and the growing literature on the link between economic upgrading and social upgrading in the context of global production networks in developing countries. To this end, five textile and garment supplier firms operating in Ethiopia were examined. The study has formulated two research questions and addressed each of them in mutually constituent manner. The research questions involve:

- *How does economic upgrading leads to social upgrading in developing countries such as Ethiopia?*
- *Under what conditions is social upgrading achieved in the context of global production networks?*

In order to address these research questions, the study employed qualitative research approach and case study research strategy with semi-structured interview and focus group discussion being major data collection methods. The data was collected from government offices, employers association, trade unions, supplier firm managers, and workers. This has enabled to grasp the perspective of different stakeholders about the link between economic and social upgrading, and conditions under which social upgrading is achieved in the context of global production networks. Besides, it also allowed triangulating the finding. Consequently, the study come up with the following important findings in relation to the link between economic and social upgrading, and the conditions under which economic upgrading is achieved.

This study refuted the assumption of neoclassical economic theory that claim wage increment should follow improved productivity or profitability of firms. Unlike this assumption, economic upgrading does not necessarily resulted in social upgrading of workers in Ethiopian textile and garment firms studied. The study identified different institutional conditions hindering the successful transformation of economic upgrading into social upgrading of workers. Supplier firms are caught between contradictory commercial requirements of global buyers for fast delivery time and lower price on the one hand, and for supply of quality products on the other forcing them to employ temporary and casual workers. This make the employment practice of supplier firms informal which prevent social upgrading outcomes. Besides, the commercial requirements of

global buyers for fast delivery time also encourage social downgrading through increased work intensity and overtime work. Moreover, the buyer driven nature of the sector which provided buyers the upper hand to keep the price of products lower compel manufacturers to squeeze the wage rate of workers implying social downgrading.

Furthermore, this study pointed out that the position of firms in global production networks constrain the successful transformation of economic upgrading into social upgrading of workers. The position of supplier firms within global production networks where entry barrier is lower and competition is higher contributes to social downgrading as this position involves intense price based competition which have implication on the wage rate of workers. Besides, the standardized nature of products manufactured by supplier firms also limit the opportunity of workers to get access to social upgrading as the production of such kinds of product require less skilled workers which restricts the opportunity of employees to gain access to social upgrading through skills training or wage increment.

Equally important, the study highlighted that social and institutional embeddedness of supplier firms (which in this case can be expressed through lack of adequate and quality raw materials, and poor infrastructure) and factors internal to the operation of firms (workers absenteeism and turnover, machinery dysfunctionality) have considerable implications for both firms and workers. These incur firms' additional production costs while causing compulsory overtime work, increased work intensity, lower wage rate, and casualization of employment which are all the manifestations of social downgrading.

Therefore, it is possible to conclude that the implications of economic upgrading of firms on social upgrading of workers is not guaranteed as assumed by neoclassical economics theory. Instead, it depends on the existing institutional arrangements as claimed by the institutionalist perspective.

According to institutionalist perspective, the extent to which economic upgrading translate into social upgrading is determined by the nature of the institutional arrangement between capital, labor, and the state. In line with this assumption, the study showed that corporate social responsibility which involves the requirements of global buyers to ensure the social and environmental sustainability of the supply chain has positive impact on the measurable dimension of social upgrading which is mostly manifested on factory floors. Moreover, supplier firms provide varied types welfare to their employees in order to reduce the rate of turnover of workers. From these it

is possible to conclude that social upgrading is driven by the desire of global buyers to maintain or enhance their reputation in the eyes of their customers, and the desire of supplier firms to retain their employees and buyers. Therefore, it supports the argument of institutionalist perspective as the decisions of global buyers and manufacturers influence the social upgrading of workers.

The study also showed the effectiveness of labor unions in terms of protecting the right and benefits of workers depends on the size and year of establishment of firms as well as on the degree to which union leaders are independent. Consequently, large and long established firms with independent labor union leaders are better positioned to protect the rights and benefits of their members than small and medium size firms. Hence, in line with the institutionalist argument, the existence of strong labor union influence the successful transformation of economic upgrading into social upgrading.

