

# Enterprise Partners in Support of Industrial Transformation

Building an Industrial Labour  
Services Market in Ethiopia



Opportunities Unlimited B.V.

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Services Market in Ethiopia



2013-2020



## Enterprise Partners

EP was established in 2013, funded by the United Kingdom's Foreign, Commonwealth and Development Office (formerly the Department for International Development), to facilitate market systems development in order to create jobs and raise incomes of Ethiopians, especially women, living in poverty. The primary focus was to stimulate agro-industrial growth and access to finance, with the objective to leverage over GBP 300 million in additional investment and sales, create 45,000 jobs, increase the income of 65,000 people, and support 150,000 people to access financial services. EP had to achieve these results in a specific context: where there were very few MSD programmes and at a time when the Government of Ethiopia was only just beginning to embrace the private sector as a development partner who could support the pursuit of the country's industry-focused, export-led growth goals.



# Enterprise Partners Case Study Series

Enterprise Partners released a series of case studies in November 2020 to share the progress, lessons and insights of the programme's seven years of market systems development in Ethiopia. This case study forms part of that series.

## Case Study Compendium: Insights and Lessons for Driving Market Systems Change for Inclusive Growth in Ethiopia

Enterprise Partners Programme | 2013-2020



Case Study 1  
(Synthesis Paper)

Facilitating Inclusive Growth in Ethiopia:  
Think Systemically, Act Strategically, Adjust Frequently for Best Results, Enterprise Partners Programme, 2013-2020



Case Study 2

Enterprise Partners in Support of Industrial Transformation:  
Building an Industrial Labour Services Market in Ethiopia



Case Study 3

Adaptive Management: from the Inside Looking Out:  
Managing the Enterprise Partners Market Systems Development Programme in Ethiopia



Case Study 4

Transforming Financial Service Markets for Micro, Small and Medium Enterprises (MSMEs) in Ethiopia through Direct Technical Assistance to Financial Institutions:  
The Case of Enterprise Partners



Case Study 5

Journeys to Impact:  
Charting New Pathways from Pilot to Scale for Market Systems Transformation in Ethiopia



Case Study 6

Changing the Rules with Strategy, Evidence and Action:  
Lessons from our Cotton and Leather Interventions



Case Study 7

Enterprise Partners' Monitoring and Results Measurement system and DCED experience

The case study compendium and standalone studies can be downloaded at <https://enterprisepartners.org>

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# Abbreviations and Acronyms

<b>BLIP</b>	Bole Lemi Industrial Park
<b>BoTI</b>	Bureau of Trade and Industry
<b>DfID</b>	Department for International Development
<b>ECDD</b>	Ethiopia Centre for Disability and Development
<b>EIC</b>	Ethiopian Investment Commission
<b>EP</b>	Enterprise Partners
<b>EPRDF</b>	Ethiopian People's Revolutionary Democratic Front
<b>ETIDI</b>	Ethiopia Textiles Industry Development Institute
<b>FDI</b>	Foreign Direct Investment
<b>GTP</b>	Growth and Transformation Plan
<b>HIPSTER</b>	Hawassa Industrial Park Sourcing and Training Employees in the Region
<b>HR</b>	Human Resources
<b>HRM</b>	Human Resource Management
<b>IPDC</b>	Industrial Park Development Corporation
<b>MSD</b>	Market Systems Development
<b>M4P</b>	Making Markets Work for the Poor
<b>SNNPR</b>	Southern Nations Nationalities and Peoples' Region
<b>TA</b>	Tenants Association

# Definitions

<b>Coordination (within HIPSTER)</b>	Ensuring adherence to working conditions, proper allocation of workers, investment in facilities and services relevant for workers and the industry.
<b>Database management and allocation</b>	To manage the industrial park labour market information and match supply and demand of labour accurately.
<b>Grading</b>	A second technical selection process to identify where a person fits best in the production process, based on factors such as hand dexterity, eyesight.
<b>HR practices</b>	To establish good HR practices that motivate workers (i.e. adequate salary and compensation), provide sufficient induction and training, proper communication channels between workers and superiors, fair mechanisms to address grievances and take disciplinary measures, and offer a career perspective.
<b>Industrial park services</b>	Investment in services such as shops to enable to reduce living costs and improve the standard of living.
<b>Savings and careers</b>	Schemes to incentivise workers to stay, such as savings schemes and career support.
<b>Screening</b>	A first basic selection process that screens out jobseekers who are underage, lack basic education or otherwise unfit to be employed in the industry.
<b>Soft skills training</b>	The skills needed to live and work in an industrial environment, including worker relations, personal hygiene, preparing your own meals and managing your own budget.
<b>Sourcing</b>	Mobilising and registering jobseekers.
<b>Technical training</b>	Developing skills for specific production processes and machinery.



A large blue circular overlay covers the top portion of the image, containing the text "Section 1: Introduction".

## Section 1: Introduction

In Ethiopia, Enterprise Partners (EP) has been working to facilitate market development in a unique environment – a developmental state pursuing economic growth. The context and EP's approach to market systems development (MSD) in Ethiopia has unveiled a range of lessons relevant to the approach itself and development more broadly.

This case study presents a comprehensive look at the evolution of just one of EP's interventions – the development of a labour services package known as Hawassa Industrial Park Sourcing and Training Employees in the Region (HIPSTER).

HIPSTER emerged as a means of supporting the development of better functioning industrial zones to progress Ethiopia's industrial-led economic growth strategy.

Market systems development is no longer a new development approach, but it is often viewed through the lens of private sector development or partnerships. This case study looks at the challenges and solutions that emerged as EP facilitated the evolution of HIPSTER through a public-private partnership using a MSD approach. The case study represents valuable insight for development partners operating in Ethiopia, but also globally, as it explores the application of MSD in a public-sector driven context with a unique, albeit complex blend, of public and private market actors and service delivery.

While time is needed to confirm the systemic changes to Ethiopia's industrial labour services that have resulted from HIPSTER, indications are positive and the lessons provide insight into how these sustainable results were achieved.

An abridged version of this case study can be found at [www.enterprisepartners.org](http://www.enterprisepartners.org).

## Case Study Structure

- **Section 1: Introduction**
- **Section 2: Setting the scene.** A brief overview of the Ethiopian political and economic context, the industrial development strategy and what this means for MSD implementation.
- **Section 3: The Hawassa Industrial Park Sourcing and Training Employees in the Region (HIPSTER) labour services package.** A detailed discussion of HIPSTER against key steps in the process of its development. These are steps as follows:
  - Step 1: A private-sector led model to source labour at scale
  - Step 2: Moving to a public-private partnership model
  - Step 3: HIPSTER 2 – aiming for scale and commercialisation
  - Step 4: Facilitating investment in HRM
  - Step 5: Reaching scale - can HIPSTER become the 'National Industrial Park Services and Training for Employees Resource?'
- **Section 4: The Secret to HIPSTER's Success.** A discussion of the key factors that led HIPSTER to a point where it could be scaled up nationally.



## Section 2: Setting the Scene

## The Ethiopian developmental state: ‘Vanguard capitalism’

Ethiopia has a chequered economic past that provides important context to the environment in which EP operated and, by necessity, adapted its approach. Context informs the level of organisation within an economy, i.e. who does what and how well, and whether functional market systems have formed around production processes to foster specialisation and productivity. This in turn should inform how programs like EP that apply a systemic approach to economic development, under the banner of MSD or making markets work for the poor (M4P), operate.

As Bear and Bekkers (2018) argued, successful implementation of an MSD approach is seldom a matter of simply adhering to a ‘proscriptive orthodoxy’ in terms of what a program can and cannot do, or adopting an ‘anything goes’ approach. It requires the artful implementation of core development principles *in context*.<sup>1</sup> This case study of HIPSTER aims to demonstrate the value of such implementation.

In 1974, the *Derg* military council took over power from Emperor Haile Selassie. One year later, with the support of the Soviet Union, it established a Marxist-Leninist one-party state. With it came economic policies aimed at the nationalisation and reform of what was seen as a largely feudal economy. The political takeover faced dissent from many directions and ushered in a civil war that did not end until 1991. The Ethiopian People’s Revolutionary Democratic Front (EPRDF), a coalition of regional factions, came into power. Almost 30 years of civil war, drought, famine and

poor public management had left the economy in poor shape.

The EPRDF had Marxist-Leninist revolutionary roots, but its economic policy was shaped by the demise of the Soviet-style command economies, the liberalisation wave that characterised the 1990s and the gradual rise of China. Weis (2016) distinguishes four phases in the EPRDF’s economic agenda: 1) strong controls during the years of conflict; 2) moving toward dismantlement of the command economy and partial market liberalisation upon coming to power (1991-2000); 3) moving toward a development state with clear industrial policy objectives (2000-2005); and 4) embracing economic and industrial transformation fuelled by Foreign Direct Investment (FDI), combined with new (regional) state-owned enterprises with strong party ties. Hence, Weis adopted the term ‘vanguard capitalism’: a party that sees itself as a development vanguard – by steering an increasingly capitalist economy.<sup>2</sup>

The developmental state model was extensively implemented. Ethiopia began its ‘great run’. From 2004 onwards, Ethiopia saw prolonged double-digit GDP growth reminiscent of the Asian ‘tiger’ economies in the 1970s and 1980s (Taiwan, Hong Kong, South Korea, Singapore and Malaysia).<sup>3</sup> What all these economies had in common was active state facilitation of FDI for export-led growth. China and Vietnam demonstrated that socialist states could repeat such models. Ethiopia demonstrated it could be attempted in Africa as well.

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<sup>1</sup> Bear, M. & H. Bekkers (2018), *In Search of the Sweet Spot in Implementing MSD Programs*, The Messiness Series Parts 1 to 4.

<sup>2</sup> Weis, T. (2016), *Vanguard Capitalism: Party, State, and Market in the EPRDF’s Ethiopia*, Exeter College, University of Oxford.

