

Relation between HRM and Laborers' Skill Formation of Leather-shoe Industry in Addis Ababa, Ethiopia

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I. Summary

1. English Summary

The African economy relies on primary goods. The rate of the African manufacturing industry in GDP composition rate of the industrial sector has been decreasing from 1980 to 2014 [Ministry of Economy, Trade and Industry 2016¹]. Ethiopian economy has been more increasing rapidly than Sub-Saharan Africa. Ethiopian GDP growth is on average 12.9% from 2008 to 2017. In contrast with Sub-Saharan African GDP growth is on average 3.7% [World Bank Data 2019²]. Ethiopian economy relies on Agriculture. The Ethiopian government aims at the transformation of the mainstay of industrial structure from agriculture to manufacturing. The government started Growth and Transformation Plan from 2010 and they continue to the policy, which is Growth and Transformation Plan II from 2015.

The leather industry is one of the support manufacturing industry in Ethiopia. Ethiopia has an outstanding number of the domestic animal possession in Africa. Thus, Ethiopia produces abundant hide and skin as raw material of leather industry. Tanning of using the hide and skin manufacturing leather goods such as bags, shoes, and jackets are prosperous. Therefore, there are consistent supply chains from a raw material to final goods in the Ethiopian leather industry. In the Ethiopian leather-shoe industry, the number of medium and large leather-shoe enterprises was only 2 enterprises before 1991. But now the number increased to 21 enterprises in 2015 [LIDI 2015³]. There are no statistical data, but 1000 or more factories about small enterprises are producing leather-shoe in Addis Ababa. Considering the situation, target industry of this research is leather-shoe manufacturing industry and I decided Addis Ababa as a study area.

Many previous researches focused on Industrial cluster in small and medium enterprises in the Ethiopian leather-shoe industry [cf. Sonobe *et al.* 2006⁴; Sonobe *et al.* 2009⁵]. To review the previous researches, Laborers' skill formation and production system in the Ethiopian leather-shoe industry were not discussed. There are many previous researches about skill formation in developed countries and Asian countries. To framing previous researches, this research needs to clarify laborers' skill formation processes in the Ethiopian leather-shoe industry.

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My objective is to clarify laborers' attributes. With relation to their attributes, I considered how laborers form their skills. My Research conducted a total four and half months through GLTP program. My research place is Addis Ababa and my object enterprises are two large, two medium, and two small enterprises. Research Methodologies are interviews for laborers and managers in enterprises and participant observation for laborers.

Conclusion of this research revealed Laborers' attributes, skill formation, and thinking of Human Resource Management as follow. Laborers' attributes are many female and young people. Most of them also do not have experiences to go to technical school before entering enterprises. Therefore, they formed their skill after entering enterprises. In the side of enterprises, managers recommend laborers to form their skills after enterprises. However, the turnover is fast. This research clarified deference of thinking about skill formation between laborers and managers.

2. Japanese Summary with Japanese research title (1 page)

1980年～2014年のサブサハラアフリカの産業セクター別のGDP構成比の中で製造業は年々減少している[経済産業省 2016¹]。本研究の調査地であるエチオピアは平均12.9%と高いGDP成長率を誇っている[World Bank Data 2019²]。エチオピアの主要産業は農業だが、エチオピア政府は2010年から「成長と構造転換のためのプラン」を通じて、農業から製造業へと基幹産業の転換を図っている。同国政府は2025年までに中所得国入りを目指している。

皮革産業は同国政府の支援対象の産業のひとつである。エチオピアは家畜保有数がアフリカのなかでも高く、原皮が豊富に取れ、それを原料とする革鞣しがさかんである。そして、その革を使用して靴や靴やジャケット等を製造する企業が多く存在する。したがって、エチオピアには国内で原材料から最終製品までを製造する皮革産業のサプライチェーンが形成されている。その一貫した産業内の例として革靴をとると、首都アジスアベバ市内だけでも革靴製造企業が2015年の時点で大・中企業21社[LIDI 2015³]、小企業に関して統計データはないものの、1000社以上存在すると言われている。このことを踏まえて、報告者は革靴製造業を対象とし、企業が多く所在するアジスアベバを調査地とした。