Furthermore, the national labor regulatory frameworks influence the social upgrading (downgrading) of workers. This depends on the existence of regulatory frameworks that favor workers and the institutional capacity to enforce the same. In addition, the bargaining power of the state between capital and labor also influence the outcome of regulatory frameworks on social upgrading. The study showed mixed experience in this regard. On the one hand, the national regulatory framework played key role in avoiding gender based discrimination and ensuring social security benefits to workers. On the other hand, the labor proclamation adopted by the country encourage flexible employment condition, and is open to different interpretations that allowed employers to abuse some of its provisions to downgrade workers. Furthermore, it constrained the ability of local labor inspectors representing the government from making employers violating labor rights accountable. Therefore, as per the institutionalist perspective social upgrading is the outcome of the bargaining power of labor vis-à-vis the management; and labor market regulations and their level of enforcement.

Hence, the above findings supports the views of the institutionalist approach which consider labor as social actors. Thus, the degree to which economic upgrading translate into social upgrading is determined by different institutional factors such as the policies of supplier firms, the decisions of global buyers, factors internal and external to firms, the status of workers, the existing national and local regulatory frameworks and their enforcement, and the strength of workers organizations.

The study also revealed, the implication of economic upgrading on social upgrading is mixed between different categories of workers except on factory floors where economic upgrading results in positive outcome for all categories of workers. Consequently, while economic upgrading leads to the social upgrading of permanent and skilled workers through providing access to skills training and wage increment, it has caused the social downgrading of temporary, unskilled as well as marginalized groups (aged) of workers through repositioning and dismissal. The differences in treatment of workers emanates from the desire of supplier firms to institutionalize different categories of workers, in order to have performance in the long run, and still have a flexible workforce in the short run (to meet fluctuating demands).

Besides, the impact of economic upgrading on the social upgrading of workers is positive mainly on the measurable aspects while it is hardly identifiable on the enabling rights of workers. This has to do with the attitude of employers and global buyers to consider labor as production factor whose productivity tends to increase with improvement in the measurable aspects of social upgrading than social agents that needs to be involved in different decision making processes that affect their working conditions.

However, there are unique characters to Ethiopia such as the landlocked nature of the country, issues of raw material supply and infrastructures, and the infant or emerging nature of the sector that one has to be cautious about in generalizing the finding to the rest of developing countries.

6.1. Future research directions

There are different issues that can be further addressed on the basis of the empirical work presented in this thesis.

1. Future research may explore the issue under discussion through involving additional stakeholders such as global buyers, NGOs, and multilateral organizations such as International Labor Organizations as it may add theoretically to the conditions under which economic upgrading leads to social upgrading.
2. Future research may also involve more diversified and cases of supplier firms on the basis of ownership, size, regulatory frameworks across different countries or other important criteria's that may boost the analytical generalizability of the study.

3. In addition, future research may also involve either quantitative or mixed research approach to address the issue under discussion though published data are lacking concerning indicators of social upgrading of workers particularly in developing countries.
4. Furthermore, it is mostly the case that formal sectors are characterized by better working conditions. Therefore, as the focus of this study was on the formal sector of the industry, future research may also include the informal sector as it constitutes the large proportion of labor intensive industries in developing countries. This will further enhance understanding the link between economic and social upgrading, and add additional aspects to the debate on the link between economic and social upgrading in the context of GPNs.

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APPENDIXES

Appendix A: Semi-structured interview guide to factory general managers

Section 1: On tasks in GPNs

1. What is the main/core activity of your factory in Global Production Networks?
2. Do you have any additional activities that are related to global buyers? If yes, what are they?
3. In which one of the following activity have you involved?
 - 3.1.in packaging
 - 3.2.in logistics and transport
 - 3.3.in design
 - 3.4.in marketing

Section 2: On the different types of economic upgrading

2.1. Process upgrading

- 2.1.1. Have you changed the production process in the past five years (for efficiency)? *if not to Section 2.2.*
- 2.1.2. How did you change the production process?
- 2.1.3. Why did you undertake changes in production process?
- 2.1.4. Who/what influences your decision to undertake change in production process?
- 2.1.5. What is the impact of the process upgrading on social upgrading/on employees of different categories?
- 2.1.6. What change have you observed as a result of undertaking process upgrading?