<sup>3</sup> Moller, Lars Christian, (2015), *Ethiopia’s great run: the growth acceleration and how to pace it (English)*. Washington, D.C. World Bank Group. <http://documents.worldbank.org/curated/en/693561467988949839/Ethiopia-s-great-run-the-growth-acceleration-and-how-to-pace-it>

This summary does not do full justice to the intricacies of the political and economic developments in Ethiopia. Nevertheless, it sheds light on the context in which EP had to operate and the systemic development challenges it faced. These included:

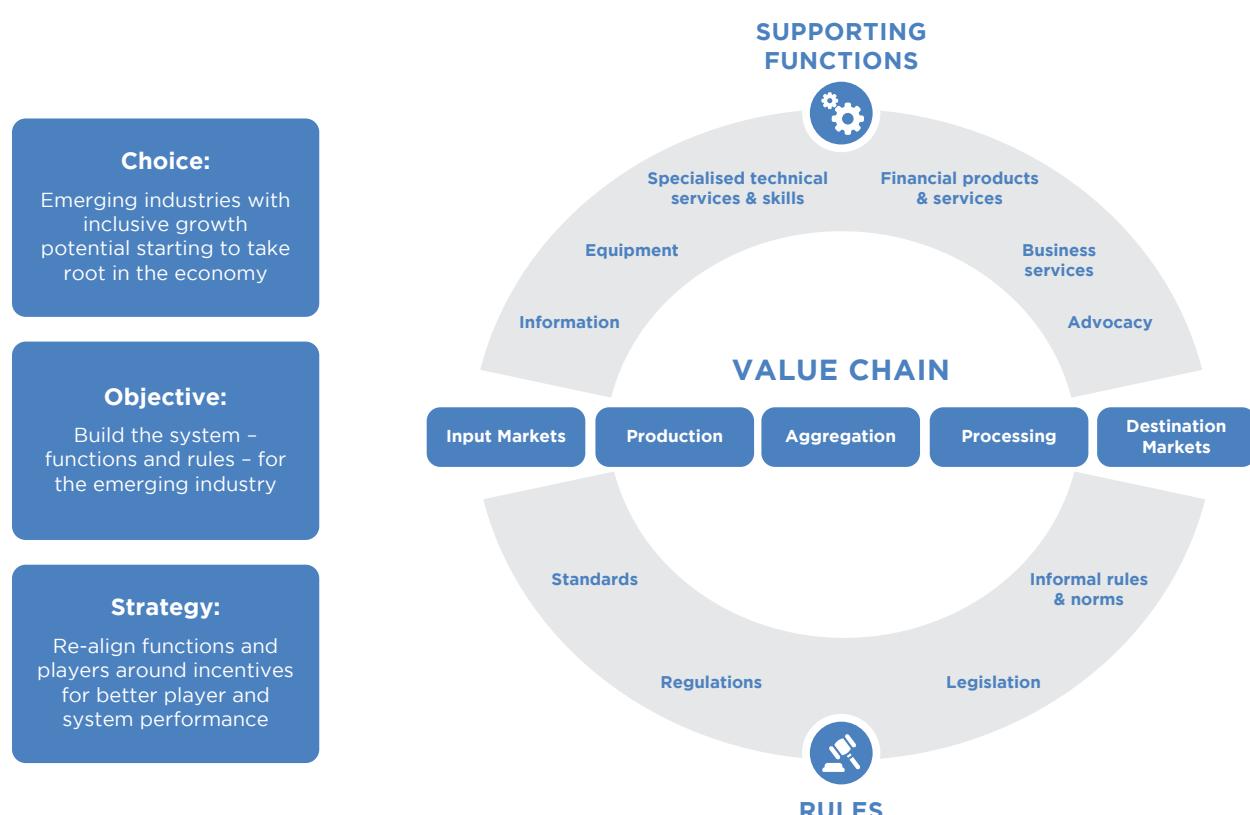
- Critical market functions were performed by public enterprises, which had to adapt to a more market-oriented environment.
- New private initiatives were often still in a start-up phase and struggled to have access to adequate production inputs and services to grow.
- State institutions had to come to terms with their new role vis-a-vis (foreign) private enterprise; rules and regulations were lagging behind new economic realities.

- More generally, as the economy was transformed, these actors had to come together to form new market systems to facilitate more competitive production processes. Typically, this is hard as newly emerging systems are often fragmented and display many gaps in terms of functions not being adequately performed.

This was an exciting and entirely appropriate place for an MSD program to be implemented. But a program must be allowed, as EP was supported by UKaid its donor to have, the leeway to search for the ‘sweet spot’ between ‘proscriptive orthodoxy’ and ‘anything goes’. This was not straightforward, ‘text book’ terrain for an MSD programme.

## Market systems development – an overview

**Figure 1** The market system



MSD thinking emerged around twenty years ago from the realisation that direct aid delivery to economic actors was often: a) inefficient (reaching only a few players); b) ineffective and unlikely to be sustainable once the donor funding dried up; and c) potentially harmful (donor subsidies could crowd out commercial players with the potential to supply goods and services in the long run).

The market system concept (see Figure 1) was designed to communicate, first, the notion that every production process, whether it is cultivating cotton or making apparel or ‘producing’ banking services, is dependent on a range on inputs, services and appropriate regulations to be productive. For example, one can try to grow cotton without access to good seed, but yields are likely to be less, and the insufficient length of the cotton fibre might even prevent sales into certain markets. Without well-trained workers, the apparel industry cannot compete on the world market. Without access to appropriate technology and information and the governance provided by adequate laws, banking becomes costly and risky, and the willingness and ability of banks to engage riskier clients reduces. Thus, a market system should be understood as a productivity function: access to appropriate inputs, services and rules allows for functional specialisation and higher productivity; conversely, a lack thereof results in higher costs, less specialisation and lower productivity.

Secondly, when mapping market systems one will discover that they are never ‘perfect’ or ‘complete’. For instance, good cotton varieties are available internationally, but state procedures for testing and approval are slow, and the private sector’s ability to multiply at scale are limited. Labour needs to be mobilised, screened, graded and trained in industrial soft skills before the apparel industry has a trainable workforce. Banks need smart IT solutions to start serving those previously thought of as ‘un-bankable’. The reasons that such gaps exist are manifold: feasible solutions are not known (at least not among players who would need to implement them) or do not exist; there is a lack of capacity or resources to innovate; or there is a lack of priority, possibly reinforced by perceptions of high costs, high risks and uncertain returns. In an economy experiencing a fast economic transition, such gaps are likely to be more pronounced than in an economy that is maturing steadily.

Thirdly, with the realisation that production does not occur in isolation comes the realisation that there are economic players, public or private, who could be more effective and efficient at influencing economic behaviour than a donor. Mapping the system provides entry points for influencing. Direct aid delivery should be the exception rather than the rule.



**J** MEGA

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## How to facilitate market systems development in a development state context?

We have established that MSD must, by definition, be a context-driven approach and be facilitated in partnership with system actors. How systems work and what players perform what market function will vary depending on the context. In this case, Ethiopia's transition toward a state-led market economy.

MSD cannot therefore be easily captured in 'models' that can be rolled out anywhere. Instead, MSD programmes are typically characterised by large portfolios, very diverse partnerships, designed by applying the following set of good development principles:



**Select partners with a shared vision of inclusive growth**



**Build on the partner's agenda using local ideas and solution**



**Provide support with clear mutual commitments of time and resources**



**Strengthen the partner's incentives and capacity for success**



**Do this by being flexible and responsive in the change process**



**Remain informed by a process of continuous learning and a search for scale**



**Apply a rolling exit strategy as success in one part of the system will likely require entry in another part to achieve inclusive and sustained growth.<sup>4</sup>**

Instead of delivering aid in the form of a pre-defined package of activities through a pre-defined channel, systemic development is about strategic, evidence-based and adaptive engagement with diverse development stakeholders. This engagement is based on the ownership, clear incentives and the credible capabilities stakeholders display to manage a change process well and ensure lasting development. Support is tailored, time-bound and negotiated, based on their specific needs and capacity to play a systems role better.

Partner selection is based on the notion of 'appropriate roles for appropriate players'. Just as contexts differ, so do the players to engage and the roles they can play.

There is no principled discrimination against public actors, nor is an environment with a strong public sector presence by definition less suitable for a systemic approach – after all, public actors are key system actors. What matters is that the development principles referred to here can be applied.

Despite the mixed public-private nature of virtually all market systems, most systemic development programmes only have a small public presence in their portfolio. Programmes are often aligned with a national development or poverty reduction strategy (and the priority sectors identified therein) and have governance and reporting arrangements that include one or more ministries. The activities on the ground, however, are mostly in partnership with businesses.

The reason for this is the result of the following partnership management practices that have emerged to reinforce the good development principles mentioned above. These principles and practices tend to be easier to apply when working with private actors. Public actors may be exposed to more political pressure.

<sup>4</sup> Bear, M and Bekkers, H. (2018), *In Search of the Sweet Spot in Implementing MSD Programs: The Messiness Series, Part 1. Market Development Facility*, <https://beamexchange.org/resources/1038/>

Ownership of a process may get diluted in large bureaucracies. Incentives may be more subject to change as shifts in political direction can be more fundamental and frequent than profit motives. As a result, the notion of a neat time-bound 'deal'

with real deliverables may be weakened when working with a public actor and the risk of open-ended arrangements with excessive levels of support increases.

The partnership principles are as follows:



**When engaging potential partners, their commitment should be tested through what can be likened to a 'dating' process.**

This includes several meetings, sharing documents and, possibly, conducting joint field visits to get to know the other party, test their commitment, understand how they work and get to know their ambitions and limitations. As in dating, a sincere partner wants to invest time in you; too much of a rush or a lack of interest seldom bodes well.



**There should be evidence of clear and strong incentives.**

Incentives can be commercial in nature (increase in income, profits, sales, business expansion and diversification, innovation), related to the need to uphold a policy, or stem from a personal drive to champion change for the better. If the incentives for change are strong, one would expect to see that previous attempts at change were made or at least were contemplated. The reasons why these did not work out or could not be executed should be credible. Also, it should be clear that the hurdles encountered cannot be overcome without external support. What is credible depends on the context and the partner. Initiatives that are 'first-of-their-kind', high-risk, resource intensive or complex to coordinate typically struggle to take off.



**Based on the desired changes and the partner capabilities, a concrete, commercially sustainable, bureaucratically feasible or politically viable, time-bound action plan should be developed.**

This should contain detailed steps and timelines, with all partners being mutually responsible and accountable to one another. Ideally, the system actor takes the lead. If not, it should take over at a clear, not too distant point in time; there must be an 'exit strategy' from the start (based on a clear idea of who should do what and how, 'appropriate roles for appropriate players').



**There should be a willingness on all sides to adjust plans as necessary.**

Plans, no matter how well researched and refined, will almost always need to be adjusted, often multiple times. Economies are dynamic, not all hurdles can be foreseen, and partnerships with a focus on innovation will contain products, services and practices that are untested. In a mature and committed partnership, both partners are able to recognise this reality and respond constructively to unforeseen challenges.



**One must be able to walk away from a bad partnership.**

Finally, despite best intentions and good plans, not all partnerships will work. Partners need to be able to keep each other accountable and, as a last resort, terminate a partnership that is not working, or relies on one partner doing all or most of the work to succeed (which runs counter to the logic of entering into a partnership in the first place).

In response, MSD programmes often opt to focus on specific policies, in which evidence can help create momentum for change and champions are present to drive it along. Longer-term, resource intensive engagements with uncertain outcomes are kept to a minimum. However, this might not always do justice to the role of public actors in

the economy, nor was it a strategy that EP could opt for in the context of a developmental state.

This case study of HIPSTER demonstrates the fine line EP had to walk to implement a systemic development approach in partnership with the Ethiopian development state, the results achieved and the lessons learned.