これまでエチオピアの革靴製造業に関する先行研究では中小企業の産業集積に関する調査が多く[cf. Sonobe *et al.* 2006⁴; Sonobe *et al.* 2009⁵]、労働者の待遇や技能、作業・分業の実態に焦点を当てた研究はあまり見受けられない。これらの点について先行研究は、先進国やアジアの開発途上国の労働者の技能形成に関する研究が多く存在する。これらの先行研究を踏まえると、エチオピアの工場労働者の技能も企業の生産性向上や発展に影響しえる重要な要因のひとつとして検討するに値すると考えられる。

以上のことから、本研究の目的は、エチオピアの革靴製造業における工場労働者の年齢、性別等の属性を明らかにする。その属性を踏まえたうえで、労働者の技能形成の方法を検討する。筆者は4ヶ月半の現地調査を本プログラムにて実施した。調査対象企業は首都アジスアベバ市内の小・中・大規模の革靴製造企業の各2社の計6社であり、調査手法として参与観察および聞き取り調査を用いた。

本調査の結果として、下記の労働者の属性と技能形成の方法、人事部の見解が下記のように明らかとなった。まず、労働者の属性として、女性で若年層の労働者が多くを占めていた。また、彼らは革靴製造の企業に入社前に職業訓練学校に行った経験がないことが多く、入社後に技能を形成していた。労働者が企業内で技能を形成することを企業側も推奨しているが、雇用流動性が高い。労働者側と企業側で技能に関する考え方の違いが本調査で明らかとなった。

II. Research Activity

1. Introduction

The African economy has been increasing rapidly [World Bank 2019²]. Nevertheless, the African economy relies on primary goods. The rate of the African manufacturing industry in GDP composition rate of the industrial sector has been decreasing from 1980 to 2014 [Ministry of Economy, Trade and Industry 2016¹]. Determinants of international competitiveness (productivity, factor endowment, labor cost, and exchange rate) are disadvantageous for African manufacturing industry compared to other developing countries [Fukunishi 2004⁶]. Focusing on previously researched about labor skill, there is a strong correlation between labor skill and productivity in African countries [Adenikinju *et al.* 2002⁷; Bigsten *et al.* 2000⁸]. Previous research focused on statistical data and thus did not discuss laborer skills and their formation in detail.

Ethiopian economy has been more increasing rapidly than Sub-Saharan Africa. Ethiopian GDP growth is on average 12.9% from 2008 to 2017. In contrast with Sub-Saharan African GDP growth is on average 3.7% [World Bank Data 2019²]. The rate of agriculture accounts for 37.2% of Ethiopian GDP by sector [African economic outlook 2017⁹]. The rate shows that the Ethiopian economy relies on Agriculture. The rate of manufacturing is not high, but manufacturing has been more increasing than in other African countries. [World Bank Data 2019²]. The Ethiopian government aims at the transformation of the mainstay of industrial structure from agriculture to manufacturing. The government started Growth and Transformation Plan from 2010 and they continue to the policy, which is Growth and Transformation Plan II from 2015.

The leather industry is one of the support manufacturing industry in Ethiopia. The leather industry has been developing 90 years ago. It is relatively new for the industry. Ethiopia has an outstanding number of domestic animal possession in Africa. The number of cattle in Ethiopia is the first in Africa. The number of sheep and goat in Ethiopia are the third in Africa [FAO 2016¹⁰]. Therefore, Ethiopia produces abundant hide and skin as a raw material of the leather industry. The reason is that Leather industry has been supported by the Ethiopian government. Main government organ is Leather Industry Development Institute (LIDI) under the Ministry of Industry. In the Ethiopian leather-shoe industry, the number of medium and large leather-shoe enterprises was only 2 enterprises before 1991 [LIDI 2015³]. But now the number increased to 21 enterprises in 2015. There are no statistical data, but 1000 or more factories about small enterprises are producing leather-shoe in Addis Ababa [Sonobe *et al.* 2006⁴].

Many previous researches focused on the industrial cluster in small and medium enterprises in the Ethiopian leather-shoe industry [Sonobe *et al.* 2006⁴; Sonobe *et al.* 2009⁵]. Previous studies pointed out that leather-shoe industry has been growing not only because of a number of new entrepreneurs but also because of the expansion of existing enterprises. It is thanks to improving product quality and development of new marketing systems. Such multifaceted improvements have been introduced by highly educated entrepreneurs. Other research said that most leather-shoe firms operate not in isolation, but in collaboration with other firms in small and medium enterprises [Birru 2011¹¹]. And business networks are not only centered on transactions of goods and services, but also constitute networks of knowledge flows into the cluster [Gebreeyesus 2013¹²]. To review the previous researches, laborers' skill formation and production system in the Ethiopian leather-shoe industry were not discussed.

