



HUMAN RESOURCE GUIDELINES

For Ethiopian Industrial Parks

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About the Ethiopian Investment Commission



The Ethiopian Investment Commission (EIC) is an autonomous government institution accountable to the country's Investment Board, which is chaired by the Prime Minister. A Commissioner, who is also member of the Board, heads the EIC.

The main services provided by EIC include:

- Promoting the country's investment opportunities and conditions to foreign and domestic investors;
- Issuing investment permits, business licenses and construction permits;
- Notarizing memorandum and articles of association and amendments;
- Issuing commercial registration certificates as well as renewals, amendments, replacements or cancellations;
- Effecting registration of trade or firm name and amendment, as well as replacements or cancellations;
- Issuing work permits, including renewals, replacements, suspensions or cancellations;
- Grading first grade construction contractors;
- Registering technology transfer agreements and export-oriented non-equity-based foreign enterprise collaborations with domestic investors;
- Negotiating and, upon government approval, signing bilateral investment promotion and protection treaties with other countries; and
- Advising the government on policy measures needed to create an attractive investment climate for investors.

In addition, the EIC provides the following free, confidential and customized services to investors:

- Provision, through our website, various publications, or through direct response to investor's inquiries, of information on sector-specific business opportunities, business incorporation procedures and related regulations, employment regulations.
- Hand-holding and supporting the investor during the acquisition of land and utilities (water, electrical power and telecom services); the processing of loans and residence permit applications; the approval of environmental impact assessments studies for investment projects; and the issuance of a tax identification number (TIN).

About Enterprise Partners



Enterprise Partners is the leading part of the U.K. Department for International Development's flagship Private Enterprise Programme Ethiopia. Enterprise Partners supports agro-industrial development and access to finance. The initiative creates job and incomes for the poor, with a focus on women. The goal is to create 45,000 jobs (75% female) and increase incomes for 65,000 poor households.

Enterprise Partners works through two major pillars:

- **Agro-Industry:** Strengthening market systems in three of the government priority sectors - garments, leather and horticulture.
- **Finance and Investment:** Strengthening financial systems for increased investments for small, medium, and large enterprises as well as promoting private equity and foreign direct investment

About Sustainability Agents SUSA GmbH



Sustainability Agents SUSA GmbH provides consultancy and training services for the improved implementation of social, labour and environmental standards at production sites from a wide range of industries worldwide. With more than 15 years of experience, SUSA has provided services to more than 700 factories from diverse industries – including electronics, garment, retail, furniture, jewellery, toys and leather goods – in Turkey, India, Pakistan, Bangladesh, Ethiopia, Vietnam, Cambodia, Laos, Myanmar, China, Germany, Czech Republic, Georgia, Romania and Bulgaria.

Our two-pronged approach drives change through a combination of top-down and bottom-up strategies:

- We work with companies to integrate sustainability into their procurement process.
- We provide trainings at supplier factories to empower workers and managers to solve problems jointly, generating sustainable improvements at the workplace.

About R&D Entrepreneurship & Outsourcing Centre



Daughter Company of the Dutch based consultancy firm RBD Consultancy, R&D Entrepreneurship & Outsourcing Centre is a private limited company set up under the Ethiopian commercial law. The organization aims to assist organizations increase their efficiency and business performance through providing management trainings, HR consultancy, and recruitment services.

At R&D we aim to stimulate the creation of socially responsible business and help organizations in Africa, specifically in Ethiopia grow strategically. We provide our customers with a complete full scale, cost effective and efficient business solutions tailored to their specific needs. R&D has completed many HRD projects for major multinationals, developmental organizations and the government. With nearly 105 employees, R&D provides cutting-edge business solutions to companies geared to improve their efficiency and business performance, working with local experts and wide range of networks in international market.

Project Team

Sustainability Agents SUSA GmbH	Sebastian Siegele, Carolina Galiotti
R&D Entrepreneurship & Outsourcing Centre	Wondwesen Zewdie, Nebat Abbas Mukemil Bedru, Aklilu Abate

Executive summary

The Ethiopian government has introduced the establishment of industrial parks to promote foreign direct investment with the target to create jobs and promote export, as an integral part of the 2nd growth and transformation plan (GTP II).

As in other countries that have undergone a fast industrialisation process, the development of the manufacturing industry in the country is facing a series of challenges, among them, the need to develop a skilled, highly motivated workforce that leads to high productivity rates. Most of these challenges are the natural consequence of a rapid introduction of manufacturing to a traditionally agricultural economy. However, the HR management practices of factories play a big role in facilitating this transition.

These guidelines have been commissioned by the Ethiopian Investment Commission and Enterprise Partners to R&D Group and Sustainability Agents SUSA GmbH to help factories in Ethiopian industrial parks deal with their most pressing HR challenges effectively. The guidelines are based on the Ethiopian labour proclamation, international best practices and provides contextual recommendations for the management of the workforce.

Factories are encouraged and guided to develop effective HR structures and policies in order to:

- Achieve high levels of retention, motivation and productivity
- Comply with country laws and industry standards
- Prevent conflict, absenteeism and tardiness
- Enhance competitiveness and meet the expectations of international clients
- Create a positive image of the factories and IPs among the community

The HR Guidelines include legal requirements, international standards, instructions and recommendations developed for key areas of the HR function, including:

- Developing and enforcing of an *HR manual* that establishes a uniform system to manage all HR matters
- Setting up a fair, transparent, ethical and effective *recruitment and selection practice* that allows to find and hire the best candidates aligned to production needs
- Establishing a complete *onboarding programme* that properly integrates employees to their new role and work environment, sets up clear expectations and responsibilities and, in cases of new hires from rural areas, also helps them transition to their new living conditions
- Settling a comprehensive *training program* for all staff that allows the appropriate development of the workforce in both technical and soft skills
- Creating a *performance-based culture* that helps factories to align employees and resources with their strategic objectives
- Setting up adequate and competitive *compensation schemes* -including wages, allowances, bonuses and other benefits- taking a holistic approach to provide benefits that considers workers' living conditions and contributes to boost productivity.

- Developing effective, legitimate, transparent and safe *grievance handling procedures*, to address employee concerns before they lead to more serious employee relations issues
- Creating and enforcing a clear, transparent, fair and well communicated *disciplinary procedure* in the factory that guides supervisors and managers in the discipline of employees promoting certainty and consistency in dealing with misconduct.
- Setting up strategies for *internal and external communication* to disseminate the right information to all stakeholders including employees, governments, clients and the overall community in which the IP is set

As most of the challenges the factories face are often shared by all factories in the industrial park, a joint effort of tackling these challenges needs to be driven. Through centralized social services, factories and stakeholders can be able to find an optimum way of delivering services whereby worker satisfaction and community engagement is maintained with lower cost and energy.

Centralised social services and resources help the factories by:

- **Increasing cost-effectiveness of social services**, as joint efforts allow to provide better quality services with lesser resources.
- **Providing a level platform of minimum social services and standards**, thereby helping to avoid multiple and mismatching standards in industrial parks.
- **Preventing social and labour standards from being entangled into the logic of competition** by restraining the use of different levels of social services between the factories to poach workers.
- **Contributing to fostering social peace with the communities around the park**, as sharing a joint strategy to manage community relationships contributes to protecting the reputation of the IP and of each factory.
- **Preventing unrest with the workforce**, as they receive standard social services that improve their living conditions.
- **Enabling the factories to focus on their core business, production and quality**, as common needs and risks are addressed in a coordinated and effective manner, which helps to significantly reduce the time and resources that each factory would require to do so individually.