Section 3:

# Hawassa Industrial Park Sourcing and Training Employees in the Region (HIPSTER)

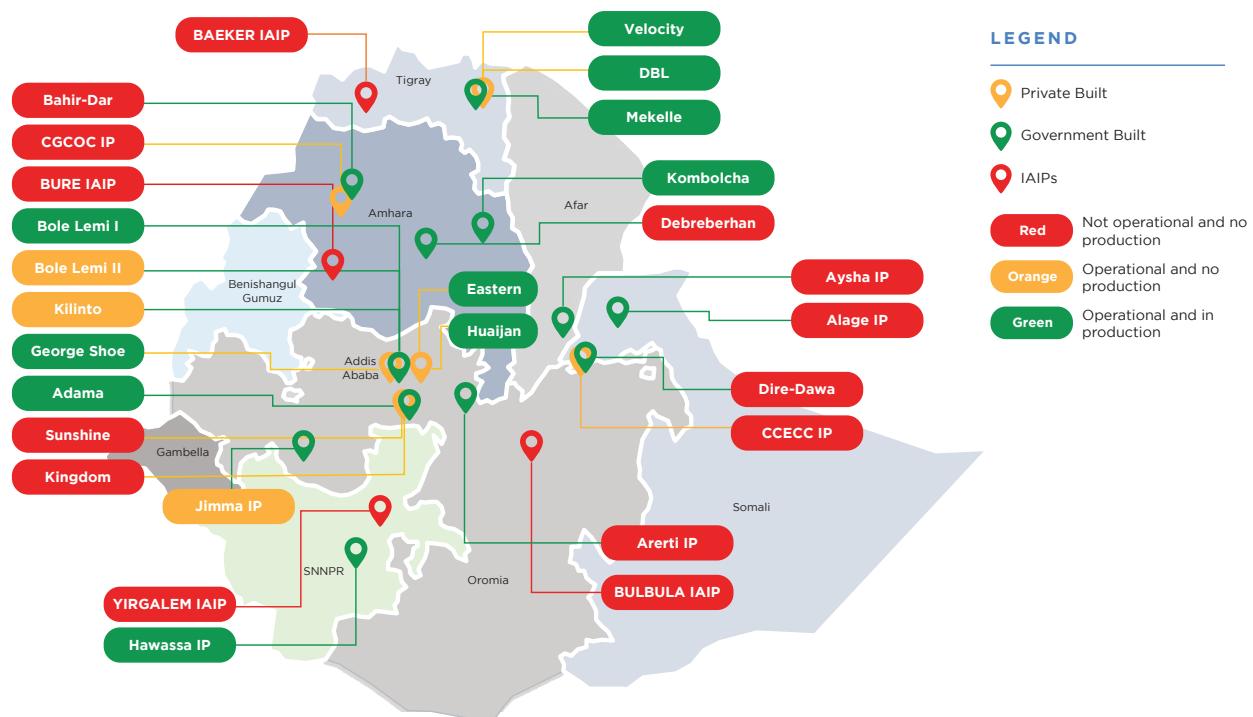


## Ethiopia's industrial parks to lead industrial transformation

Unlike many African countries, Ethiopia has pursued an industrial rather than a (agro) resource-led growth strategy. It focused on developing an industrial base to create needed jobs and trigger

upstream benefits, such as stimulating demand for cotton and leather. Key to the success of this economic strategy was attracting FDI into the now numerous industrial parks across the country.

**Figure 2** Ethiopia's government-built industrial and integrated agro-industrial parks



The rationale was straightforward. After Nigeria, Ethiopia is the second most populous country in Africa with a young and fast-growing population. While most established exporting nations are faced with rising labour costs, Ethiopia's labour costs remained low (around half of those in Bangladesh and one fifth of China's).<sup>5</sup> Attracting labour-intensive industries such as apparel and leather products was therefore a viable development strategy to pursue, provided lower wages compensated for to-be-expected initial lower productivity levels.

### Ten years, fifteen parks and counting

Ethiopia's Growth and Transformation Plans<sup>6</sup> (GTP) plotted out the new course. In 2013, a value addition policy was launched prohibiting the export of raw leather skins/hides and semi-finished leather. This was also the first year in which FDI exceeded USD 1 billion (increasing from approximately USD 280M in 2010).<sup>7</sup>

The first industrial parks opened in 2014. By 2019, 15 parks were operational or being built. Parks were owned by federal or regional governments;

<sup>5</sup> Enterprise Partners (2018). *Labour Market Strategy*, <http://enterprisepartners.org/download/labour-market-strategy-march-2018/>

<sup>6</sup> GTP I from 2010-11 to 2014/-15 and GTP II from 2015-16 to 2019-20.

<sup>7</sup> [www.knoema.com](http://www.knoema.com).

three were concessions to private investors. The aim was to create 174,000 jobs by 2020.<sup>8</sup>

The industrial parks sit under the EIC, which reports to the Ethiopian Investment Board and is chaired by the Prime Minister. The Industrial Park Development Corporation (IPDC) is responsible for the day-to-day management. The IPDC also sits within the EIC but has its own management board.

### **With infrastructure in place, services and labour lagged**

While the economic rationale and political will to build the country's industrial base was clear, it was not a simple case of 'build and

they will come'. Despite efficient streamlining of investment and export procedures, and the development of park infrastructure by experienced Chinese contractors, the drivers of industrial transformation did not, initially, interface well with the Ethiopian economy and labour context.

Foreign investors raised concerns around structural issues in the economy that affected their business operations, such as inadequate financial and logistical services. Factories needed to quickly recruit large workforces to be productive and profitable. The labour, at the scale needed, could not be found.

## **Introducing Hawassa Industrial Park**

A 'first-generation' industrial park, Hawassa Industrial Park opened in Hawassa city in 2016. Considered a flagship park, it boasts an eco-friendly design and was developed for the textile and apparel industry. Built in two phases, it covers 400 hectares. Twenty foreign companies signed up before the park opened and, between them, needed to source 60,000 workers. The park was expected to be fully utilised within a couple of years.

Industrial park developers and investors assumed the labour market would respond to the considerable demand for workers. There was an apparent assumption that, with an official urban unemployment rate of 19.1% in 2018, there would be enough jobseekers to meet demand. No-one planned for or invested in labour mobilisation efforts such as sourcing and training. The labour market did not respond and companies struggled to attract and retain suitable workers.

## **The role of Enterprise Partners**

The need to develop the labour market came to a head during negotiations between the EIC and PvH, a major investor who was looking to bring eight suppliers to Hawassa Industrial Park.

The EIC approached EP to develop a labour sourcing and training mechanism to meet the high demand for workers – the first of its kind in Ethiopia. To do this, a market for semi-skilled industrial workers needed to be developed, inclusive of market actors and services and both public and private sector interfaces.

A significant and challenging task, EP needed to find solutions to the following:

- **The significant labour demand and the speed at which workers had to be mobilised could not be met by the local labour supply.** Hawassa city had a population of approximately 340,000 (approximately 30-35 percent of working age) in its economy offered approximately 40,000 formal jobs. The arrival of the industrial park more than doubled formal employment in the city in only a few years. The

<sup>8</sup> Ethiopian Investment Commission (2016).

situation was similar at other industrial park locations. Furthermore, base wages at Birr 750 per month were not competitive.

- **Labour had to be mobilised from a larger catchment area, away from the city, meaning jobseekers were harder to reach and standard job marketing activities such as advertising and job fairs less effective.**
- **Industrial parks were a new concept, as were the types of jobs on offer.** This served as a deterrent to jobseekers. Workers were also unfamiliar with industrial work culture, with mis-matched expectations around issues such as timeliness, work hours and targets impacting employee attraction and retention.
- **The apparel industry offers employment suitable for women, particularly younger women, but families were reluctant to support their daughters to leave home to work in an industry they did not understand.**
- **Human resource policies and practices for the screening, training and retention of industrial workers were new to the Ethiopian labour market and needed to be developed.**

- **The private sector had not anticipated and was not prepared for the challenges presented by an undeveloped labour market.**

The initial focus was on workforce numbers to get production going rather than employing the ‘right people’. HR departments were often started, headed by expatriate HR managers with imported HR manuals to guide them. No one foresaw the challenge ahead.

- **The public sector lacked the coordination to take on the challenge.** Labour was not included in the EIC’s one stop service. The Ethiopia Textiles Industry Development Institute (ETIDI), responsible for skills development, was initially not prepared. The Bureau of Trade and Industry (BoTI) responsible for job mobilisation in the region, was not immediately tasked with labour mobilisation for the park. The Industrial Park Development Corporation (IPDC) only focused on park management. EP worked with all these relevant partners to define their role in the process.

## The HIPSTER labour services package

EP needed to develop Ethiopia’s first sourcing and training mechanism, and it required a level of complexity to succeed. Adding to this complexity, was the need to work with the public and private sectors, both of which – in simple terms – believed the other should be doing more to address the problem. Neither sector was prepared for the challenge they faced nor immediately willing, or able, to work together to find a solution.

It fell to EP to engage with private stakeholders and federal and regional governments and bring them together to connect rural workers to industrial estates, employ them and retain them.

Ethiopia was not the first country to face this challenge. Other countries that have pursued export-led, industrial park-based growth strategies have needed to find labour mobilisation solutions, often with a mix of public and private roles. Ethiopia now had to find its way.<sup>9</sup> EP is the only development actor in Ethiopia to have consistently worked on developing a coherent labour services model under a recognisable name.

### **Facilitating public-private sector engagement, learning and adapting**

What followed was a three-year process of learning and adapting to arrive at an interconnected set of service solutions, partially

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<sup>9</sup> Van Heerden, A. (2018). Enterprise Partners (2018), *HIPSTER Project Assessment*, <http://enterprisepartners.org/download/hipster-project-assessment/?wpdmld=3314>

delivered by public actors, partially by private actors, and often-times via collaborations between the two. Perceptions of who should do what changed in time as all parties began to understand the strengths and limitations of different actors and mechanisms.

It was an iterative process and required continuous engagement with all stakeholders to facilitate an evolving coalition of public and private stakeholders; all working toward a common, coherent and sustainable labour services package that could be replicated in other industrial parks.

### **Collective action for shared benefit**

As EP began working on the labour services package, it quickly became clear that industrial park competition for labour would be a zero-sum-game – no-one would benefit. Ethiopia has the lowest urbanisation rate in Africa with comparatively small regional cities. If each individual company targeted the same small, local, relatively more qualified labour pool, no company would be able to source enough workers and staff poaching would be rife.

All companies needed to consider sourcing labour from a much larger, rural catchment area.

EP positioned HIPSTER as a conduit for collective action. Companies would aggregate their demand and sign up to a collective screening and training mechanism to develop a shared pool of suitable workers from which to recruit. The HIPSTER model, in essence, supported organised labour migration. It facilitated the identification of suitable workers located away from the industrial park areas and the subsequent training and recruitment processes that resulted in industrial park employment. Importantly, it was designed to benefit both employees and employers.

### **A complex model builds clarity**

Annex A provides an overview of the labour services package that emerged, and how. The package expanded in time to offer solutions for a range of challenges, from labour mobilisation to job matching to worker retention. Over time, perceptions about how a service should be provided and by whom changed. This often occurred as service provision was refined, with private outsourced services making way for public services and with some services then being moved in-house. More and more public and private actors were locked into the labour supply chain.