2.2. Product upgrading

- 2.2.1 What kinds of products do you produce in your firm?
 - 2.2.2 Have you changed the production range in the past five years? **If not, to section 2.3**
 - 2.2.3 How did you change the production range or the mix of your product? Is the product totally new or something which is adapted from the existing product?
 - 2.2.4 Why did you undertake change in the product range?
-

2.2.5 Who/what influences your decision to change the product range?

2.2.6 Do you believe that the new product range has a higher value added than the previous one?

2.2.7 What is the effect of the product upgrading on different categories of workers?

2.3. Functional upgrading

2.3.1. Have you changed the mix of activities of your firms in the past five years? **If not to section 2.4.**

2.3.2. How did you undertake the change in the mix of activities in your firms?

2.3.3. Why did you undertake change in the mix of activities of your firm?

2.3.4. Do you believe that the new activity has a higher value added than the previous one?

2.3.5. Who/what influences your decision to change the activity of your firm?

2.3.6. What is the effect of the functional upgrading on different categories of workers?

2.4. Chain upgrading

2.4.1. Have you moved into new sectors or new industries or new product markets in the past five years? **If not, to section 3**

2.4.2. How did you undertake the change?

2.4.3. Why did you made a shift toward new sector or new industries or new products?

2.4.4. Who/what influences your decision to shift the focus of your firm?

2.4.5. What is the effect of the chain upgrading on workers of different kind?

Section 3: on relationships with buyers

3.1. What is the nationality of your customers?

3.2. How do you define or understand your relationship with buyers?

3.3. What are the main challenges you encounter in your relationship with buyers? And how you cope up with these challenges?

3.4. How do you communicate with your buyers?

3.5. Are there any standards or codes of conduct or quality certification standards that you comply with? If yes,

3.6. What are they?

- 3.7. How do you perceive these initiatives? And which one of these standards/parts of standards you find difficult to meet?
- 3.8. Did the adoption of such standards have to do with any of your buyers? With whom in particular?
- 3.9. Do you receive visit from your buyers? How often?
- 3.10. Is there audits taking place in your firm?
- 3.11. Who are the auditors to your company? Are they from buyers or government or private companies?
- 3.12. How frequently do audits take place in your firm?
- 3.13. What is the outcome of these audits?
- 3.14. Are there changes observed in the company as a result of the audit? If yes, what are these changes?
- 3.15. There are different national and international labor standards adopted and ratified by the country. To what extent do you comply with these standards?
- 3.16. What do you think are the effect of complying with the labor standards and codes of conducts?

Section 4: Trade unions, Freedom of Associations, collective bargaining

- 4.1. Are workers allowed to form trade unions in the firm?
- 4.2. Are there trade unions which are active in your factory?
- 4.3. Are workers allowed to be a member of trade unions?
- 4.4. Do you meet trade unions? If yes, on what matters?
- 4.5. What are the issues that you negotiate with trade unions? And how do you explain the outcome of the negotiation?
- 4.6. What are the main causes of the dispute in your firm? And how do you settle disagreements arising in your firm?
- 4.7. What are the challenges you encounter in your relationship with trade unions or other workers representatives?
-

Appendix B: Semi-structured interview guide for human resource managers

Section 1: General information

- 1.1. How many workers does your firm employ?
- 1.2. What is the categories of the labor force into:
 - 1.2.1. Contractual
 - 1.2.2. Permanent
 - 1.2.3. Trainee
 - 1.2.4. Temporary
 - 1.2.5. Intern/Trainee
 - 1.2.6. Others
 - 1.2.7. Locals
 - 1.2.8. non-locals/foreigners
- 1.3. What is the division of the workforce in:
 - 1.3.1 Unskilled
 - 1.3.2. Skilled
 - 1.3.3. Specialized employees

Section 2: On recruitment

- 2.1. How do you recruit workers?
 - Employment agencies
 - Advertising on newspapers
 - Networks of workers
 - Others, specify
- 2.2. What is/are the skills that your firm most commonly requires?
- 2.3. What is the minimum age limit of your workers while they are initially employed?
- 2.4. What are the criteria of recruitment of workers in your firm? Language/ religion/ sex/ age/ nationality/ race, and others.