With common understanding among all stakeholders and an efficient monitoring and evaluation system in place, services that can be centralized at a park level include: transport, medical services, meals, subsidized shops, training, counselling, community engagement and stakeholder management.

Centralized services bring benefits that exceed those achieved by factories working separately. It is, therefore, highly encouraged that factories share knowledge and jointly address common needs, work together towards joint solutions and develop new ways of offering better services to their workers while saving costs. The better the whole IP performs, the more competitive advantage it will have in attracting and retaining workforce and clients.

Introduction

1. Industrialisation in Ethiopia

Ethiopia is moving fast towards industrialisation. As part of its development strategy, the Ethiopian government has actively promoted the development of labour-intensive industries by implementing sector development plans, offering incentive schemes to foreign investors and financing industrial parks across the country. This has made Ethiopia an attractive country for different industries, and, in particular, apparel companies who face constant pressure to keep up with competitive pricing worldwide.

Ethiopia's fast-paced industrialisation, however, has not come without its challenges. As in almost every other country that has undergone a fast industrialisation process, the development of the manufacturing industry in Ethiopia is facing a series of challenges, among them, the need to develop a skilled, highly motivated workforce that leads to high productivity rates.

Most of these challenges are the natural consequence of a rapid introduction of manufacturing to a traditionally agricultural economy. However, the HR management practices of factories play a big role in facilitating this transition. The implementation of policies and procedures that are comprehensive enough and adapted to the local culture and applicable legislation; the adequate enforcement of the policies and procedures in place; the presence of a long-term vision and practices for the training and development of the workforce; and a good documentation and evaluation of practices, among others, can contribute to the development of well-functioning working environments. Therefore, it has become increasingly clear that the role of HR in the process of industrialisation is of utmost importance.

2. Working conditions in the factory

According to the International Labour Organization (ILO), working conditions are at the core of paid work and employment relationships. They include a wide range of topics and issues, including working time, remuneration, physical conditions and mental demands that exist in the workplace, and, therefore, can have a great impact on the well-being of employees. In the area of workers' health, for example, not taking adequate measures to minimise the impact of occupational risks such as injuries, noise, carcinogenic agents, airborne particles and ergonomic risks can lead to chronic health problems in workers. According to the World Health Organization, occupational risks account for 37% of all cases of back pain, 16% of hearing loss, and 13% of chronic obstructive pulmonary diseases, among others.

Good working conditions are, therefore, important for ensuring the well-being of workers. Companies, however, also profit from good labour practices. Studies by the ILO¹ show that factories experience great improvements in productivity when workers feel satisfied with the infrastructure, services provided by factories (canteen, restrooms, health services) and relationship

¹ ILO (2015). *Research Brief: Working Conditions, Productivity and Profitability Evidence from Better Work Vietnam*.

with their employer. Moreover, the studies also found that these factories have a better position in the supply chain and are likely to be the preferred supplier to their most important clients.

HR has a central role in guaranteeing that the working conditions at the factory lead to not only a highly-compliant working environment that maximises human capital and the profitability of the factories, but also, to a satisfied workforce.

3. The role of Human Resources

HR has an important and strategic role in labour-intensive industries. They are responsible for managing people as well as business resources. They are involved not only in managing the most important component of a successful factory –the workforce, but also in managing tasks related to compliance, stakeholder management, general administration and safety.

Human resources departments can create value in factories in many different ways, such as: developing and enforcing policies and procedures aligned with international standards and national laws; enhancing communication in the factory; acquiring, developing and retaining talent; creating a performance-based culture; and ensuring a highly compliant and motivating working environment. However, due to the fast pace and high pressure in manufacturing industries, HR departments of factories are often diverted from their main role and responsibilities as business partners of the company and tend to focus on dealing with transactional issues and managing crises. This document aims to provide some guidelines to help HR departments in the Ethiopian manufacturing industry to successfully localise and implement effective HR solutions and, thereby, tackle some of the most pressing issues that they can face.



These guidelines are based on the Ethiopian Labour proclamation 377/2003 and its amendments. In cases of revisions of enactments of a new labour Proclamation, factories must align the guidelines with the new provisions.

4. Human Resources Guidelines

These guidelines have been commissioned by the Ethiopian Investment Commission and Enterprise Partners to R&D Group and Sustainability Agents SUSA GmbH. As mentioned above, the guidelines are meant to help factories in industrial parks in Ethiopia to deal with their most pressing HR challenges effectively. The guidelines are based on an assessment of the main workforce-related issues affecting production performance and worker satisfaction in factories that have either already started or are preparing to start production. They present HR management solutions adapted to the labour proclamation, the local culture, and international standards.

The focus of the guidelines is on solving practical issues in a comprehensive, realistic, culturally-adapted and internationally-inspired way. The guidelines are divided into the following sections:

Chapter 1: The HR policy Manual

Chapter 2: Recruitment and selection

Chapter 3: Employee onboarding

Chapter 4: Training and development

Chapter 5: Performance management

Chapter 6: Compensation

Chapter 7: Leave management

Chapter 8: Grievance procedure

Chapter 9: Disciplinary procedure

Chapter 10: Employee Movement Promotion, Demotion, Termination

Chapter 11: Communication

Chapter 12: The way forwards

Annex 1: Centralized Services in Industrial Parks

Useful tools are provided in each chapter to help factories address challenges effectively. The final chapter of the guideline includes a checklist to monitor the implementation of the recommendations provided and an HR Scorecard template with suggested KPIs to track the performance of the HR departments.

The guideline also incorporates suggestions for factories in Industrial Park to work collaboratively, centralizing services that would allow them to reduce costs and increase the impact of their initiatives. This information can be found in Annex 1.

Regardless of what stage of HR development a factory is in, there is always a way to improve HR processes and boost productivity and wellbeing in a factory. The guideline hopes, therefore, not only to provide specific ideas to be applied and adapted to factories but also to inspire them to start taking action. *Starting is the hardest part but, as the saying goes, the start is half the battle.*

Chapter 1: *The HR policy manual*

1. The importance of an HR manual

The HR policy and procedure manual (HR manual) is a vital document that establishes a uniform system to manage all HR matters, detailing policies and procedures regarding employee management and the relationship between managers and employees. Its development and application allow organizations to:

- meet basic legal obligations
- make consistent and reliable decisions based on the company values and legal requirements
- establish a clear understanding of expectations, rules and consequences
- reduce the chances of making mistakes and creating misunderstandings
- make the system more transparent and easier to work in, attracting more business and more employees
- introduce employees to the business and their new job

The HR manual brings sustainable long-term benefits, since it will decrease arbitrary handling of personnel matters, helping to reduce disputes or grievances.

Developing and improving an HR manual (if factories already have one) is also cost-effective. Consider the amount of time employees spend asking questions about their rights and the existing practices, policies and procedures, and how much time their supervisors/ managers spend finding answers and solutions to those queries. This can be especially challenging in factories with employees from different nationalities, who speak different languages and/or have different cultural backgrounds. An HR manual contains all the necessary information on employee management; allows employees to become aware of their rights and obligations; and, reduces misunderstandings due to poorly defined working conditions.

However, the mere existence of an HR manual is not in itself a guarantee of good HR management. Some *common mistakes* made by factories include:

- an HR manual consisting of a compilation of policies without internal coherence or policies that are only developed for auditing purposes;
- to simply adopt HR manuals from other companies or countries;
- to simply have an HR manual “on paper” without proper enforcement.

This chapter provides the guidelines to be followed to develop or review HR manuals in Ethiopia's IPs.

2. HR policy and procedures: the essentials

The HR manual includes all the policies and procedures relevant to the management of the workforce. This section outlines the minimum content that should be present in an HR manual for Ethiopian IPs.