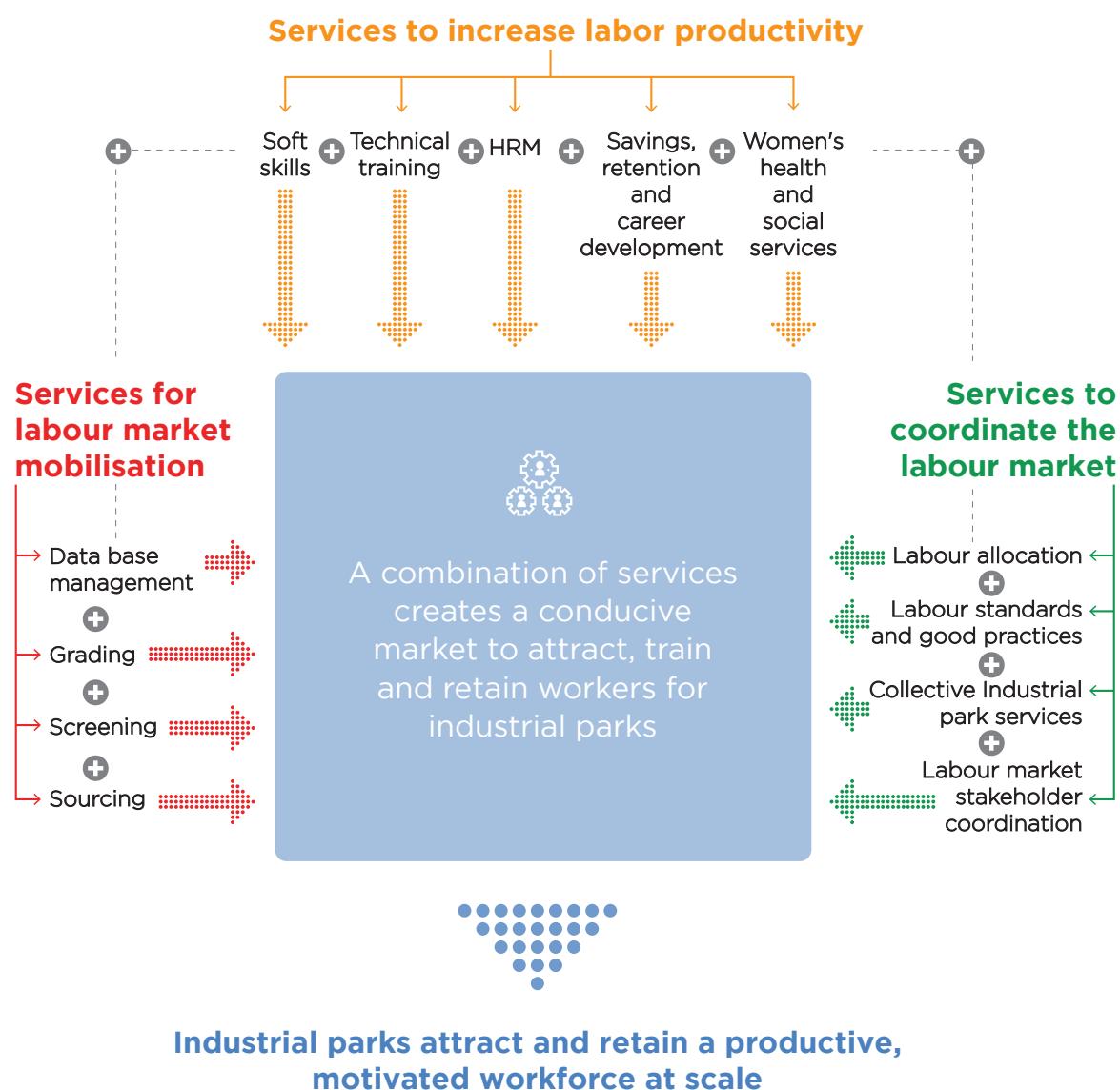


## HIPSTER becomes a labour services market system

As HIPSTER evolved and labour service functions were put in place, it effectively became the labour services market system surrounding Hawassa Industrial Park (refer Figure 4). Working with a range of public and private service providers, EP facilitated the establishment of a system that could source suitable jobseeker

candidates at scale and then screen, grade and train those that were employed. HIPSTER further expanded to include functions that supported worker retention, such as improved industrial park facilities, employee savings schemes, and women's health and social services.

**Figure 3** HIPSTER: a system for labour market development



## Step 1: A private sector-led model to source labour at scale

In June 2015, EP launched its first pilot labour market intervention in Bole Lemi Industrial Park near Addis Ababa, which had opened the year before. The aim of the pilot was to trial the creation of a private market through which commercial training providers would be able to generate company demand for workers. They would then source and train up jobseekers to meet this demand. It was a textbook market systems development approach.

EP developed a basic business model, which it shared with prospective training providers. EP also advised on training content. Training providers would generate orders from garments manufacturers by offering a more rigorous and more tailored training curriculum than that provided by the public technical and vocational education and training system. Training modules on industrial soft skills would be added to facilitate smoother worker transitions into the industrial park labour environment and increase their productivity. Training providers would screen applicants, train them, then share successful ‘graduates’ with manufacturers in the industrial park. Training fees could be paid by companies, trainees or both.

The model was ambitious. The results were disappointing. The pilot revealed the extensive gap between industrial park labour demand and supply.

Two training providers showed interest. The first was Next Designer College. Attached to a garments manufacturer, Next Designer College was able to attract orders for 2,000 trainees. It registered 760 interested jobseekers of whom 420 were selected for the training program. Of these, only 193 completed the training. One of the reasons for the low graduation rate was that the program was relatively intense – 45 half days – and participants struggled to pay the transport costs. Next Designer College supplied only 152 workers to the park.

The second training provider was Wosi International Fashion Institute, a training centre for seamstresses. Results were poor, with less than 100 applications (due to internal issues). Only 47 applicants completed training and only eight were supplied to the park.



### Lessons from the private sector-led model

- 👉 A private channel could not source and train workers at sufficient scale.**
- 👉 A separate, more efficient sourcing and selection service was needed before training began.** Response rates to advertisements were low (likely due to the newness and intensity of the program). Private labour brokers in the area did not supply suitable trainees. A high attrition rate during selection and training escalated the cost per trained worker to Birr 3,000 (USD 100 – based on 50% retention). Sourcing at a more industrial scale was needed, reaching into a larger geographical catchment, approaching jobseekers more proactively to get the right people in.

- 👉 **Soft skills training was a success.** Workers became productive in weeks instead of months. Productivity, which was at 40% of what it should be, improved. It was observed that trained workers took a week to settle in and become productive, whereas untrained workers would take up to eight weeks.<sup>10</sup>
- 👉 **The commercial business model for the labour service package was weak.** Blending old and new channels of brokerage and training did not work. Manufacturers, desperate for workers, were not willing to jeopardise their relationships with existing labour brokers, even if this meant forsaking access to better trained workers. Trainees could not pay for the training themselves.

## Step 2: HIPSTER 1 - Moving to a public-private partnership model

In 2015, before the opening of Hawassa Industrial Park, an investor, Hidramani, established operations and was in need of 400 workers. EP was again called on to support labour sourcing, and this time did so with an eye to more public-sector

involvement in the process. Working through the public system to support Hidramani revealed a potential among public agencies that had not been previously appreciated.



### Lessons from the public sector model

- 👉 **The regional Bureau of Trade and Industry (BoTI), responsible for labour mobilisation in the region, proved adept at navigating the expansive government network to mobilise labour.** This offered a pathway for labour mobilisation at scale.
- 👉 **The Ethiopian Textile Industry Development Institute (ETIDI) demonstrated that grading could help match skills and jobs.**
- 👉 **Focused soft skills training remained important.** EP successfully worked with a local training provider to train workers for Hidramani; more training providers were needed to deliver to scale.
- 👉 **Technical training needs would be reassessed at a later stage.** Manufacturers preferred to undertake technical training in-house.

<sup>10</sup> EP (2016), CTA 02 Findings Summary, <http://enterprisepartners.org/download/cta-02-lessons-learnt-summary/?wpdmld=2951>

The learnings from the private model and from working with Hidramani suggested that a public-private partnership could bring together the scale of the public sector with the quality service delivery of the private sector. This did have implications. A shared sourcing mechanism had to be created, which meant all parties agreeing on screening standards. Once labour was mobilised, screened and graded, Hawassa Industrial Park manufacturers needed to agree on a means of allocating workers between them. Collective action was needed and this required bringing together a range of actors with different objectives and capacity to develop and deliver a suite of services.

HIPSTER was launched in 2016 and initially focused on the following three labour services:

1. Screening, sourcing and grading
2. Soft skills training
3. Technical training (with the understanding that this was the TA members' individual responsibility).

The public-private partnership arrangements were formalised with partners and roles allocated as follows:

**ETIDI: Ethiopian Textile Industry Development Institute**: supports the development

of Ethiopia's textile industry. ETIDI chaired the HIPSTER Steering Committee.

**Handshake icon** **The Southern Nations, Nationalities, and Peoples' Region Bureau of Trade and Industry (SNNPR BoTI):**

responsible for local recruitment and screening efforts in Hawassa and the Southern Nations, Nationalities, and Peoples' Region more broadly. SNNPR BoTI managed HIPSTER activities.

**Handshake icon** **The Hawassa Industrial Park Tenants Association (TA):**

Responsible under HISPTER for labour demand aggregation, worker allocation, investment into grading facilities, insurance that members would invest in functional, professional HR departments and, over time, management of HIPSTER funding. The TA was formalised in July 2016.

**Handshake icon** **EP: HIPSTER Steering Committee secretary.**

Initially the SNNPR BoTI, TA and EP agreed to each cover approximately a third of the investments and resources needed for workforce screening, sourcing and grading and soft skills training. TA members reconfirmed they would cover the cost of in-house technical training. Over time, more service requirements emerged, and for each newly identified service a public or private 'owner' had to be found.



# The evolution of service provision under HIPSTER 1

When developing the labour market around the Hawassa Industrial Park, EP was confronted with the fact that it had to develop the whole system of services for this new labour market from scratch – the services did not exist, nor did experienced public or private players who could lean on their experience to take on a new service. This was really about ‘new products by new players’, the most risky market development strategy there is, and not just for one product or service, but for a whole range of them. Market development could not get much more ambitious than this.<sup>11</sup>

This meant that EP and its partners had to go through a steep learning process to work out what services were needed, how they could be best delivered, and by whom. This learning process is summarised in Annex A and in the text below. It shows continuous learning and adaptation of models to arrive at the most functional constellation of actors and services.

## Screening, sourcing and grading

### Workforce screening standards development:

Both the private sector-led and the public sector-led approaches demonstrated the need for a two-tiered sourcing model in order to reach deeper into communities, create awareness about industrial employment opportunities and better filter applications to reduce attrition and costs.

Stakeholders first agreed on pre-screening criteria. These were: i) aged between 18 and 30 years; ii) an 80:20 female to male ratio; iii) a minimum of eighth grade education; and iv) physically able to perform the role with no visual or aural impairments.

Stakeholders also agreed on the contents of a screening manual to guide the screening approach. Woreda level officers responsible for screening were trained in the process.

This process was further refined as follows:

- ‘Industrial orientation’ training was introduced to public sector agencies so that officials were better able to explain job requirements and expectations to jobseekers.
- The screening manual and associated instructions were updated to include information on the importance of a fair screening process, to ensure jobseekers were accurately informed on work in the industrial parks. This was important as screening was focused on identifying motivated and trainable candidates, not only meeting number targets. These attributes are best assessed when candidates are provided with accurate information.
- In May 2018, an Industrial Relations Unit was established in four industrial parks, including Hawassa. These units took on the role of training government officials and were initially staffed by an EIC representative, and then expanded to include other relevant institutions such as the Ministry of Labour and Social Affairs. In Hawassa, training responsibilities were shared between the Industrial Relations Unit and representatives from BoTI. Prior to the establishment of the units, EP often delivered the training.