Becker [1964]¹³ pointed out the importance of human capital. Human capital forms by on-the-job training to be called OJT. Doeringer and Piore [1971]¹⁴ defined internal labor market by distinguishing it from the external labor market. Laborers formed general and firm-specific skills through OJT based on Becker. Koike [1977]¹⁵ noted that laborers' skill formation through OJT is necessary for enterprise

development. Previous researches pointed out the importance of OJT by Laborers' skill formation. To framing previous researches, this research needs to clarify laborers' skill formation processes in the Ethiopian leather-shoe industry. My research contributes to achievement of poverty eradication (Goal 1) quality vocational education (Goal 4), decent work and sustainable economic growth (Goal 8), industrial development (Goal 9), reduction of inequality (Goal 10) and resource conservation (Goal 14 and 15) in the SDGs, through seeking ways to promote industrial development based on not primary commodities but labor and higher skills, and to provide employment for low-income people.

2. Study Area

This survey was conducted in Addis Ababa, Ethiopia. My object enterprises are two large, two medium, and two small enterprises in the leather-shoe manufacturing industry. The scale of enterprises in the manufacturing industry defined by the Ethiopian government (See Table 1).

Table 1. The scale of enterprise [FDRoE 2016¹⁶]

The size of enterprises	Capital	The number of employees
Small	100,001~1,500,000 birr	6~30 people
Medium	1,500,001~20,000,000birr	31~100 people
Large	20,000,001 birr~	101 people~

This report did not describe the names and the places of each enterprise for privacy protection. It wrote down that small enterprise A and B, medium enterprise C and D, and large enterprise E and F from now on. Small enterprise A and B belong to industrial clusters, which there are plenty in Addis Ababa. Medium and large enterprises own their factory. Small enterprise B and large enterprise F have two factories. Medium enterprise C and large enterprise F manufacture not only leather-shoe but also leather bags, leather jacket, and so on.

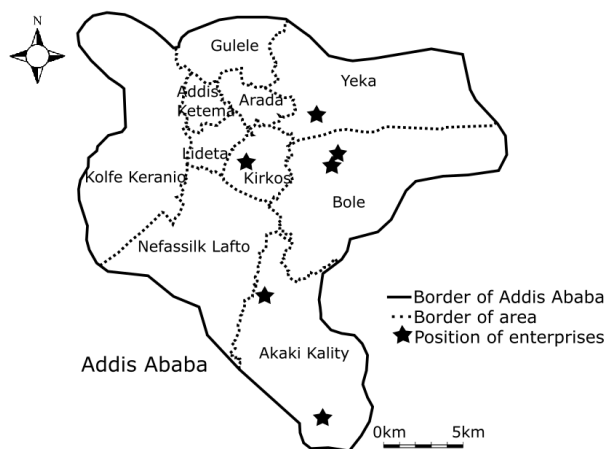


Figure 1. Map of Addis Ababa

3. Methodology

This research tried to clarify the process of skill formation of laborers in the Ethiopian leather-shoe manufacturing enterprises in detail. Therefore, I conducted participant observation and interviews for laborers.

(1) Participant observation

Target people of this study are laborers of six enterprises in participant observation. Especially, the observation focused on new laborers and laborers who are reshuffled. I also observed the way that the laborers learned their job. Hereby, this study clarifies the processes of laborers' skill formation.

(2) Interview

In small and medium enterprises, this research interviewed the whole laborers excepting some laborers who took a long vacation or maternity leave. I researched small enterprise A and B and medium enterprise D on the initial period of this research. Therefore, I visited the enterprises before returning Japan and I excluded some laborers who quit enterprises from the number of samples. In the case of large enterprises, this research was randomly sampled from a record of attendance or a laborer list because the number of laborers is huge.

The number of samples in each enterprise is Table 2. The quantitative interviews include laborers' attributes (age, sex, ethnicity, and education background) and questions about skill formation (years of laborers' service and work experience at other enterprises). In addition, I interviewed some laborers about promotion into the enterprise and skill formation through their life history.

In the case of laborers' skill formation, I also interviewed managers about methods of training into enterprises.

Table 2. The number of samples

The name pf enterprises	The number of samples	Parameter
Small Enterprise A	7	-
Small Enterprise B	18	-
Medium Enterprise C	60	-
Medium Enterprise D	35	-
Large Enterprise E	46	229
Large Enterprise F	182	907

4. Research Findings and Discussion

(1) Laborers' attributes

There is some characteristic of laborers through sex, age, and education background.