Introduction

The HR manual should introduce key information about the company, its objectives and values, and the purpose of the manual. All policies and procedures should be aligned with what is presented in this chapter, which sets up the basis for all the HR manual.

Business environment

Information and rules on the daily work and the usage of the working space should be clear to all employees, including:

- working time; work areas; security; dress code; phone usage; bathrooms and canteens; waste bins; etc.

Work ethics

The HR manual should include the policies and regulations related to ethical principles and compliance. These may include:

- obligations of the employer and employees (as stated in the Labour Law), organization's code of conduct, equal employment opportunity, anti-harassment, anti-corruption, conflict of interest, and all policies and regulations that relate to this topic.

Recruitment and selection

The factories must have clear guidance on the strategy to attract and select staff that meets the requirements of production. *For more information refer to Chapter 2 of these guidelines.*

Onboarding

A comprehensive onboarding process is crucial to properly introduce workers to their new role and work environment, help them transition to their new living conditions and, thereby, promote retention and workplace satisfaction. The on-boarding policy registers all steps that managers and staff must follow during this process. *For more information refer to Chapter 3 of these guidelines.*

Training and development

All factories must provide formal training to their employees for them to be able to perform at their positions effectively and safely. There are multiple benefits in developing and enforcing ambitious training programs such as improvements in productivity, workforce satisfaction and retention. The policy and procedures on training and career development should be included in the HR manual. *For more information refer to Chapter 4 of these guidelines.*

Performance management

To develop a working culture based on performance, the first step is to set up the performance management mechanisms that will enable it. *For more information refer to Chapter 5 of these guidelines.*

Compensation

All employees of the factory should have a clear understanding about their salary composition and its calculation. The policy should include the calculation of employees' wages according to clear scales that ensure transparency and fairness, information on pay dates, overtime, payroll deductions, etc; as well as all benefits such as insurance, allowances and in-kind contributions. *For more information refer to Chapter 6 of these guidelines.*

Leave procedure

The different types of leave an employee can request and the procedures that must be followed to do so should be clearly stated in the HR manual, including paid (annual leave, sick leave, maternity leave and special leaves such as marriage, compassionate leave, union leaves, etc.) and unpaid leave. *For more information refer to Chapter 7 of these guidelines.*

Grievance procedure

HR departments should establish clear, simple and structured procedures that ensures the detection, solution and communication of grievances in the factory. These procedures must guarantee that employees are protected when "sounding the alarm" or expressing dissatisfaction, and that grievances reported will be handled appropriately. *For more information refer to Chapter 8 of these guidelines.*

Disciplinary procedure

A clear and well-communicated procedure that defines the disciplinary and corrective actions in cases of employee misconduct must be developed to encourage work ethic and discipline. A disciplinary procedure helps to prevent conflicts and misunderstandings, and needs to be properly enforced at all levels without exceptions. *For more information refer to Chapter 9 of these guidelines.*

Staff's movement

The HR manual should clearly state the procedures for all movement of staff including promotion, demotion, transfer and termination. *For more information refer to Chapter 10 of these guidelines.*

Health and safety

The HR manual shall detail the Health and Safety Management System in place to provide and maintain a safe working environment for employee. This includes the evaluation of safety hazards, the provision of protective equipment and the delivery of training, along with any measures necessary to prevent and/or correct conditions that endanger workers' health, safety and the environment.

Employee records

The HR Department is responsible for keeping all employee data. The HR manual shall include all procedures that guarantee that any and all information that affects/relates to an employee's employment status (including promotions, transfers, absenteeism, training, performance appraisals, letters of discipline, leave, etc) will be placed in their personal file, that the information is accurate, that employees have access to their information and that the files will be kept safe.



Whereas other policies can be included depending on the needs of each organization, it is important to keep the focus on the policies that matter to the factories and the IP. Length does not equal quality.

3. Writing the HR Manual

3.1. Structure of policies and procedures

When it comes to writing the HR manual, it is important that the content of all policies follows the same structure, such as:

- Policy name
- Version number, effective date and approving authorities
- Purpose of the policy (what it is intended to promote or achieve)
- Main policy statement
- Definitions of any key concepts or terms used in the policy
- Eligibility or scope (what group(s) of employees are covered by the policy)
- Procedure (if applicable): numbered, step-by-step instructions for carrying out the policy
- Scope of permissible exceptions and who is responsible for making exceptions to the general application of the policy (if applicable)
- Positions in the organization responsible for implementing and monitoring the policy
- Forms (if any)

3.2. Style and language

An HR manual should be written in a clear and consistent way, maintaining an overall coherence and leaving some flexibility to adapt to new conditions.

- **Keep it simple and concise:** The HR manual should be prepared objectively and comprehensively so that all the policies have consistency and share the same standards. It is very important to keep the document free from excessive complexity or overlap to avoid confusion.
- **Be consistent with your language:** Terms should be used consistently, even when there are multiple terms for the same process. Using synonyms, such as “payment” or “remuneration”, interchangeably can lead to confusion.
- **Languages:** The HR manual in Ethiopian IPs must be available in Amharic and the most widely used language regionally. It is also useful for the factories to have their manuals in English, as HR manuals are usually a requirement from clients.

3.3. Legal aspects

The HR Manual is a guide and not a contract with the employees. Although it guides HR interactions in the factories, it should not tie the hands of the HR Department. Please follow the next steps to ensure you comply with legal matters; that your HR manual facilitates, rather than impedes, HR processes; and, to avert misunderstandings that could create legal problems.

- **Legal compliance:** Before approval by either the HR manager, company CEO or board, all policies and procedures must be reviewed to ensure compliance with the applicable

legislation, and should be consistent with the terms of any collective agreements. Legal experts should be involved at this stage.

- **Leave room for flexibility:** Although the policies should be comprehensive and leave no room for confusion, they should also leave room for managers to flexibly respond to individual situations. The manual should be more a set of guidelines rather than a strict book of rules, especially as everyone will be expected to act in full compliance with the manual.
- **Be realistic:** A way to avoid ending up with an HR manual that is too prohibitive is to make sure that its policies are pragmatic, reasonable and adapted to the organization.
- **Disclaimers:** It is useful to include disclaimers that clearly state the scope and limits of the HR manual and guarantee a certain level of flexibility for the management, such as:
 - Limits of the HR manual: *“The policies in this HR manual do not constitute a contract with any employee, supervisor or manager, or a contract guaranteeing any benefits or agreeing to maintain any procedures or policies contained.”*
 - Validity of policies: *“The policies in this manual supersede any previous policies published on the matters they treat.”*
 - Right to make changes: *“The company reserves the unlimited right to change or revise the content of the manual, at any time, and in any lawful manner, without prior notice.”*

4. Communicating the HR Policies and Procedures

Once the HR manual is ready, it is time to communicate its policies and procedures with all employees of the factory. There are several ways to do so.

4.1. Training

Training on the policies and procedures should be a part of the onboarding process. Training is an opportunity to discuss the policies with employees, clarify questions and give examples.

- **The HR department** should be the first to be trained in all policies and procedures, and have a good understanding of the labour law. Every staff member of the HR department should master the HR manual. The HR manager should have the mandate to ensure that all the staff from her/his department has an excellent knowledge of the manual. This knowledge should be provided during the onboarding period of the HR staff.
- **The management** sets the expectations and commitments to workplace practices. They must have a good knowledge of the policies and procedures, in particular those relevant to their scope and responsibilities.
- **The middle managers/ supervisors** should be trained exhaustively on the policies and procedures, as they are directly responsible for the operators. This knowledge needs to be accompanied with enforcement strategies.
- **Operators** need to be trained on the factory policies, what is expected from them and what they can expect from the factory. This usually takes place during the on-boarding period.