There was scope to work with, support and influence government agencies but the internal changes required took time. Forcing ownership upon government agencies was more likely to result in poor training delivery than in better recruitment procedures.

An upgraded screening process was part of a vision shared by both EP and the EIC. The aim was for a national roll-out of strong practices introduced through HIPSTER, potentially charging a fee-for-service – see more on this under Step 5.

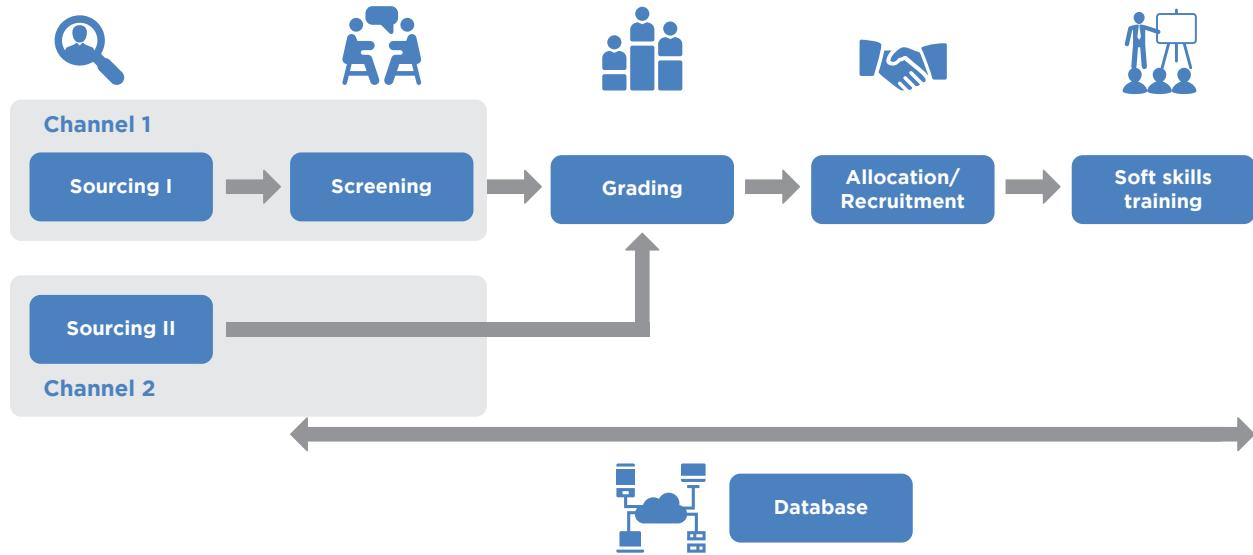
<sup>11</sup> Bear and Bekkers (2018), *In Search of the Sweet Spot in Implementing MSD Program: The Messiness Series, Part 2*, Market Development Facility, <https://beamexchange.org/resources/1039/>

**Sourcing:** It was agreed that SNNPR BoTI would register 30,000 jobseekers who met pre-screening criteria (assuming a 50% attrition rate downstream), at a pace of 3,000 new entries per month. SNNPR BoTI utilised existing government facilities up to *Kebele* level (more than 50 offices were involved, with one or two persons per office involved in registration). Government staff were trained on the specific workforce requirements

of the garments manufacturers. SNNPR BoTI staff ran village-level outreach sessions to explain the Hawassa Industrial Park employment opportunities. Sourcing was initially done in seven catchment areas, later expanding to 10.

Figure 4 illustrates the complete labour sourcing and training process, which will be discussed in more detail below. HIPSTER focused on channel one; HIPSTER 2 added channel two (see Step 3).

**Figure 4** The HIPSTER labour sourcing and training model



#### Registration and database development:

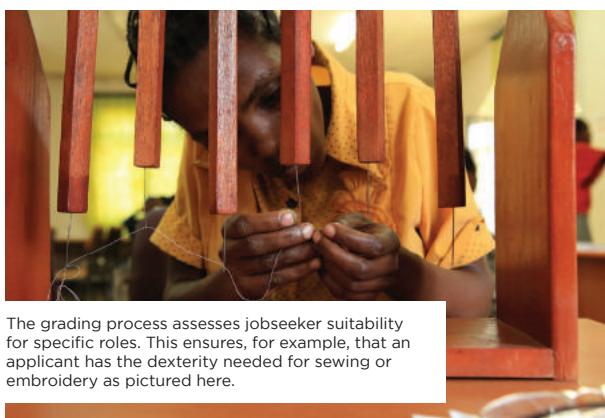
Suitable jobseekers were entered into a database specifically developed for the Hawassa Industrial Park and accessed by relevant stakeholders. EP developed the database, which initially consisted of separate excel sheets for each service, maintained by the relevant stakeholder – BoTI for registration and screening, ETIDI for grading, TA for demand and allocation. EP played a coordination role. This involved tasks such as identifying jobseeker lists compiled by screening centres that could be quickly expedited to grading in response to a TA request more workers.

The idea that the database could be commercialised persisted, but it became clear that a more professional digital database platform was needed to bring this vision forward – see Step 3.

**Screening:** SNNPR BoTI then screened registered jobseekers. EP supported SNBPR BoTI to equip 25 screening centres with computers, scanners, internet access, TVs, DVD players and eyesight charts. SNNPR BoTI supplied staff who were trained to conduct the screening.

The screening process entailed an interview to assess jobseeker ability to understand questions, make basic calculations as well as motivation to meet the job requirements. Before the interview, jobseekers were shown an introductory video of the work at the Hawassa Industrial Park and underwent a one hour sensitisation session covering: i) Hawassa Industrial Park and the type of jobs on offer (e.g. what does it mean to be a sewing operator); ii) salary and benefits; iii) recruitment process (screening and grading); and iv) the obligations and responsibilities of a factory worker.

**Grading:** Once a jobseeker passed the screening process, they underwent grading. Grading helped determine where a new recruit best fit in the manufacturing process. It consisted of trainability, dexterity and colour blindness tests to determine, for example, whether a person was suited to quality control (the most demanding role), sewing, embroidery, bundling, ironing or packing (the least demanding role).



EP and the TA established and equipped a grading centre in the park (it opened in April 2016). ETIDI trained the grading assessors and supervised the grading process.

It was found that grading – like soft skills training – was planned too early in the process. The grading methodology was not wrong per se, but the results were questionable as most jobseeker had never before been exposed to a testing situation. Manufacturers identified that repeating the grading process at a later stage once workers had some practice on the factory floor yielded more accurate results. Other industrial parks did not pursue a separate grading centre (see Step 5).

**Allocation:** The TA coordinated the allocation of workers to the manufacturers. Manufacturers passed on their needs to the TA, who passed them on to grading centre, who would provide BoTI and the TA with a list of candidates. The TA then decided on the final allocation.

Concerns around the fairness and transparency of this process grew, further prompting investment in a more rigorous data management system (see Step 3).

## Soft skills training

The TA contracted private service providers to deliver soft skills training. ETIDI, together with a commercial training provider, developed the training content. They also trained a further three commercial service providers. It was agreed that EP would cover training costs for the first 7,500 workers (for which the training module was being trialled) and EP and the TA would split the cost for the next 7,500 trainees. The TA would then cover 100% of training costs from then on.

However, it became apparent after the first batch of training that TA members were not convinced of its value. EP decided to assess the training program and found the content to be suitable but delivery poor. Numerous word-heavy slides were presented in often noisy factory settings to new workers. Information retention was low.

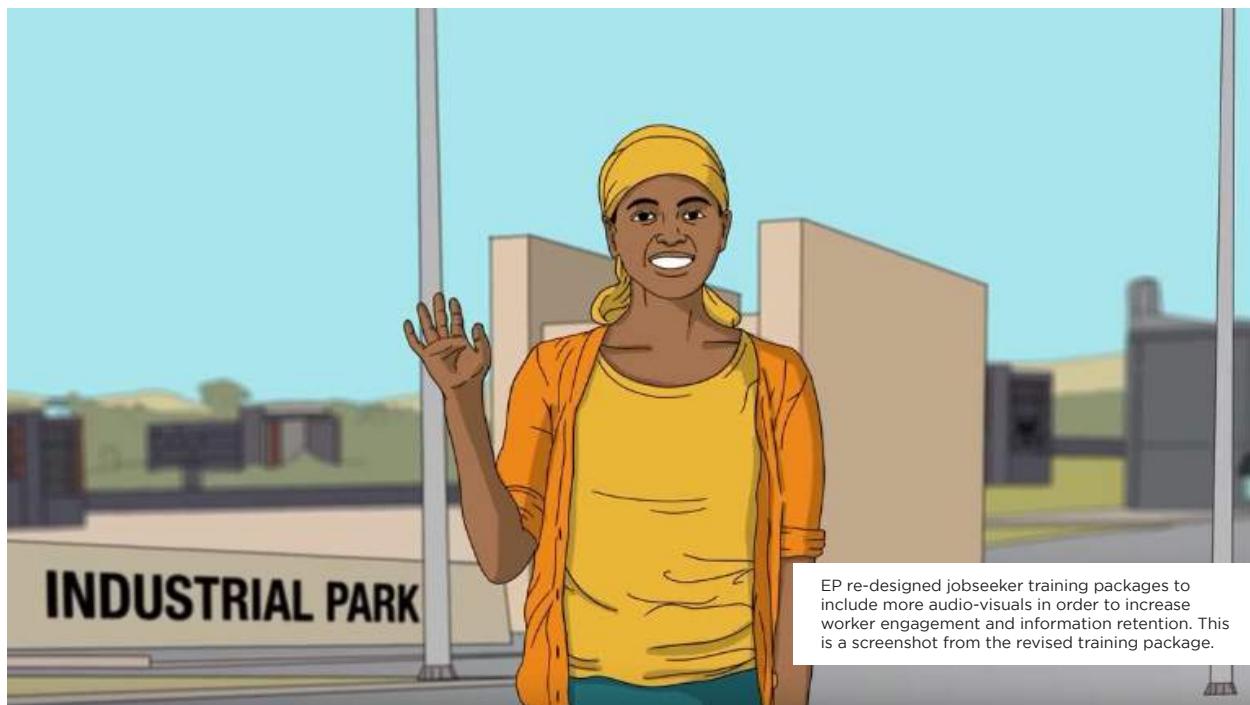
While the manufacturers were justifiably sceptical about the value of commercial training delivery, they did start recruiting trainers to continue in-house training. This signalled that soft-skills development was valued but in-house approaches preferred.

In response, EP redesigned the content and the presentation, replacing dense text with more audio-visuals and included questions and answer sessions to increase engagement. A pilot of the new curriculum in three factories in June 2019 proved successful and information retention increased. Having learned from the poor delivery by commercial trainers, a different model would be pursued. ETIDI would retain master trainers who would work with company HR teams to build in-house capacity to deliver the training as required.

As with the screening package, the approach to soft skills training became a practice that could be rolled out nationally.