Seeing Table 3, the rate of female laborers is higher than the rate of male excepting small enterprises. In small enterprises, the number of female laborers exceeds the male. Refer to Figure 2, irrespective of the scale of enterprises, the rate of the twenties is highest compared to all ages in all enterprises. It means that young people compose mainly laborers of the leather-shoe manufacturing industry. I asked laborers whether or not they had an education background in public organization of leather-shoe manufacturing as LIDI or TVET. It clarified that a multitude of laborers did not learn leather-shoe in public organizations (Refer to Figure 3). The result shows that the laborers formed their skills in the enterprises. Large enterprise F is higher than other enterprises about the number of laborers who took vocational training in public organizations. Because the enterprise sends some laborers to LIDI as part of laborers' skill formation after the laborers joined the enterprise.

Table 3. The sex of laborers

The name pf enterprises	male	female	total
Small Enterprise A	3	4	7
Small Enterprise B	7	11	18
Medium Enterprise C	12	48	62
Medium Enterprise D	8	27	35
Large Enterprise E	6	40	46
Large Enterprise F	69	113	182

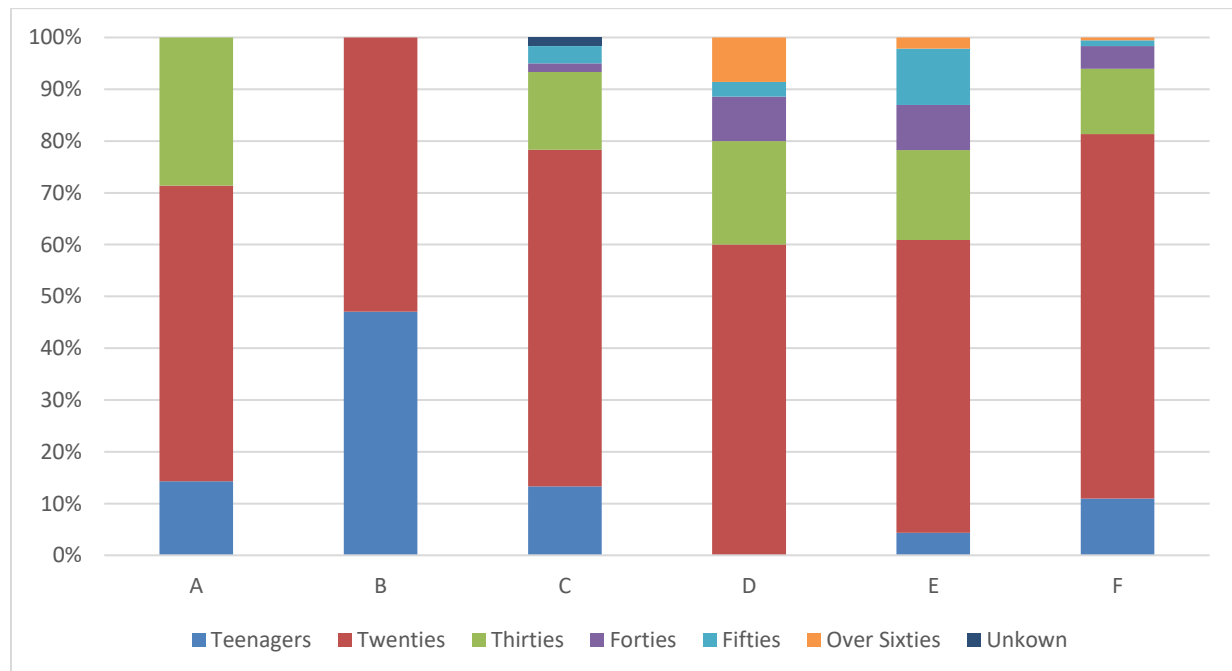


Figure 2. The age of laborers

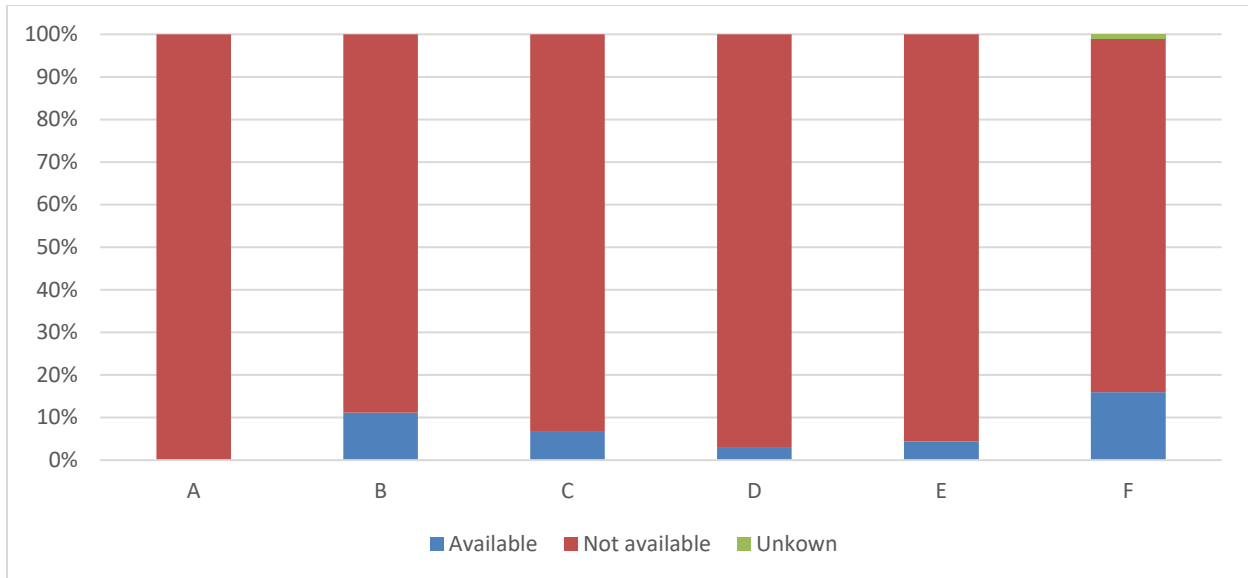


Figure 3. The number of laborers who took technical vocational training in public organization

(2) Human Resource Management’s opinions about skill formation

For some enterprises, I interviewed HRM managers or factory manager about laborers’ skill formation. The two cases of following are managers opinions.

Case 1: A factory manager of small enterprise B

One day, I asked what kinds of laborers a factory manager want to hire. He told me that lots of laborers who did not have skills of shoemaking entered this factory and I do not want laborers who have skill. His opinion indicates that he wants to grow up laborers in the enterprise. But, the turnover rate of laborers in small enterprise B is high. 19 laborers quit small enterprise B compared to September 2018 to January 2019 in participant observation.

Case 2: HRM manager of large enterprise F