The Employee Handbook

The employee handbook is a summary of the HR manual that includes policies and procedures that are most relevant for the employees. While the HR manual is a reference tool for managers and supervisors, the handbook is written with employees as the intended audience.

The written communication of the policies allows the factory to document that the employee was informed about the rules and that the expectations of them are clear. In factories, as many workers have low educational levels, it should be particularly simple and straightforward. Including illustrative pictures and graphics is highly recommended.

The Employee handbooks of factories in Ethiopia IPs must include

- ☞ The factory's history, mission, vision and goals
- ☞ The factory's core values and culture

The factory's policies, related to:

- ☞ General employment policies and practices
- ☞ Business ethics such as anti-discrimination and anti-harassment policy
- ☞ Discipline policy
- ☞ Health and safety policy
- ☞ Compensation policy
- ☞ Employee benefits policy
- ☞ Work conditions and hours
- ☞ Attendance and leave of absence policy
- ☞ Work performance
- ☞ Employee benefits

Additionally, considering the novelty of IPs in Ethiopia and the percentage of workers who arrive from other areas, the Employee Handbook should also include helpful information to facilitate integration to the industry and the city, and to highlight their role in the country's industrialization and development process:

1. The Industry
 - ☞ Basic information about the industry
 - ☞ Industrialization in Ethiopia (benefits, role of workers in the country strategy)
2. The Industrial Park
 - ☞ Basic information about the park
 - ☞ Centralized Services
3. City services and public organizations (incl. police, city council, health centres, etc.)

5. Review: HR manual as a living document

The HR policies must reflect changes in legislation and the environment. Therefore, it is important that they are periodically revisited and updated to preserve their legality, relevance and efficiency.

5.1. Review triggers

A review of the HR manual can be triggered for different reasons, including:

- **A scheduled review:** It is recommended that HR policies and procedures are reviewed periodically (i.e. every two years) to evaluate their pertinence in the company, their compliance to new laws and requirements from clients, and their performance.
- **A suggestion from a competent source:** Many times, internal or external stakeholders may suggest improvements to the existing policies. These suggestions should be evaluated and, if considered useful, integrated in the policies.
- **An identified problem or issue:** When an issue with the policy or procedures identified, the review process must be done immediately to correct it.
- **A change in legislation:** Changes in labour legislation will most certainly affect the HR manual, which will need to be reviewed to integrate them. In these cases, a legal advisor should be consulted to make sure all revisions reflect the legal changes.

Reviewing the HR manual does not necessarily mean that it has to be modified. Instead, it is also a way to ensure that the current practices are aligned with what is written in the manual.

5.2. Types of changes

The HR manual might need to incorporate minor changes or major structural changes.

Minor changes	<ul style="list-style-type: none"> ○ Adding clarifications to terms or statements ○ Add a small section to a policy or a complementary procedure ○ Correct small mistakes
Major changes	<ul style="list-style-type: none"> ○ Modifying established procedures, or processes ○ Changes in the scope or objectives of the policy ○ Changes that relate to new legislation ○ Correct a serious inconsistency ○ Rewrite an entire policy

5.3. The review processes

- **Revisions responsible:** An HR employee should be assigned as the responsible person for HR manual revisions (HR manager, coordinator, or another relevant staff member). This person will be in charge of revisions and deciding the type of changes needed.
- **Review committee:** A committee composed of experts on the company policy, including HR personnel, general counsels or members of the board will be formed for the HR manual review, along with workers representatives. They will be in charge of assessing the policies,

on the basis of their effectiveness, completeness, consistency, clarity and legality. They will draft a revised policy and send for approval to the executive.

- Steps for periodic revisions and major changes:
 - The person responsible for revisions will set up a date for the review.
 - Previous to the date, she/he will send comments/suggestions to the review committee (this can include a draft of the new policy).
 - The committee will meet on the designated day and decide on the revisions.
 - A legal adviser can be contacted to review the documents.
 - The new policy is sent for approval to upper management.
 - The revision of the policy is announced to employees and stakeholders. If necessary, training will be delivered.
- Steps for reviewing minor changes:
 - The person responsible for revisions decides on changes to be incorporated, if any
 - He/she prepares a draft with the minor change(s)
 - The draft is submitted for approval to the upper management

Make sure employees receive all significant updates to policies.

6. Daily communication and implementation of the policies

Disseminating the policies and procedures of the HR manual is not limited to training, it is a continuous process that needs to be taken care off to help ensure that violations and incidents are kept to a minimum. But not only sharing the information is important, the policies need to be enforced in every level of the company at all times.

- Be sure to follow all the policies and procedures outlined in the manual. Not following policies -even when it is done to “help” employees- creates confusion and leads to an increase of violations.
- Establish open communication to allow employees to ask questions. Employees should be encouraged to ask their immediate supervisor about particular information on the policies and how they apply to the individual employee.
- If there is any grievance related to the HR policies or the communication of the policies, this can be raised through the different grievance procedures.
- Use coaching and progressive discipline to reinforce policies.
- Reminders should be sent periodically to all employees outlining certain policies or aspects of a policy that could be misunderstood or omitted in daily work.



The HR manual and all its policies should be enforced as soon as they are introduced. Employees need to be aware of the fact that breaching rules will result in disciplinary actions.

Chapter 2: Recruitment and selection

Recruitment and selection are part of the basic HR functions and have a great influence on the success of all other HR activities. Recruitment refers to the process of searching for candidates and/or persuading them to apply for jobs in the organisation, while selection is the process of screening the candidates and choosing the most suitable applicants for vacant positions.

Developing a fair, transparent, ethical and effective recruitment and selection practice is important because:

- Factories depend on a consistent supply of employees to deliver their commitments to customers on time.
- It reduces the time and cost of replacement of ineffective hires.
- It leads to attracting and hiring employees that are capable and willing to perform in their functions, which reduces training time and cost.
- It is one of the earliest interactions between employees and factories, which has a determinant effect on their perception of them and their future work.
- Positive recruitment and selection experiences of workers lead to a good reputation in the community, which, in turn, makes future recruitment easier.
- It paves the way to avoid future disputes with regard to unfair treatment, discrimination and grievances.
- Future recruitment and selection efforts become more refined as learnings are applied and necessary modifications are made.



Equal Employment Opportunity

In the process of recruitment and selection, factories must provide equal employment opportunity to everyone regardless of gender, ethnicity, race, national origin, religion, marital status, political belief, or disability that does not prohibit performance of essential job functions. All vacancies should be filled with qualified applicants based on merit against set standards and qualifications, who have gone through a fair, objective and non-discriminatory selection process.

Establishing an efficient recruitment and selection strategy and process that meets the factories business strategy and goals is, therefore, a stepping stone in maximising human capital in the factories. In order to ensure that the process is fair, transparent, and ethical, it should, needless to say, comply with the applicable labour regulations and international conventions.

In the following sections, the chapter describes the steps that are typically found in the recruitment and selection process. All of these steps have to be followed thoroughly in order to ensure that the process will have the desired results i.e. finding the right candidates for each position.

1. Planning

The first step in the recruitment and selection process is planning. This will guarantee that:

- The right vacancies are identified;
- The staff hired matches the objectives and targets of the factory (based on the job description of the position); and
- The recruitment is adequate to address any shortage of employees and does not lead to hiring an excessive number of employees that end up being idle.