## Technical training and investment in HR

Technical training was always to be provided in-house by the TA members and not intended to be a focus area within HIPSTER. However, TA member investment in professional HR departments was gradual and became an ongoing area of concern. EP observed that good HR practice and management significantly reduced issues such as absenteeism and increased workforce retention, but the willingness to invest in HR remained piecemeal. The various efforts EP made to address this are discussed in Step 4.



## Coordination

To keep stakeholders focused on the value of HIPSTER as a collective mechanism and transparently communicate performance, EP published a weekly labour report and shared it with all, including the donor in Addis Ababa. This

report included updates on screening, grading, TA members' labour requests, allocations, no-shows, recruitment and soft skills training. It included achievements against targets and was designed to ensure stakeholders were informed of successes and any issues.



## Lessons from HIPSTER 1

HIPSTER 1 was an ambitious effort to lift up many systemic elements of a new labour market all at once. The lessons below highlight the wins and the challenges that persisted:

- 👉 The model was a success despite teething problems.** With new actors taking on new functions for a new market, teething problems were to be expected as it represented a riskier strategy than working within a market where one or more of these elements were already in place. Despite the challenges, HIPSTER changed the discussion from 'how do we get more workers?' to topics such as 'how do we retain workers?'. Within three months (April-June 2017) 19,209 jobseekers were screened, 6,332 graded, 4,653 requested, 4,864 allocated, and 2,753 found employment.<sup>12</sup>

<sup>12</sup> Hawassa Industrial Park database, viewed November 2019



- ↳ While the cumulative cost of sourcing, screening and grading was Birr 185.6 per worker –significantly less compared to the private channel despite the addition of the screening and grading processes – the system was not efficient. There were delays between registration, screening and grading, which seemed to trigger a 10% no-show rate - those who were offered a job did not show up to accept it. Of those who did show up, only 50 - 84% were hired. Turnover varied between 7 - 18% per month, absenteeism between 17 - 25%.<sup>13</sup> In general, those who commenced working in the industrial park remained unprepared for what it entailed. By the end of 2017, 47,503 workers had been screened, 26,000 graded, 27,884 requested, 21,274 allocated and 15,313 recruited.<sup>14</sup>
- ↳ The excel-based database lacked the sophistication needed. Data management needed to be streamlined. Manufacturers had specific requests, timely responses were important and factors such as no-shows, absenteeism, turnover and re-hiring elsewhere had to be recorded to track the labour pool and develop feedback loops.
- ↳ Screening methods needed to be improved. The process was sometimes rigid and required refinement, such as recognising different age and education levels. The screening process also needed to be better used to inform jobseekers of the details and expectations of the roles.
- ↳ Shifting the grading process to a later stage, once workers had spent time in a role, improved the accuracy of grading tests.
- ↳ Soft skills training would focus on supporting new workers to transition from a rural to an urban lifestyle and to industrial work. Methods of learning that assisted these workers to retain information were developed.
- ↳ There was a desire at the national level to own HIPSTER and all associated services, but locally recruited representatives needed time to grow into their roles. Frequent staff changes meant ongoing training was required, albeit with increasingly reduced support from EP. In Hawassa Industrial Park, EP's input was eventually phased out, but in other, newer industrial parks, support was still required.
- ↳ The question of how to commercialise the HIPSTER services remained. EP continued to fund much of the innovation and once-off investments (as was appropriate) while other stakeholders absorbed their respective operational costs. A pay-for-service model would ensure HIPSTER could continue beyond the support of EP but the pathway to achieving that was not clear.

<sup>13</sup> Enterprise Partners (2017), *HIPSTER Learning Report*.

<sup>14</sup> Enterprise Partners (2018), *HIPSTER 2.0 Project Document*.

## Step 3: HIPSTER 2 – aiming for scale and commercialisation

HIPSTER 1 successfully addressed a labour services gap in the Ethiopian market and, with the services now in place, EP's focus shifted to strengthening the HIPSTER model to ensure both improved services and sustainability. This strengthened model became HIPSTER 2.

This involved finding solutions to three core issues.

### A second screening channel

 **Issue:** The HIPSTER model, successfully underpinned by the concept of 'collective action' and uniformity in processes, required that labour be recruited through the HIPSTER process only. This meant, for example, that a manufacturer could not recruit a 'walk-in' jobseeker, but was required to direct this jobseeker to the HIPSTER 'pool' and channels. Manufacturers were solely dependent on the public supply chain, and this proved too rigid.

While workers were being successfully sourced, the numbers remained inconsistent and had not reached desired targets. The responsiveness of the public supply to the TA's collective demand began to be questioned.

 **Solution:** A private sourcing channel was added to the public channel. Under HIPSTER 2, 'walk-ins' were allowed. Manufacturers were also given the opportunity to set up formal job referral systems and organise their own job fairs, thereby adding a private entry channel to the public one. This gave them the chance to search for specific skills if needed. An unintended outcome was the impression that the public channel responded well to the 'competition' of this second channel.

### Database management upgrade

 **Issue:** As the numbers of workers in the system increased, the need for improved database management became more apparent. The volume of entries, demand for speedier and more specific searches and the growing importance of generating worker identifications numbers and tracking worker careers warranted a more professional, centralised digital platform. A more sophisticated database could deliver on these functions. It would also allow for a more 'neutral' algorithm-based allocation process, reducing growing tensions within the TA around how worker allocation was occurring.

 **Solution:** EP took on the task of developing a better database, with ownership transferred to the EIC once completed (a decision made based on the amount of personal data stored). The new database provided HR-related information such as employment histories, performance within the HIPSTER process (training received, test results etc.). The database also tracked labour law adherence, turnover and absenteeism rates. Data could be tracked down to the individual department level within a manufacturing operation.

### Local coordination

 **Issue:** As all HIPSTER signatories were public agencies, with the exception of the TA, coordination provided by the Steering Committee took place in Addis Ababa and not Hawassa.

 **Solution:** Under HIPSTER 2, the EIC also became a signatory. It was also agreed to strengthen coordination and governance amongst the stakeholders by establishing a local working group that met weekly and reported to the steering committee. Members were ETIDI, TA, the Industrial Relations Unit (EIC) and BoTI.



## Lessons from the transition to HIPSTER 2

- 👉 **Adding a second, direct sourcing channel to HIPSTER strengthened the model.** While the public channel remained essential for sourcing and screening new workers at scale, the private channel allowed for experimentation with alternative recruitment drives and reduced dependency on the public model. Since its inception, 194 workers were recruited through the private model.<sup>15</sup>
- 👉 **While a more sophisticated database was in place, how to commercialise it was not resolved.** Navigating how to commercialise this function and who would be responsible for delivery would require a reassessment of HIPSTER stakeholder functions and mandates. For example, as a government agency, EIC does not have the mandate to charge the private sector a service fee. IPDC could, however, do this, for instance by adding an invoice segment to the rent it charged for industrial park sheds and utilities, but this would entail broadening their mandate.
- 👉 **The labour allocation function remained with the Industrial Relations Unit.** While the database could ensure a fair, impartial allocation, the Industrial Relations Unit could handle concerns from workers who did not want to be allocated to a certain manufacturer, or who had requested reallocation.
- 👉 **HR management within factories continued to lag.** It was clear to the EP team that effective HR management significantly reduced absenteeism and boosted retention, yet solutions to improve this had yet to be found. Step 4 discusses EP efforts to improve this.



<sup>15</sup> Hahu jobs database, viewed October 2019

## Step 4: Facilitating investment in Human Resources Management

The increased flow of workers to factories as a result of HIPSTER shifted the focus from sourcing and screening to workforce retention in HIPSTER 2. A gap analysis of HRM practices commissioned by EP found that a focus on sourcing and screening alone would not be enough to increase productivity. It also found a mis-match between workers' skills and expectations and the day-to-day realities of employment in the industrial park. Absenteeism and turnover were high due to factors such as family and social responsibilities and searching for and accepting higher paid work. Many workers reported they could not make ends meet with their industrial park salary, let alone save for the future (a key motivation for initially accepting the job).<sup>16</sup>

The findings reflected that workers found it difficult to settle in and accept the demands that came with fixed employment, and that the cost of living in the industrial parks (housing, food prices) had perhaps not been adequately factored in when setting salaries. It was also confirmed that HRM practices were often quite basic and did not meet workers' expectations and needs. While the improved soft skills programme introduced in June 2019 would likely address some of these issues (such as supporting workers to manage their finances), EP struggled to gain traction on two other areas - improved HRM in the factories and better industrial park facilities for workers.

### Improved HRM

 **Issue:** HRM manuals were not always available in local languages nor did they always adequately uphold Ethiopian law. New mid-level managers struggled to create good work cultures. Workers did not feel heard or understood. Training programs covered the basics, but fell short of creating a sense of ownership and pride amongst workers as the relevance of their work and the need to uphold certain standards was not explained. Career progression was unclear. Workers struggled to save money as the costs of transport, food and housing were higher than

accounted for in salaries. Overall, workers in the industrial park came to see the work as temporary - a stepping stone toward something better.

 **Solution:** EP took the initiative to set up an HRM resource centre and help desk. Local (and international) consultants were contracted to support the centre's establishment to a high professional standard. Standard HR practices were developed, including a manual and scorecard, that were compliant with good practice and Ethiopian law. Despite these efforts, the uptake of these services by manufacturers was low.

### Improved park facilities

 **Issue:** In the plan for HIPSTER 2 a provision was included to allocate land in the industrial park for stores so that workers could buy food at a reasonable price. IPDC made the land available, but finding retailers proved challenging. Cooperative stores in Hawassa showed little interest as they presumed the workers would have limited purchasing power. The regional government also suggested the shops be used to generate employment for youth from the families who had given up their land when the park was built - despite the fact they likely lacked the necessary experience to do so. As a result, the stores remained under consideration at the time of writing, but a solution had not yet been identified.

 **Solutions:** EP often advocated for additional services and facilities that could be provided to workers by either the factories or the government (IPDC/EIC). These included housing, a functional health centre, transportation and day care. Advocacy was undertaken via various means, such as convening events that prompted discussion between the private sector (the brands and factories represented in the industrial parks), government and donor agencies.

<sup>16</sup> Sustainability Agents SUSA GmbH (2017), *Assessment of Workers' Satisfaction and HR Structure of Factories in the Hawassa Industrial Park*, [https://sus-a.com/wp-content/uploads/2018/06/2017-HR-Assessment\\_Oct.pdf](https://sus-a.com/wp-content/uploads/2018/06/2017-HR-Assessment_Oct.pdf)

An example of this advocacy work was a conference held in June 2018, that focused on building an industrial workforce. Representatives from brands, factories, government, academia, development partners, UN agencies and the private sector attended. Discussions covered the situation at the time and the future trajectory of the industrial workforce in Ethiopia. The workshop resulted in the creation of a shared platform for future discussions and collaborations and an action plan developed with specific technical focus areas.

EP also supported the TA to assess local community perceptions of the industrial park in order to improve these. An annex was added to the HRM standards manual that specifically addressed the standardisation and tracking of non-wage benefits provided to workers (such as meals, transportation allowances).

Finally, it is worth mentioning three more EP initiatives related to HRM. First, to improve worker retention, EP established a multi-party coalition to create a savings scheme for workers. This model was new for the apparel industry. Workers would deposit savings in these accounts and manufacturers would add 10% to this for the first three years, 15% in the

fourth year, and 20% in the fifth year. This money could then be used to obtain a loan from the Development Bank of Ethiopia to establish a business. Wrapped into the package was the option to receive entrepreneurship training from the Federal Small and Medium Manufacturing Industry Development Agency.