Section 3: On contract

- 3.1. In what situation do you offer contract to your workers?
-

- 3.2. What form do the contract takes? Oral/written
- 3.3. Is the contract the same for all categories employees?
- 3.4. Are there cases whereby contract might not be extended to workers? If so, what are these cases?
- 3.5. Do you provide contract for apprenticeships?

Section 4: On Wage

- 4.1. What are general patterns of payment in your firm? (Daily/monthly/piece of work, etc.)
- 4.2. How would you determine the pattern of payment? (By law/collective agreement/work rules/contract of employment, or others).
- 4.3. Is there a difference in wages/salaries between man and woman for the same kind of work or position?
- 4.4. How do workers negotiate salary increase?

Section 5: On working hours

- 5.1. What is the standard daily or weekly work hour of your firm?
- 5.2. What is the weekly rest of workers?
- 5.3. Is there an overtime work in your firm? If yes,
- 5.4. Is the overtime work compulsory or voluntary?
- 5.5. What are the conditions forcing your firm to resort to overtime work?
- 5.6. How many hours do an individual worker is expected to work overtime per day/per month/per year?
- 5.7. Are workers paid for overtime work?
- 5.8. How do you pay for overtime work?

Section 6: On Social Security

- 6.1. Are all workers registered for social security?
 - 6.2. Do you pay shares for pension?
 - 6.3. Is there difference in treatment of different type of workers?
 - 6.4. Do you pay for the medical examination of all workers?
 - 6.5. Are workers entitled to have sick leave? If yes,
 - 6.6. Is it paid sick leave? And how are they paid?
-

- 6.7. What is the duration of the sick leave?
- 6.8. Is there difference of sick leave between/among different types of workers?
- 6.9. What are the regulations of maternity leave?
- 6.10. How long is the maternity leave? Is it paid?
- 6.11. Is there a difference in maternity leave regulations on the basis of the types of workers?
- 6.12. Are pregnant women entitled to have medical examination during working hours? If yes, is it paid?
- 6.13. Is there child care?
- 6.14. Are workers entitled to injury benefits? If yes,
- 6.15. What are the benefits that workers are entitled to have in relation to injury?
- 6.16. Is there difference in injury benefits regulation on the basis of the type of workers?
- 6.17. Is there a regulation for dependents benefits in case where the worker dies?
- 6.18. Is there annual leave?
- 6.19. What is the duration of annual leave?
- 6.20. Is it paid?

Section 7: Health and Safety

- 7.1. Are there clean toilets and water for drinking and washing for females and males?
 - 7.2. Is there first aid kit at the factory floor?
 - 7.3. Are there adequate rest rooms and lunch rooms for workers?
 - 7.4. Are there seats on shop floor and rest rooms or shelters?
 - 7.5. Are workers provided with safety precautions (fire extinguisher) and protective equipment, clothing and other materials? And are they instructed about its use?
 - 7.6. Are workers instructed and notified about the hazards of their occupations and the necessary precautions they have to take?
 - 7.7. Are workers assigned with safety officers?
 - 7.8. Do you have established health and safety committee?
 - 7.9. Do you register and keep record of employment accident and occupational diseases and notify the labor inspector of the same?
 - 7.10. What is the incidence of accidents in the factory?
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- 7.11. Are newly employed workers and workers engaged in hazardous work provided with medical examination? And at whom expense?
- 7.12. Are work places and premises kept clean in a way that does not cause danger to the health and safety of the workers?
- 7.13. Are there measures taken in order to ensure that all the processes of work do not cause physical, chemical, biological, ergonomical and psychological hazards to the health and safety of the workers?
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Appendix C: Focus group discussion guide for workers