Job Descriptions

A job description is a basic document that specifies the role and responsibilities of each employee of the factory. It specifies the key results areas, qualifications/skills required and how the employee is expected to behave. It includes:

- ☞ Position title
- ☞ Position summary (overall role, description)
- ☞ Reporting relationship
- ☞ Key roles and responsibilities

Developing well-written job descriptions is important as it provides the first impression to the candidates and gives them a clear idea of the skills necessary to apply and the duties they will be expected to perform. Unclear descriptions can later create job dissatisfaction as employees are usually unhappy when they have to perform duties that they were not originally hired to perform. This unhappiness, in turn, can lead to lower retention and higher turnover rates –especially among new hires.

Planning is usually a task assigned to production managers and HR departments mainly receive their requests. However, a more active role from the HR –in the form of providing guidance, optimizing communication and feedback– can help to improve the recruitment process. In particular, trends in absenteeism and leave need to be shared by the HR with the respective departments so that they consider it in the process of planning. This can greatly contribute to crafting a more realistic plan to meet the production targets, as well as to accurately identify skills and knowledge needed to fill in the positions.

2. Developing a Strategy

Once the requirements of production planning are received, it is time to develop a strategy for finding, selecting and hiring the best candidates for each position.

Having a strategy developed before randomly starting the process is a way of keeping control of the whole process. This means that it will help to ensure that all the necessary steps are defined and followed; the responsible people will be defined; and everything will be done in compliance with the labour law.

3. Sourcing

Sourcing is the activity of determining which are the suitable candidates for a vacant position and how to find them. Factories make their sourcing decisions based on production plans, existing workforce numbers and anticipated changes in the short to medium term.

Sourcing is the first step in the recruitment and selection process, and it is very important because the availability of an adequate and qualified pool of applicants determines the success of subsequent recruitment activities.

The sourcing stage starts when the line manager of the vacant position submits to HR a “Staff Requisition Form” (a template for this form can be found in Annex I of this chapter).

Sourcing of a suitable pool of candidates may include using the following methods:

- **Internal Vacancy Announcement:** Through notice board announcement or email for upper positions (detail procedures for hiring internal and external candidates are presented in Annex II of this chapter).
- **External Vacancy Announcement:** Through traditional media (print, radio), online/web-based job boards or relevant social media.
- **Employee Referral Program:** Recommendations from existing or past employees.
- **Employment Agency:** Through a contract signed with agencies who strictly adhere to applicable laws with regard to equal opportunity, labour proclamation and employment exchange services.
- **Catchment Areas:** The regional authorities can be involved in the initial sourcing (and basic screening) of candidates in catchment areas to supply qualified candidates to companies.
- **Career Centres in Higher Education Institutions:** Through universities, colleges and technical and vocational education training centres, internship/apprenticeship programs.
- **Walk-in Applications:** Unsolicited applications from walk-in candidates.



Working with External Parties

If the factory chooses to work with external parties, it should keep a strict control on their activities to avoid the risk of corruption in the recruitment practices and prevent the exploitation of workers.

Bad practices include:

- ☞ Giving false information to workers regarding working conditions and compensation
- ☞ Making false promises or “selling” a job interview or a position to workers in exchange of money or sexual favours

Regardless of the methods used to source candidates, it is important that candidates submit a complete application that contains the basic information below to avoid back and forth communication with candidates. The next step of initial screening also becomes effective only if the information is properly captured.

It is important to clearly communicate to workers of all the documentation needed before they arrive to the factory and clarify that the application form will be ready for them to fill in when they arrive to the factory. Factories have to ensure that the application form is prepared beforehand so that it is ready when the candidate visits the factory.



Basic Information in an Application

- ☞ Full Name of the Candidate
- ☞ Contact Details
- ☞ ID Card Number
- ☞ Address
- ☞ Educational qualifications with supporting documents
- ☞ Experience with supporting documents (if applicable)
- ☞ TIN Card, if available
- ☞ Pension Card, if available

4. Screening

Once an adequate number of candidates are identified, the HR department can complete initial screening based on the minimum criteria specified in the Staff Requisition Form. This step of initial screening enables factories to exclude those applicants who are not eligible for hire and proceed with only those who merit further screening –thereby reducing the cost of unsuitable selections in terms of time and effort.

Applicants should satisfy the required qualification and experience in order to be eligible for employment. Factories should develop their own standards for recruiting, including:

- **Age:** The minimum age for hazardous work in Ethiopia is set as *18 years*. Workers between the ages of *14 to 18 years* are classified as young workers. The age of workers might be part of the factory Code of Conduct and a special treatment for young workers is usually a requirement of brands and international certifications. It is highly recommended that all employees hired are more than 18 years old.



Minimum Age for Employment

- ☞ The ILO convention on minimum age (1973) sets the general minimum age for admission to employment or work at 15 years (13 for light work) and the minimum age for hazardous work at 18 (16 under certain strict conditions).

- **Address of the candidate:** The address of the candidate becomes relevant only for enhancing understanding of what affects retention and turnover rates and also the needs of employees. Employees who live far away from the factory might have difficulty commuting to work, which may impact their levels of tardiness, absenteeism and fatigue. They may also experience difficulties when required to do overtime work due to lack of available transport to go back home at late hours. Finally, when the options for transport are limited and commutes are long and exhausting, in the long-term, they may show lower performance and, ultimately, may also be more likely to quit their jobs. Therefore, it is necessary that the HR takes this factor into account only to take necessary measures to address commute-related issues faced by the employees and never to discriminate potential candidates. *Considering the address of the candidates should never be used as a basis for discriminating potential employees of different ethnical background.* HR Managers should

monitor that the principle of equal employment opportunity is being applied at all times during the recruitment process

- **Capacities:** Certain positions might require that specific physical capabilities are met by candidates –i.e. bona fide occupational qualification requirement. In such cases, employers are allowed to consider these capabilities while making decisions about hiring employees. For example, if a candidate with colour blindness applies to a job in a dyeing factory that required the candidate to differentiate between colours, he/she may be excluded from the next steps in the application process as the ability to distinguish colour is a core, necessary capability for the position.

Shortlisted candidates from this step would be invited to continue with the next steps of the recruitment process, i.e. the selection test.

5. Selection

Once a shortlist of candidates is identified, factories perform selection tests for a particular position. The selection tests may range from written test, work sample test, interviews or a combination of them. The selection test is the final step before pre-employment formalities. It determines who will be hired, who will be on hold/reserved for next time and who will be excluded from the employment decision.

The topics on which the candidate will be evaluated depend on the job description and will include technical and behavioural aspects. No matter what the position is, certain aspects should be evaluated in all candidates that will work in a factory, including:

- **Motivation:** If a candidate is not motivated to work in the factory to start with, the possibility that they will quit soon is very likely. In order to get an idea of what the level of motivation is, HR can consider asking about: the source of information about the job (e.g. how did the candidate get to know about this position?) and expectations towards living conditions (e.g. why has he/she decided to apply? what appeals to him/her about the job? what change do they expect to see in their lives after joining the factory?), etc.
- **Future plans:** An effort has to be made to discover what the plans of the candidate are. Is he/she hoping to make a career in manufacturing? Or is he/she just looking for a temporary summer job and then plans to return to school?
- **Time management:** Time is crucial in manufacturing and new employees will have to adapt to very strict times and demonstrate a will to do so, including working in shifts. Useful questions might include: How do you organise your work tasks –i.e. how do you decide what you will do first? What do you do when you know you will not be able to complete a task on time?
- **Working in demanding environments:** Candidates should be aware and understand the high demands of this type of job.
- **Qualification:** Candidates who are overqualified are more likely to leave the position soon and are more likely to have a difficult time adapting to the factory requirements.