Secondly, EP worked with Business for Social Responsibility (BSR) to create more inclusive workplaces, through better workplace relations and management systems. Supervisors and peer educators received training on topics such as sexual and reproductive health, nutrition, water and sanitation, how to communicate, have confidence and deal with harassment. Companies could receive advice on better HRM practices. The purpose was to improve productivity and reduce staff turnover. Through peer-to-peer learning, thousands of women potentially stand to benefit from this effort.

Finally, EP entered into a partnership with the Ethiopian Center for Disability and Development (ECDD) to audit factories in industrial park in terms of their accessibility for persons with a disability. The ECDD also trained local disabled people's organisations to identify persons with a disability interested in working in the industrial parks. By June 2019, 42 persons with a disability had found employment through this channel.



### Lessons on HRM

The creation of a productive, motivated workforce required a service package that extended beyond the original scope of HIPSTER. In addition to the screening, grading and industrial orientation recruitment processes, HRM practices that encouraged workers to view their employment as careers, rather than just 'jobs' were developed. Investment in park facilities was designed to ensure living in the parks was manageable, if not comfortable. This all served to boost workforce attraction and retention.

- 👉 The logic for HIPSTER to expand and encompass industrial park labour management more broadly, including setting strong HRM standards for its corporate tenants was clear.** While the EP HRM assessment does not specify whether discontent in Ethiopian factories is higher than in other locations that have pursued similar industrialisation strategies, worker concerns around an inability to save and persistent perceptions that employment in the parks will only ever be temporary will continue to undermine efforts to build up productive industrial parks.



- 👉 **Key aspects of the HIPSTER model are yet to be resolved.** Questions on who (if anyone) should set HRM standards and who (if anyone) should pay for upgraded park facilities remain unanswered. It is unusual for such critical model elements to remain unresolved within an MSD partnership, but within the large constellation of many new actors and new functions that is HIPSTER, it is understandable that it will be worked through at a later stage. But it must be worked through if HIPSTER is to reach its full potential.
- 👉 **Investment in good HRM practices such as a savings scheme is effective.** Staff absenteeism and turnover reduced, often significantly (soft skills training had a similar effect).<sup>17</sup> One progressive CEO signed his factory up to the savings scheme and a total of 278 workers made use of the scheme with a cumulative savings of just under Birr 700K (as of November 2019). However, uptake by companies of improved HRM remained low. It was apparent that most factories were not ready for this.
- 👉 **Manufacturing companies are interested in hiring persons with a disability.** It is expected that 100 persons with a disability will be recruited by 2020 with 35 allocated as of November 2019. At the time of writing seven factories were considering workplace adjustments to hire more persons with a disability.



<sup>17</sup> EP (2018). TATARI Midline Assessment.

## Step 5: Reaching scale - can HIPSTER become the ‘National Industrial Park Services and Training for Employees Resource?’

At the Hawassa Industrial Park official opening in July 2017, the special economic advisor to the Prime Minister of Ethiopia declared that every industrial park should be supported by the HIPSTER model – effectively turning HIPSTER into national policy.

At the time of writing, the scale-up had started to take place in two locations – the Mekelle and Kombolcha industrial parks. Discussions were also underway with EIC and IPDC to scale nationally to all parks including those owned and operated privately (e.g. Eastern) and the agro-processing parks managed by the Ministry of Trade and Industry (e.g. Yirgalem). Government committed to add at least 10 more parks from 2020.

As demonstrated in this case study, elements of the HIPSTER service package – such as screening, grading, soft skills development, database management and allocation – found a more definitive shape through a process of learning and adaptation. Other, newer elements, such as HRM standards and investments in park facilities still require more definition in terms of content, stakeholder buy-in and ownership.

For the model to be scaled up to national level, the steps are reasonably clear. They are as follows:

👉 The first elements of the HIPSTER service package should be in the hands of the EIC, IPDC, the regional governments and a Tenants Association at each industrial park. These actors can and should ensure that all stakeholder interests are met and that a collective clearing house for labour demand and supply can be established.

👉 Together they should agree on screening standards. The EIC and the regional labour bureau should own and enforce these standards, and train up officials in regional screening offices. ETIDI should own the technical curriculum for soft skills development and provide a train-the-trainer service to manufacturers. It could also do the same for grading if required or requested by factories. EIC would own the park labour database and the Industrial Relations Unit would manage the allocation of workers.

👉 The Industrial Relations Unit would be the natural organisation to support and improve HRM practices. IPDC would ideally be able to charge for shed rental and park utilities, but also for use of the database (and the screening and train-the-trainer services feeding into this if cost recovery was desired) and then invest further in park facilities.

## Sustainable impact at scale

HIPSTER represents a series of services (and good practice models for delivering these) that opened up the labour market around Hawassa Industrial Park. The ultimate value of this service package was demonstrated through improved ‘labour performance’ in the Park’s manufacturing

units. Results will be clearer over time as the service package is further embedded and rolled out to additional parks, but early data as presented below indicates that the impact is positive.

When compared to industrial parks without the HIPSTER service package, the data indicates that the Hawassa Industrial Park is and/or will record the following:



**Access to more workers.** This should translate to a faster build-up of industrial activity.



**Higher worker retention rates.** Investment in training to support workers to settle into roles and work culture, combined with efforts to improve HRM and benefits for workers, such as developing a savings scheme, should translate into workers who are more motivated to stay longer.



**Higher worker productivity.** Investment in skills development (soft and technical skills) combined with a more realistic, motivated and more experienced workforce should result in higher productivity (more output or higher value generated per unit of capital investment).

EIC maintains a database of data from manufacturers in the industrial parks. While this data may be prone to some inaccuracy due its

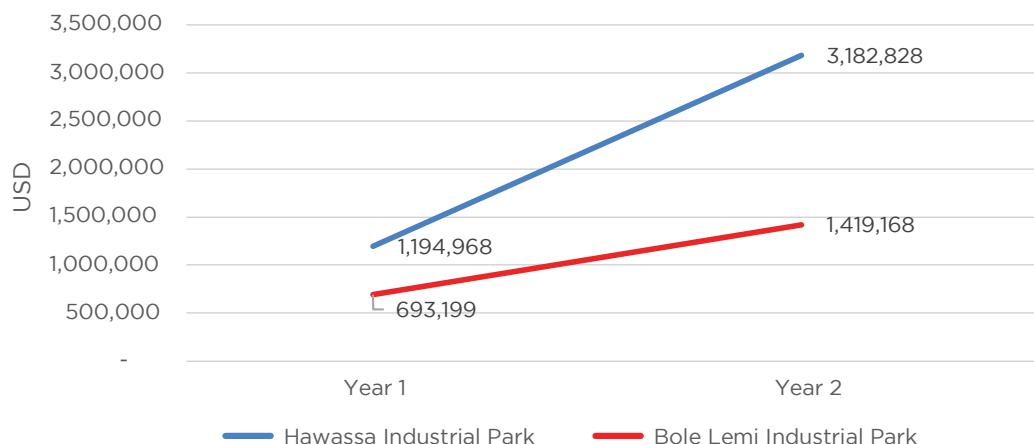
self-reported nature, one would assume that the degree of inaccuracy would not differ significantly between parks.

Data from the three industrial parks are compared below. Bole Lemi is the oldest industrial park in Ethiopia, close to Addis Ababa. Because of its location and age, it could be expected that it would have better access to a relatively better educated, more experienced workforce. These factors would place it at an advantage to Hawassa. Mekelle is a newer industrial park located in a regional setting that is comparable to Hawassa. Because of these factors, Hawassa should outperform Mekelle. The World Bank did some work on labour in Bole Lemi and EP started work in Mekelle, but neither would be enough to influence the expected difference in trends recorded.

Figure 5 and Figure 6 below compare trends in relation to output and labour retention (sufficient data was not available for productivity).

Figure 5 shows the export per factory (average) in year 1 and year 2 in Bole Lemi Industrial Park compared with year 1 and year 2 in Hawassa Industrial Park. It is clear that productivity at Hawassa Industrial Park grew much faster than at Bole Lemi Industrial Park. This can, in part, be attributed to HIPSTER.

**Figure 5** Average export output per factory for the first two years of operations, Bole Lemi and Hawassa Industrial Parks



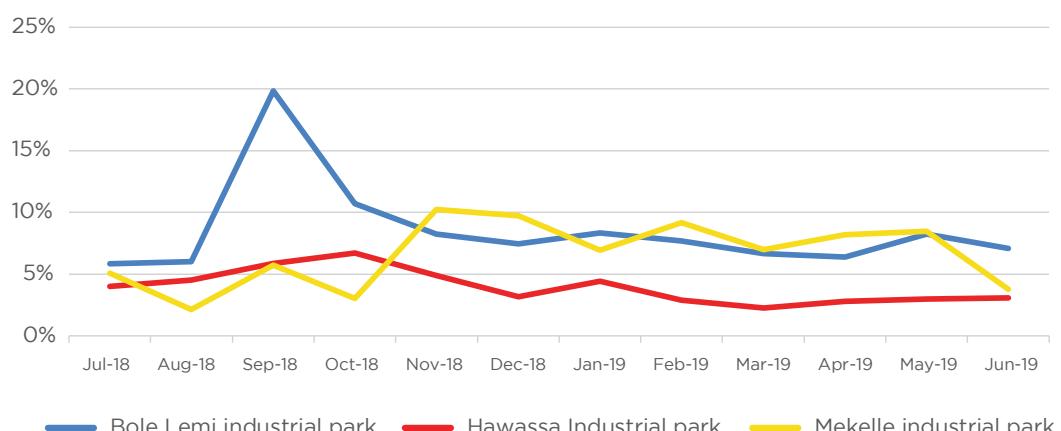
**Figure 6** Monthly labour turnover, Bole Lemi, Hawassa and Mekelle Industrial Parks


Figure 6 shows the monthly turnover rate in Bole Lemi, Hawassa and Mekelle Industrial Parks from July 2018 – June 2019. Staff turnover in Hawassa Industrial Park was consistently lower than the other two parks.

The difference in the higher-level performance indicators between parks was triggered by the

many investments made in Hawassa through the HIPSTER labour services package. Table 1 lists HIPSTER activities, outputs and outcomes that worked to support these higher-level results. It also demonstrates to what extent elements of the HIPSTER package were or will be implemented in other industrial parks.