1. How did you come to know about the work in this factory? (Through advertisement, inquired by myself, through friends, labor unions, others).
 2. What were the criteria of recruitment to join this factory?
 3. To which category of workers do you belong? (skilled/unskilled/ semi-skilled/others, regular/irregular)
 4. How did you negotiate while you join this factory? Have you been provided with contract? If so, in what form?
 5. Are there co-workers between the ages of 14-18 working in this factory? Are they treated differently? If yes, would you explain it how?
 6. What is the standard working hours you work per day/per week/per month? Do you do beyond the legal/standard working hours? If so, are you paid for the overtime job you perform?
 7. Are you compelled to work overtime? If so, what/who forces you to take overtime jobs?
 8. Is there a difference of salary between male and female performing the same job?
 9. How does wage/salary is determined? (collective agreement/law/employer/negotiation, or others)
 10. Do you have access to social security services – pension, medical examination, sick leave, maternity leave, annual leave, injury benefits, and others? And are they paid? What is your overall assessment concerning these benefits?
 11. Are there differences of treatment in social security, overtime, between or among different categories of workers?
 12. What is your assessment about the safety and health facilities available in the factory (such as toilets, fire extinguisher, rest rooms, protective equipment, etc.)?
 13. Are you instructed and trained about the precaution you have to take and how to make use of the protective equipment?
 14. How do you rate the incidence of accident in your factory? What are the causes of most accident?
 15. Do you have trade union in the undertaking? Are you a member of trade union?
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16. What do you think is the effect of being a member of trade union? Does your employer encourage/discourage you to join trade union?
 17. Are there any benefits that being a member of trade union provide as compared to being non-member? If so, what are they?
 18. Did your employer allow collective bargaining in at workplace?
 19. Do you have workers representative that regularly meet with employers and address your concern? If so, what is your assessment about the outcome?
 20. The Ethiopian labor proclamation No. 377/2003 provides for labor inspection service in factory. Have you ever meet labor inspectors? If so, how frequently? What is your opinion about such practice?
 21. Have you observed any change after the labor inspection was undertaken? If so, what are these changes?
 22. Are you happy with your current status/work? What are the different factors that make you feel unhappy/happy about your current job?
 23. Have you been to another factory before? If so, how do you compare it with the current workplace?
 24. If you were an authority or had the capacity, what would you like to change in relation to your work?
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Appendix D: Interview guide to employers association

1. How do you perceive the importance of workers to firms?
 2. What is your perception about the rights and entitlements of workers?
 3. In your opinion, to what extent employers comply with the different national and international labor standards adopted by the country? And what is your role in getting employers comply with these standards?
 4. Do you think that complying with these labor standards and code of conducts, and protecting and respecting the rights of workers affects employers? If so, in what way?
 5. What are the different measures undertaken by your association to improve the level of understanding of employers about different laws, directives, regulations pertaining to the rights and obligations of workers and employers?
 6. What are the major standards or codes of conducts that employers perceive as difficult to fulfill?
 7. How do you explain the relationship between workers and employers in different firms?
 8. What are the main causes of the conflict between employers and workers? How do these disputes get resolved?
 9. Do you undertake regular meetings with labor unions? If so, what are the most frequently discussed issues/agendas? And how do you rate the outcome of the negotiation/meetings?
 10. What are the challenges in regulating the relationship between workers and employers and in getting employers comply with different labor standards adopted by the country?
 11. How do you perceive the role of the government in regulating the relationship between employers and workers?
 12. To what extent have you engaged in the initiation, preparations and implementations of laws and regulations pertaining to employers and workers?
 13. To what extent employers' associations/representatives get involved in tripartite negotiation? And what explain the outcome of these negotiations?
 14. In your opinion, what explains the relationship between workers and firms/employers in Ethiopia? And what are factors affecting/determining their relationships?
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Appendix E: Interview guide to Ministry of Labour and Social Affairs (MoLSA)