The weight given to a particular test in conjunction with document review should be agreed beforehand between the HR department and the recruiting /requesting department.

6. Communication

Once the selection is made, an offer with all relevant details should be given to the candidates.

Good communication with all involved parties, including candidates, agencies, requesting departments and other relevant actors/units, in a professional way is one of the bases of the image of the factory and the industrial park in the community.

Candidates have to inform the factory if the offer is accepted or not within an established period of time that also has to be clearly communicated to the candidate. It is recommended to keep this time between three to five working days after receiving the offer letter, to facilitate decision making.

Candidates who were not successful should also be notified about their results, and if necessary, with a brief explanation as to why they have not been considered for the job. For those who met the established criteria but were not selected, the factory should consider them for future recruitment processes.



Importance of Communication with Candidates in the Recruitment Process

All applicants that have been rejected in any step of the recruitment process should receive a notice from the factory explaining (even if only briefly) the main reasons why they have not been considered for the position. If relevant, the note should also encourage the applicant to apply again in the future.

Applicants dismissed without any further explanations –in particular when new to the labour market – may end up with a negative image of the factory (and the IP in general). This can hurt the reputation of the factory and IP in the community, which can later limit the pool of potential candidates in the future.

7. Documentation

Upon successful completion of the recruitment process, a personnel file of the new employee should be created. The file should include the following documents:

General	Optional (only when applicable)
<ul style="list-style-type: none"> Staff Requisition Form Minutes of the selection committee Application Form Personal Details Form Education and Experience testimonials Identification Card Tax Identification card Pension card (if available) Offer Letter + Job description 	<ul style="list-style-type: none"> Resume Cost-sharing commitment (e.g. agreement from company to cover travel costs of candidates, etc.) Results of medical tests if performed (e.g. colour blindness test, etc.) Official Credentials/Licenses (e.g. driving license) Feedback from previous employer

8. After Recruiting: Retention

Once the new employee(s) starts to work in the factory, the challenge continues: the HR department has to focus efforts in retaining all the workforce that brings value to the organisation. Retention is a continuing process in the relationship with the employee. It never stops. Failing to retain employees costs all the time and resources invested in recruiting, hiring, onboarding and training them.

Employee turnover is one of the major problems that factories face. Understanding, preventing and tackling turnover requires an efficient and comprehensive approach and retention strategies.

Some strategies for retention include:

- Delivering an **onboarding training** that covers all the necessary topics for new employees in order to enable them to perform in their new positions. This involves assigning enough time to the onboarding process and considering not only the technical aspects of the job, but all the soft skills that will facilitate good performance.
- Providing **continuous training** to all employees for them to acquire new skills, be able to increase their performance and feel motivated and capable of building a career in the factory.
- Establishing a **performance-based culture** that rewards good performance and helps to improve the performance of those who are having difficulties in reaching their targets.
- **Involving the employee** in setting up their objectives, understanding their capabilities and making plans to improve their performance. This will help to generate ownership, responsibility and a sense of belonging.
- Offering **competitive salaries and benefits** that guarantee, at the very minimum, the physical subsistence of workers and their families. A salary that is not enough to have access to food, housing, transport and the basic needs for a decent living standard will not help retain employees.
- **Encouraging top performers** to develop a career in the factory assigning responsibilities and promoting them to higher positions with the required training to increase their knowledge and develop new skills. Promotion procedures have to be fair and transparent.
- Creating a working environment that **promotes communication** between all levels, sets up clear rules for behaviour in the factory and applies them consistently without differentiating among employees.

The next chapters of this HR Guideline are meant to help all factories in Ethiopian industrial parks to develop a working environment that boosts worker satisfaction and happiness, and improves retention.

Annex I: Staff Requisition Form

Name of the Company:		Date:	
Name of Position:			
Reporting Line:			
Department:			
Reason for Request			
<input type="checkbox"/> New Position <input type="checkbox"/> Budgeted and Approved Replacement for a Vacancy <input type="checkbox"/> Temporary Cover from _____ to _____ (insert dates)			
Effective Date for Employment:			
Minimum qualification requirements (please also enclose an updated Job Description)			
1. Education: _____ 2. Experience: _____ 3. Other Skills/Special Competencies: _____ _____			
Requested by:			
Date of Request:			
Approved by:			
Date of Approval:			
Non-budgeted position but approved:			
Date of Approval:			

Annex II: Detailed Procedures for Internal and External Recruitment

Internal Recruitment

1. The filling of a budgeted vacancy will commence with an approved Staff Requisition Form indicating that a particular vacancy exists. This must be done after carefully examining the planning requirements.
2. This form must be completed and signed by the requesting Line Manager, and approved by the relevant Department Manager.
3. In the case of non-budgeted salaried vacancies, approval needs to be obtained from the Human Resources Manager.
4. The Staff Requisition Form shall include minimum education levels and the required experience aligned to the job description. It should also clearly define the skills, special competencies (if any) required for the job.
5. Using the Staff Requisition Form & Job Description, the HR department will draw up an announcement which is to be reviewed by the HR Manager & the concerned Line Manager.
6. Vacancy announcement will first be advertised to all internal applicants through notice boards & intranet or company email address (if available and applicable).
7. Applications are to be received for at least ten consecutive days from the date of announcement.
8. Applicants must clearly indicate their educational background, work experience, their full name, address & the desired position (for internal candidate) in their application.
9. The HR department will be preliminarily responsible to screen applicants using the criteria set out on the vacancy announcement.
10. HR, in consultation with the relevant Line Manager (or his/her delegate), will determine a list of candidates who best suit the job requirements to appear for the selection process.
11. An ad-hoc selection committee comprising of at least an HR department representative & the requesting department's representative assigned by the Manager shall be established to decide the selection criteria, selection tools & conduct the selection process. The HR Officer will be responsible for setting up of the selection process, advising candidates of the date, time and venue.
12. If it is necessary to conduct a written / practical exam, the requesting department shall prepare and submit to HR latest before 2 working days before the exam date.
13. In case of conducting a written exam, the HR department shall code the exam for evaluation, the candidate will take the exam and the HR Officer who is leading the recruitment process shall decode and compile the results.
14. The selection committee shall sign a memorandum of understanding by indicating the selection criteria, pass mark and other details. If the selection criteria set by the committee is more than one, the pass mark should be indicated for each criterion to carry on to the next process.
15. The selection committee, based on the obtained information using the selection tools, will select the most suitable candidate.
16. The final selection will take place based on the cumulative effect of all selection criteria outlined in the MOU. HR shall lead & evaluate whether the recruitment process has been carried out per the company policy & the approved MOU.
17. As deemed necessary, the selected candidates by the ad – hoc committee, may be assessed by the HR manager and the Department Manager, to select the most suitable candidate.

18. Candidates selected for management positions may be interviewed by the Head of the organisation for final approval.
19. Once selection decision is made, the Department Manager and HR Manager will issue the job offer with all relevant details.
20. If the candidate who is selected for the position is not interested to assume the position, then he/she has to inform the HR function within three working days after receiving the offer letter.
21. After filling the position, qualified candidates who met the pass mark will be held in a standby list for upcoming requisition for the same position –provided that the position needs to be filled in within six months.
22. Internal regret letters/emails will be sent to unsuccessful candidates after the interview by the Human Resources Manager & Department Manager. In case of workers, who may not have emails, they will be contacted via telephone or any other relevant medium and be informed about their result.
23. Recruitment file shall be built to follow up the process in documenting of all necessary materials & shall be maintained for a minimum of one year.