In 2018 research, there were training places about stitching in the new factory with moving from the old factory. Large enterprise F also dispatched some laborers for LIDI. Therefore, the enterprise puts effort into laborers’ skill formation, especially stitching.

Retired laborers are from 10 to 12 people annually. On the other hand, young people tend to quit their job before retiring. The enterprise decides to laborers’ payment according to laborers’ skill level. Laborers apply vacant posts and they take a practical test to promote their level.

(3) Laborers’ skill formation

From laborers’ mass interviews, the ways of skill formation are On the Job Training (OJT), training in enterprises, work experience of the former job, and vocational school. Irrespective of the scale of enterprises, an answer, which they learned their jobs to see other laborers’ job (such as OJT), is highest than other answers. In the case of medium and large enterprises, some laborers answered took internal or external training to form their skill. For an example of large enterprise E, it revealed that the enterprise usually does not dispatch laborers to LIDI but a staff of LIDI dispatch the enterprise and trained plural laborers. A skilled laborer trained unskilled laborers to stitch one month.

It shows that formed how to form laborers' skills in the two cases from laborers' mass interviews. This report uses cases of large enterprise F to compare some difference.

Case 3: Laborers T (23 years old / female)

T worked large enterprise F for 3 years (as of 2018) and she is a regular laborer. She is a provincial and came to Addis Ababa with an elder brother and a younger sister to search for her job. When I researched the enterprise in 2017, T engaged in simple jobs in the stitching section. She learned that jobs shown from middle-level manager in the stitching section. In 2018, T could use a sewing machine because she practiced it at recess. She took a test of level promotion on 24th November 2018 and passed the test. But she still engaged in simple jobs after her promotion. T specialized in stitching section and formed various skill such as simple jobs and sewing. She attempted to promote her level by herself.