**Table 1.** Monthly labour turnover, Bole Lemi, Hawassa and Mekelle Industrial Parks

Indicators of positive change	Achievements in Hawassa	Adaptation in other industrial parks
<b>Poverty-level changes</b>		
Benefits for workers	<ul style="list-style-type: none"> <li>Evidence to come 2021 from HIPSTER community impact evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Too early to observe</li> </ul>
<b>Enterprise-level changes</b>		
Companies export output increase	<ul style="list-style-type: none"> <li>As demonstrated in Figure 5</li> </ul>	<ul style="list-style-type: none"> <li>Too early to observe</li> </ul>
Worker retention increases	<ul style="list-style-type: none"> <li>As demonstrated in Figure 6</li> </ul>	<ul style="list-style-type: none"> <li>Too early to observe</li> </ul>
<b>Outcomes</b>		
Government propagates good labour sourcing industrial park practices	<ul style="list-style-type: none"> <li>Government of Ethiopia announces that HIPSTER package will become national practice</li> </ul>	<ul style="list-style-type: none"> <li>GoE announces that HIPSTER package will become national policy</li> </ul>
Park management expands services and facilities	<ul style="list-style-type: none"> <li>No definitive vision on this as yet</li> </ul>	<ul style="list-style-type: none"> <li>Too early to observe</li> </ul>
Companies have functional HR departments, adhere to good practice, train workers	<ul style="list-style-type: none"> <li>Slow progression</li> </ul>	<ul style="list-style-type: none"> <li>Too early to observe</li> </ul>

<b>Indicators of positive change</b>	<b>Achievements in Hawassa</b>	<b>Adaptation in other industrial parks</b>
Workers make use of support services	<ul style="list-style-type: none"> <li>• 438 (435 female) workers trained as of December 2019</li> </ul>	<ul style="list-style-type: none"> <li>• Too early to observe</li> </ul>
Workers take up savings scheme	<ul style="list-style-type: none"> <li>• 273 workers as of November 2019</li> <li>• ETB 686,058.28 amount saved as of November 2019</li> </ul>	<ul style="list-style-type: none"> <li>• Too early to observe</li> </ul>
Workers receive soft skills training	<ul style="list-style-type: none"> <li>• 7,260 using previous curriculum, and an additional 724 received audio visual training, based on the revised curriculum.</li> </ul>	<ul style="list-style-type: none"> <li>• Will be part of activity package when HIPSTER work is expanded to 10 parks</li> </ul>
Workers graded	<ul style="list-style-type: none"> <li>• 41,256 as of December 2019</li> </ul>	<ul style="list-style-type: none"> <li>• In-house</li> </ul>
Workers recruited	<ul style="list-style-type: none"> <li>• 26,592 as of December 2019</li> </ul>	<ul style="list-style-type: none"> <li>• 4,632 as of December 2019 in Mekelle</li> <li>• 1,639 as of December 2019 in Kombolcha</li> </ul>
Workers screened	<ul style="list-style-type: none"> <li>• 89,785 as of December 2019</li> </ul>	<ul style="list-style-type: none"> <li>• 25,449 as of December 2019 in Mekelle</li> <li>• 2,955 as of December 2019 in Kombolcha</li> </ul>
<b>Outputs</b>		
Career support services	<ul style="list-style-type: none"> <li>• 1 entrepreneurship scheme established</li> </ul>	<ul style="list-style-type: none"> <li>• Entrepreneurship scheme considered/promoted in Mekelle and Kombolcha</li> <li>• Will be part of activity package when HIPSTER work is expanded to 10 parks</li> </ul>
Savings services	<ul style="list-style-type: none"> <li>• 1 savings scheme for 273 workers established</li> </ul>	<ul style="list-style-type: none"> <li>• Savings schemes considered/ promoted in Mekelle and Kombolcha</li> <li>• Will be part of activity package when HIPSTER work is expanded to 10 parks</li> </ul>
Industrial park facilities	<ul style="list-style-type: none"> <li>• IPDC made available space to establish shops</li> </ul>	<ul style="list-style-type: none"> <li>• Too early to observe</li> </ul>
ETIDI TOT for soft skills training established	<ul style="list-style-type: none"> <li>• ETIDI provided training-of-trainer services for two companies</li> </ul>	<ul style="list-style-type: none"> <li>• ETIDI will continue to provide training-of-trainer services</li> </ul>
Soft skills curriculum developed	<ul style="list-style-type: none"> <li>• Soft skills training program developed for Hawassa Industrial Park; this is relevant for every park attracting new workers</li> </ul>	<ul style="list-style-type: none"> <li>• Soft skills training promoted in Mekelle and Kombolcha</li> <li>• Will be part of activity package when HIPSTER work is expanded to 10 parks</li> </ul>
Standards and recommendations for good HR practices established	<ul style="list-style-type: none"> <li>• HRM manual with standards and recommendations developed for Hawassa Industrial Park; these are applicable to every park</li> </ul>	<ul style="list-style-type: none"> <li>• HRM manual promoted in Mekelle and Kombolcha</li> </ul>

Indicators of positive change	Achievements in Hawassa	Adaptation in other industrial parks
Industrial relations unit established	<ul style="list-style-type: none"> <li>Industrial relations unit established comprising of EIC and BoTI</li> </ul>	<ul style="list-style-type: none"> <li>Industrial Relations Units established as a directorate in EIC in May 2018 with representatives in each Industrial Park One Stop Shop; currently 6 parks have Industrial Relations Units staffed with 2 persons each.</li> </ul>
Database established	<ul style="list-style-type: none"> <li>1 database established for the following functions: allocation, recruitment, and labour market information</li> <li>Expansion of functions to include other LMI reporting and other functionality under discussion</li> </ul>	<ul style="list-style-type: none"> <li>2 databases established in Mekelle and Kombolcha for the following functions: allocation, recruitment, and labour market information</li> <li>Will be part of activity package when HIPSTER work is expanded to 10 parks</li> </ul>
Grading methodology and centre established	<ul style="list-style-type: none"> <li>1 grading centre established</li> </ul>	<ul style="list-style-type: none"> <li>Grading likely to be done by manufacturers in-house for the near future although this may change again as workforce matures</li> </ul>
Screening centres established and officials trained to operate these	<ul style="list-style-type: none"> <li>27 screening centres established</li> <li>81 government officials trained for the screening centres only.</li> </ul>	<ul style="list-style-type: none"> <li>52 screening centres established in Mekelle; 6 in Kombolcha</li> <li>Will be part of activity package when HIPSTER work is expanded to 10 parks</li> </ul>
(Pre-) Screening criteria and methodology established	<ul style="list-style-type: none"> <li>Methodology developed for Hawassa Industrial Park</li> </ul>	<ul style="list-style-type: none"> <li>HIPSTER screening methodology adapted for Mekelle and Kombolcha Industrial Parks</li> <li>Will be part of activity package when HIPSTER work is expanded to 10 parks</li> </ul>
Industrial Park stakeholder working group established	<ul style="list-style-type: none"> <li>Hawassa Industrial Park working group established</li> </ul>	<ul style="list-style-type: none"> <li>Working group established, planned or in progress in Mekelle and Kombolcha</li> <li>Will be part of activity package when HIPSTER work is expanded to 10 parks</li> </ul>
Tenants Association established	<ul style="list-style-type: none"> <li>Hawassa Industrial Park Tenants Association established; 20 members</li> </ul>	<ul style="list-style-type: none"> <li>Tenants Associations established, or planned/in progress in Mekelle, Kombolcha</li> <li>Will be part of activity package when HIPSTER work is expanded to 10 parks</li> </ul>

## Section 4: The secret to HIPSTER success



## Adaptive management to foster systemic learning and change

HISPSTER started out as an effort to mobilise and train workers for a new industrial park – a form of organised labour migration in support of a new, transformative development strategy. It may end up having laid the foundation for a national labour market that includes a full suite of labour services and a park management package in addition to the initial focus on ‘bricks and mortar’. Over time, more service needs were identified, service delivery improved, and the delivery mechanism was often best met by a combination of public and private actors. A comprehensive system for labour mobilisation, training and retention emerged.

In market systems development, and development more generally, systemic change is often seen as the hallmark of success, but much unclarity remains around what systemic change looks like. HIPSTER provides a good example of a series of innovations on their way to generating systemic change. Moreover, the process described in this case study presents a good illustration of what the pathway toward systemic change tends to look like – i.e. it is rarely linear.

Systemic change is rarely the result of a single change that transforms how a market functions. Typically, the system around a market displays several key gaps, and filling these gaps requires a process of innovation – new practices, services, products – that in turn always includes a degree of trial and error. One can rarely predict with certainty that something new will work. Equally typical, as a specific system gap is closed, the next gap that needs addressing emerges. This is what informed the HIPSTER process.

The first challenge under HIPSTER was finding a way to mobilise workers at scale. These workers then needed to be trained in an efficient and effective way, at the right time and in the needed skills (both technical and soft). As these processes found a more definitive shape, it became apparent that more gaps needed to be addressed downstream in relation to HRM and investment in services and facilities that would help retain workers.

If HIPSTER translates into policy and becomes the norm for park management in other localities in Ethiopia, we could then say with confidence that HIPSTER delivered systemic change.



## Finally – what role did a market systems development approach play?

To conclude, it is important to emphasise that the process that yielded HIPSTER would not have been achieved if EP had not applied a systemic market development approach. The muddling through reflected in HIPSTER is the essential learning process that made existing actors reflect on their roles and take on new ones. It also created the need for new actors and new fora for better coordination. Had EP bypassed these system actors and/or paid for the required labour mobilisation services, this process of institutional-building would not have taken place. In the short term, this possibly would have yielded a snappier process with less ‘talking’ (i.e far less stakeholder engagement), but there would have been no learning and no foundation upon which systemic change could occur.

Finally, such a process of ‘facilitated muddling through’ can only take place if a programme is set up as a learning organisation, able to adapt and respond to the context it engages with. Core to adaptive management in an MSD programme is an ability to design innovative partnerships, map out how they are expected to work by means of a theory of change, test whether this theory holds true by means of continuous monitoring, and use the insight generated to engage stakeholders. Another crucial role played was by EP’s donor which enabled EP to design and adapt interventions, flexibly funding its innovations by understanding the rationale behind the need for adapting. HIPSTER was a challenging process for EP to manage and the programme was still working out how some elements of HIPSTER would work. However, by staying true to the core adaptive management process, EP found the pathways that led to a set of practices and services that would guide industrial park management and industrial labour market development in Ethiopia for years to come.



# Annex A

The evolution of HIPSTER

	Sourcing and screening		Job matching			Skills development		Worker satisfaction & retention			Coordination
	Sourcing	Screening	Grading	Database Mgt.	Allocation	Soft Skills Dev.	Tech. Skills Dev.	HR Practices	IP Facilities & Services	Savings & Careers	Stakeholders & Standards
 Step 1: 'Market-led'	Marketing			-	-	Service providers	-	-	-	-	
 Step 2: 'HIPSTER 1'	BoTI	BoTI	ETIDI	BoTI/ETDI/EP	Tenants' Association	ETIDI TOT	In-House	Weak	-	-	PPP – Federal
 Step 3: 'HIPSTER 2'	BoTI	I-H	BoTI	I-H	EIC IT provider	ETIDI TOT	In-House	Weak	Preparations	-	PPP – Federal and in Park
 Step 4: HR & Retention	BoTI	I-H	BoTI	I-H	EIC IT provider	Service providers	In-House	Some In-House	For stores	Savings	PPP – Federal and in Park
 Step 5: Nation-wide?	Regional	I-H	Regional	I-H	In-House IT provider	ETIDI TOT	In-House	Some In-House	For stores	Career scheme	PPP – Federal and in Park
						ETIDI TOT	In-House	EIC/Standards?	Park facilities?	Savings	
							In-House			Career scheme	

 Public sector     
  Private sector, in-house     
  Private sector, outsourced





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