External recruitment

1. If a vacant position could not be filled with an internal source, the HR department will recommend external recruitment.
2. Accordingly, a vacancy announcement is to be compiled and placed through the company's preferred newspaper, employment agency website or any appropriate media to attract the appropriate talent.
3. Any advertisement in a newspaper, website or any appropriate media shall contain a brief description of the company as well as the following details as a very minimum:
 - a. Job Title, reporting line and location of position
 - b. Duties and Responsibilities
 - c. Required level of education training and experience
 - d. Any other relevant skills or special requirements
 - e. Indicate to whom and how the application must be made
 - f. Last date for submission of applications
4. The HR department will receive all applications and answer any telephonic inquiries.
5. Applications are to be received for at least ten consecutive days from the date of the announcement.
6. Applicants must clearly indicate their educational background, work experience, their full name, address & their desired position in their application. In cases where jobseekers directly apply to the factory, it is possible to use a simple but factory-specific application form that they can fill to attach to their own documents prepared for submission.
7. The HR department is responsible to screen the list of external applicants using the criteria set out on the announcement.
8. HR, in consultation with the relevant Department Manager (or delegate), will determine a list of candidates who best suit the job requirements for the selection process.
9. An ad-hoc selection committee comprising of at least an HR department representative and a representative of the hiring department shall be established to decide the selection criteria, selection tools & conduct the selection process.
10. The HR department will be in charge of setting up the selection process and informing candidates about the date, time and venue of the test/interview.

11. If a written / practical exam is conducted, the relevant department shall prepare and submit it to HR by latest 3 working days before the exam date.
12. In case of conducting a written exam, the HR department shall code the exam for evaluation, the candidate will take the exam and the HR Officer who is leading the recruitment process shall decode and compile the results.
13. The selection committee shall sign a Memorandum of Understanding (MOU) indicating the selection criteria, pass mark and other details. If the selection criteria set by the committee is more than one, the pass mark should be indicated for each criterion to carry on to the next process.
14. Following the short-listing, the most suitable candidates will be assessed following the company policies.
15. The selection committee, based on the obtained information using the selection tools, will select the most suitable candidate.
16. The final selection will be taking place based on the cumulative effect of all selection criteria outlined in the MOU. HR shall lead & ensure whether the recruitment process is carried out per the company policy and the approved MOU.
17. As deemed necessary, the selected candidates by the recruitment ad – hoc committee, may be assessed by the HR Manager and the Department Manager to select the most suitable candidate.
18. Candidates selected for management positions shall be interviewed by the General Manager/Head of the organisation for final approval.
19. Once selection decision is made, the Department Manager and HR Manager will issue the job offer with all relevant details.
20. If the candidate who is selected for the position is not interested to assume the position, then he/she has to inform the HR function within a set period of time after receiving the offer letter.
21. External regret letters/emails should be sent to unsuccessful candidates. In case of workers, who may not have emails, they will be contacted via telephone or any other relevant medium and be informed about their result.
22. After filling the position, qualified candidates who met the pass mark will be held in a roster of pre-approved candidates for up to one year.
23. The responsible HR Manager/Officer will conduct reference checks on the identified candidate, when applicable. The current employer of the candidate will not be contacted unless the candidate has given his/her expressed permission for this course of action. Ideally, a minimum of two references from previous employers should be obtained.
24. A recruitment file shall be built to follow up the process in documenting of all necessary materials & shall be maintained for a minimum of one year.
25. Queries from unsuccessful candidates are to be handled by the HR department representative handling the specific recruitment action. A minimum of one week prior to the new employee commencing employment, the HR Manager/ Officer will contact the new hire to advise on onboarding details and answer any questions the new recruit may have.

Annex III: Employment of relatives (optional guideline)

In order to avoid prejudice, nepotism and undesirable practices to the extent possible, the factory can develop a policy to be applied for the employment of relatives of employees by affinity or consanguinity.

a. Definitions

- 1) Consanguinity shall include a person's parents, grandparents, children, brother, sister, uncle, aunt, niece, nephew and cousin.
- 2) Affinity shall include one's spouse his /her parents, children, brother and sister.

b. Present Employees

If there are persons related by consanguinity or affinity working in the same unit/ team, section or department prior to the establishment of this policy, one or more of such employees may be transferred laterally to a different unit, section or department. In such cases, the employees concerned may agree and express their preference as to who shall be transferred, failing which employees, with lesser seniority in the company shall be subject to the transfer unless it is decided that they are needed more in the unit, section or department concerned than the senior employees to which they are related.

c. New Employees/Transfer

An applicant for employment or transfers to a unit, section or department shall not be employed or transferred to such unit, section or department if he/she is related by affinity or consanguinity to another employee of the unit, section or department. However, if recruiting of an individual is very important & it is clearly understood that prejudice, nepotism and undesirable practices will not arise due to the nature of the job, a waiver shall be initiated to recruit the candidate in the department with the approval of the HR Manager.

d. Disclosure of Affinity / Consanguinity

Existing employee shall disclose their affinity or consanguinity to the company for the implementation of this policy. Candidates shall disclose same during application process. Failure to disclose pertinent information may result in termination.

Chapter 3: *Employee onboarding*

1. The benefits of onboarding

Onboarding is the process of integrating new employees into the organisation by providing them with tools, knowledge, skills and attitudes that are necessary to perform their role effectively, achieve job satisfaction and understand the culture of the factory. Since industrialisation is relatively new in Ethiopia and most of the population comes from rural areas, many workers need to be introduced to the industrial work culture and to an urban lifestyle. Against this background, *a comprehensive onboarding process is crucial to properly integrate workers to their new role and work environment, help them transition to their new living conditions, and thereby, promote retention and workplace satisfaction.*

An effective onboarding training programme has numerous benefits for the employees and the organisation, including:

- It ensures understanding and compliance with the factory's vision, mission, philosophy, and objectives.
- It assists employees in understanding the factory's culture (i.e. values, attitudes, accepted norms of behaviour) and structure (i.e. rules and processes in relation to working hours, code of conduct and disciplinary procedures, over-time policy, leave policy, grievances handling, career and growth opportunities, and performance evaluation, among others).
- It builds awareness not only regarding benefits offered to employees by the factory but also about their roles and responsibilities. This helps employees understand what the factory's expectations are and what the employee receives in return.
- It helps to develop the needed attitude; skill sets and competencies to fulfil the role.
- It contributes to developing a sense of trust between the new employee and the factory, and helps the employee to feel more comfortable with the new environment.
- It helps to increase employee engagement, motivation and retention, which also translates into less attrition and turnover of employees.
- It accelerates the employees' process to becoming contributing members that add value to the factory.

Most of the employees make the decision of whether to stay or not in the factory within their first months of work. A good onboarding process that enables workers to feel confident about their new skills; that helps them understand the needs of the industry and their role in the factory; and that introduces them to the factory culture, structure, and internal sources of support in cases of doubts or concerns is a must if factories want to improve retention rates. Needless to say, this is not only applicable to operators and supervisors but managers and middle managers as well. They also have to be properly onboarded to their roles and responsibilities and provided with the basic skills that they will require to confidently fulfil their tasks.

Despite the importance of onboarding, lack of planning sometimes leads to trainings that are conducted in a rush, without considering all relevant topics nor adequate methods for ensuring that the content is understood by the employees. To help HR departments in Ethiopia's IPs with the task of providing effective onboarding, this chapter provides a basis for designing and planning a comprehensive, high-quality and impactful onboarding programme. As the technical skills will vary from industry to industry, both in content and length, the guidelines in the next sections focus on basic standards to be applied to all other training topics (such as soft skills, company culture, HR).