1. What is the role of MoLSA in ensuring social upgrading/in improving the condition of workers?
 2. How do you consider the relevance of the different *policies, laws, regulations and directives adopted by Ethiopia with regard to industrial relations?*
 3. What are the main labor standards that companies in Ethiopia are expected to comply with in areas of:
 - a. Employment and employment relations
 - b. Conditions of Work and Social Protection
 - c. Social Dialogue
 - d. Health and Safety at Work
 - e. Human Development and Training in the Workplace
 - f. Others
 4. Are there any other labor standards or codes or practice adopted by the government that employers are expected to comply with other than the labor proclamation?
 5. Do you regularly undertake inspection activities in different firms?
 6. How do you explain the status of firms in terms of complying with the different labor standards adopted by the country?
 7. To what extent employers comply with the different national and international labor codes of conduct adapted by the country in relation to ensuring better working conditions?
 8. What is the status of Ethiopian firms in terms of child labor, discrimination on different ground, compulsory labor, allowing freedom of association and collective bargaining?
 9. What measures have you taken to get firms comply with the different standards? And what are the changes observed? Are firms cooperative enough to let you know or see all evidence you would like to see?
 10. What are the challenges in getting employers comply with the different labor codes of conduct?
 11. What are the different causes of industrial disputes? What are the methods to resolve it?
 12. How do you evaluate the practice of collective bargaining between workers and employers?
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13. What is the role of trade unions in industrial dispute and methods of resolving it? And how do you assess their role?
 14. How do you evaluate the tripartite relationship *among government, employers and workers?*
 15. What measures have been taken in order to promote tripartite relations?
 16. What are the major challenges encountered in the process of promoting social upgrading?
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Appendix F: Interview guide to trade unions

1. What is the role of trade unions in protecting the rights and entitlements of workers?
 2. What are the different mechanisms of protecting the rights and entitlements of workers?
 3. What are the challenges in forming trade union?
 4. How do you perceive the interest of workers to join trade unions and exercise and protect their right collectively?
 5. How do you rate the level of understanding and knowledge of workers about different laws, regulations, directives, etc.? What measures were taken on your side to enhance the level of understanding of workers about their rights and obligations?
 6. How do you explain the relationship you had with employers and employers' associations?
 7. How do you explain the attitude/perceptions of employers towards trade union?
 8. Do employers allow the establishment of trade unions inside their premises/undertakings?
 9. Do employers discourage or pressurize workers not to form or join trade unions?
 10. Do you have regular meetings with employers? How frequently do you meet?
 11. What are the main issues of your negotiation/meetings? How do you explain the outcome of your negotiation?
 12. To what extent do you think employers comply with the different national and international labor standards adopted by the country? And in this respect, what is your role?
 13. What are the main causes of industrial disputes? How are they most commonly resolved?
 14. What are the main demands of the workers?
 15. To what extent workers representatives get involved in tripartite negotiation? And how you explain the result of the negotiation?
 16. To what extent have you actively participated in the initiation, preparations and implementations of laws and regulations pertaining to employers and workers?
 17. How do you explain the initiative of the government to protect the rights of workers, and get employers comply with different labor standards?
 18. How do you perceive the degree to which workers' rights are protected?
 19. What are the main challenges that you encounter in the processes of protecting the rights and entitlements of workers and in your relationships with other stakeholders?
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Appendix G: List of research participants

S/N	Informant/Participant	Date
Key informant		
1	Industrial Federation of Textile, Leather and Garment Labor Unions	2 November 2015
2	Confederation of Ethiopian Trade Unions	12 November 2015
3	Ministry of Labor and Social Affairs (MoLSA)	27 October 2015
4	Ethiopian Textile and Garment Manufacturers Associations	26 October 2015
General managers		
5	AA general manager	30 November 2015
6	AG general manager	19 November 2015
7	AK general manager	26 November 2015
8	AM general manager	28 November 2015
9	AN general manager	17 November 2015
Human Resource Managers		
10	AA human resource managers	30 November 2015
11	AG human resource managers	24 November 2015
12	AK human resource managers	27 November 2015
13	AM human resource managers	28 November 2015
14	AN human resource managers	17 November 2015
Workers Focus Group Discussions		
15	AA workers focus group discussion	30 November 2015
16	AG workers focus group discussions	12 December 2015
17	AK workers focus group discussions	27 November 2015
18	AM workers focus group discussions	28 November 2015
19	AN workers focus group discussions	17 November 2015