Case 4: Laborer B (33 years old / female)

BB worked large enterprise F for one year (as of 2018) and she is a contract laborer. She is a provincial and came to Addis Ababa to search for her job. Large enterprise F is first working place for her because she married and gave birth to. Before entering the enterprise, she took sewing training in LIDI about one month as part of the enterprise training. However, she just engaged in simple jobs in the stitching section after entering. She told me she sometimes used a sewing machine. When BB formed her skill, she specialized in stitching section and took external training, which enterprise defrayed opportunity cost.

The reason that T and BB could not make use of their skill suggest a shortage of laborers because of fast turnover and careless of human resource management.

5. Conclusion

This research revealed laborers' attributes as follow. First, sex of laborers has lots of female excepting small enterprises. Second, the age of laborers occupied young people regardless of the scale of enterprises. In the case of laborers' education background, laborers who formed their skill in public organizations are few regardless of the scale of enterprises.

This study clarified the relationship between human resource development of enterprises and liquidity of laborers as follow. All of the research enterprises nourished laborers and made skilled laborers by themselves. On the other hand, the turnover of laborers is high. Some unskilled laborers quit their jobs before becoming skilled laborers and skilled laborers also changed their working place by themselves. The enterprises also try to hire skilled laborers to attach their job advertisement in industrial zone.

OJT is highest in laborers' skill formation regardless of the scale of enterprises. Medium and large enterprises' laborers formed their skills from simple jobs to skilled jobs in the same production section.

The three points indicate that leather-shoe manufacturing industry creates employment for female and young people. In the meantime, there are times that laborers could not use their position and skills when they promoted their level and formed their skills. While enterprises tried to bring up laborers by themselves, turnover of laborers is high. The cases suggest that desires between laborers and managers cause distortion.

Considering to quality vocational education (Goal 4) and industrial development (Goal 9) of SDGs, this research suggests that liquidity of laborers effects laborers' skill formation and industrial development in manufacturing enterprises.

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III. Reflection to the GLTP in Africa

- Motivation to participate in the GLTP

I've researched the same industry since my master's course. When I applied for GLTP program, I was worried about the topic of my Ph. D. Thanks to a grant of GLTP, I could consider it between my opinion and situations of research enterprises and acquire knowledge of my Ph. D thesis. I would like to utilize the result of this research for the next research and Ph. D thesis.

My motivation to participate in the GLTP is also to get the versatile perspectives and information from people of UNU-IAS. They gave me positive advice during this research and on my reports. According to their advices, I could get other viewpoints about my research points.

- Field experiences

My field experiences are the following two points. First of all, I attended the 20th International Conference of Ethiopian Studies and presented the topic of my master thesis in Mekelle University which is in the northern part of Ethiopia. In my presentation, I obtained knowledge because some participants and a section organizer gave me some comments and questions. I could also interact with lots of researchers who study on Ethiopia.



Figure 4. Presentation of the 20th International Conference of Ethiopian Studies

Second, during 19 weeks of my research, I could interview lots of laborers and spend time together. When we shared time, they sometimes told their thinking about working place and life history. I was so glad to see other viewpoints compared to my master research. I also got the next theme of this study, which is “the liquidity of laborers” through continuous researches.

- Challenges

During my fieldwork, I tried to contact lots of laborers in the Ethiopian leather-shoe factories however some laborers could not speak Amharic, which is a virtual official language in Ethiopia. They could only speak their mother tongue. In such cases, some laborers who can speak Amharic and their mother tongue helped me the translations from their mother tongue to Amharic. Owing to their helps, I could ask all laborers of samples.

On the other hands, as my research topic was the laborers' skill formation, I had to interview lots of laborers during their working time. Sometimes, it was difficult because they had to stop their work to answer

the question of my research. I am grateful that the laborers understood my research and responded to lots of question.



Figure 5. An laborer who answered the questions

- How to make use of this experience to your future career development

I would like to continue to research in the same topic. Through this research in the GLTP, I could grasp the overviews of the relationship between HRM and laborers' skill formation, I even observed the distortion between them. However, the distortion is one part of a phenomenon in the Ethiopian labor market. It is necessary that this study also focused on the liquidity of the laborers and some laborers' life histories which are tied up their context. I will try to clarify the relationship between the liquidity of laborers and laborers skill formation in Ethiopia through conducting this study.

- Encouragement to other students

I realized that people in my fields, UNU-IAS, and professors made me help my research. Future students would be able to gain new viewpoints from people of UNU-IAS, their fields, and University in Africa during their long fieldwork. I also hope that future students do not forget that we could conduct our researches through the cooperation with other researchers.