Finally, it should be noted that training does not end with the onboarding sessions. The upskilling of the workforce is a continuous process that promotes improvements in workers' performance and their career development in the factory. As this chapter is focused on onboarding, ongoing training and development are covered in a separate chapter, *Chapter 4: Training and Development*.

2. The onboarding plan

2.1. Target audience

New employees

Onboarding new employees should be done as soon as they start to work in the factory, with a clear schedule and comprehensive agenda for all employees. The onboarding should take a minimum of 3 days and up to one week in order to make sure that all relevant topics are thoroughly covered and that a learning process has taken place. The technical training of employees will usually take longer and it will depend on the specific industry and position.

Implementing a “buddy system” can be very helpful for newcomers to adapt to the new working environment faster. It involves assigning an existing employee who guides the newcomer through the first few weeks or months on the job

A common practice that should be avoided is to deliver onboarding sessions randomly depending on production needs as the risk of losing coherence between training sessions, not delivering all the content or rushing through the topics due to the lack of time is high. It is necessary to keep in mind at all times that good-quality onboarding training is key to retention and workplace satisfaction, and high-quality depends on how comprehensive, coherent and structured the training programme is.

In addition, take into account that the introduction to employees to a company starts before the onboarding training and ends sometime after it.

- **During the recruiting phase:** The employees-to-be receive information and, based on this, form impressions of the company. Special care should be taken since the first contact with the employee, making sure that they always receive clear and accurate information and/or instructions on all relevant topics.
- **After the onboarding training:** Refresher trainings have to be provided regularly to strengthen and consolidate newly acquired knowledge. These refresher trainings can be conducted by direct supervisors/ managers.

Promoted employees

Onboarding training should also be provided to employees that have been promoted and, therefore, start a new position in the factory. Whenever an employee acquires new responsibilities, it is necessary to train him/her with the skills necessary to be able to perform in that position. Failing to prepare the employee for the new position will not only affect his/her performance level but also decrease the level of workplace satisfaction.

In case of workers promoted to supervisors, it is particularly important to ensure that they go through an induction process that allows them to develop not only the new technical tasks that they will need, but also the soft skills required to successfully manage their team. Not planning a comprehensive onboarding training to endow them with the necessary tools to succeed in their new position has negative effects in the production, in team work and in the job satisfaction and morale of both the newly-promoted supervisors and the workers under their guidance.

2.2. Onboarding Content

General content

No matter the position in the factory, there is general knowledge all employees need to learn. An overview of topics that should be included is provided in the table below.

The Organisation	Employment
<ul style="list-style-type: none"> ○ Introduction to the company, including vision, goals and main clients ○ Introduction to the context in which the company works, including information about the industry and the supply chain ○ Organigram ○ General layout of the factory (exits, departments) ○ Contact numbers 	<ul style="list-style-type: none"> ○ Probationary period and employment contract ○ Workers' rights and responsibilities ○ Working hours, shifts, overtime ○ Time keeping ○ Salary (incl. salary structure) ○ Benefits (transport, meals, etc.) ○ Performance and attendance ○ Career opportunities ○ Leave
Behaviour in the factory	Performance
<ul style="list-style-type: none"> ○ Factory's code of conduct (incl. harassment, EEO, etc.) ○ Disciplinary Procedure ○ Dressing code including use of makeup, hair, uniform, etc ○ Leave and Absenteeism ○ Tardiness (incl. how it affects their co-workers) ○ Sexual Harassment and discrimination 	<ul style="list-style-type: none"> ○ Description of the tasks ○ Connection of the tasks to the team and factory's performance ○ Supervision of the job ○ Performance indicators / job objectives ○ Performance appraisals ○ Promotion opportunities

Communication	Security and Safety
<ul style="list-style-type: none"> Workers' committees/ TU Information sources Grievance procedure Importance of good communication 	<ul style="list-style-type: none"> ID cards usage Occupational health and safety incl. fire safety, emergency exits, hazards, PPE

The topics above should be covered for all employees and, in addition, supplementary sessions should be prepared and tailored to meet the needs of different positions (i.e. operators, middle management and management).

Specific content for operators

Many operators who start working in IPs come from rural areas and are not yet familiar with the challenges (and comforts) of living in the city. As most of them lack previous working experience in factories, working in manufacturing is often also novel to them. Onboarding must, therefore, include an introduction to new living conditions in order to avoid frustration and contribute to a smoother adaptation process. Below is a recommendation of topics to be included in the onboarding process of operators.

Life skills	Factory work
<ul style="list-style-type: none"> Personal hygiene Banking (incl. using ATMs) Nutrition (food and water intake) Sexual and reproductive health 	<ul style="list-style-type: none"> Time management in the factory Team work

Specific content for the middle managers and managers

The management and middle management level, in particular new graduates that are to start a job in a manufacturing for the first time, must also understand the functioning of factories, their responsibilities and the skills that need to be developed to perform their work.

A particular issue that has been highlighted by operating factories in Ethiopian IPs is the lack of soft skills, low motivation and unrealistic expectations of new graduates. This challenge has to be tackled from the very beginning. The onboarding of these employees should, therefore, clearly state their responsibilities, explain performance evaluation and clarify their career opportunities within the factory.

The onboarding period is also a good moment to detect motivation, dedication and skills that were possibly not observed in the recruiting period.

Soft Skills	Factory work
<ul style="list-style-type: none"> ○ Leadership and communication skills ○ Conflict management ○ Problem-solving skills 	<ul style="list-style-type: none"> ○ Advanced supply chain and compliance ○ Communication channels in the factory ○ Enforcing policies and procedures ○ Productivity ○ Labour law

3. Onboarding delivery method

Almost as important as the content of the onboarding training is the training delivery method. Below is a list of tips that will help you ensure the effectiveness of your training.

- *Participatory methods* such as role plays, action learning and storytelling should be used to improve not only the understanding and ownership of the knowledge, but also the concentration level of participants and interest showed during the sessions.
- A program with the *schedule* should be delivered to employees before they start the onboarding training, for them to familiarize with the topics beforehand and to keep track of what they are learning. This document should specify the name of the trainers and the timetable.
- *Key departments should be engaged* in the preparation of the training and should select speakers to greet and brief the new starters on specific topics. This helps participants to better know the factory and to feel that the company cares about them.
- *Handouts with the information* on all the topics covered should be delivered to the employees. These must be written in the regions' main language. The style of the handbook must be clean and simple, easy for everyone to understand. Pictures should be included when they allow a better understanding of a subject.
- The onboarding training should be *included in the records* of all participants. This should include a checklist with all topics in which they have/ have not participated (*a template can be found in Annex I of this chapter*)

4. Onboarding review

As with every training, the effectiveness of the onboarding has to be evaluated.

- After the onboarding training, seek feedback from all participants through a survey (*you can find a template in Annex II of this chapter*).
- If new starters leave during or soon after completing the induction period, an interview with them will give key information to improve not only the onboarding but also the recruitment process.
- Feedback of direct supervisors and managers can also collaborate to continuously improve the onboarding plan.

Annex I: Onboarding Checklist Template for new hires

Employee name:	
Employee ID #:	
Job title:	
Department:	
Supervisor/Manager:	
Starting date:	

General Onboarding Training

General Knowledge Topics

- ☐ Introduction of the organization
- ☐ Information on industry and supply chain
- ☐ Factory layout
- ☐ Contact numbers

Employment

- ☐ Probationary period and employment contract
- ☐ Workers' rights and responsibilities
- ☐ Working hours, shifts, overtime
- ☐ Time keeping
- ☐ Salary (incl. salary structure)
- ☐ Benefits (transport, meals, etc.)
- ☐ Performance and attendance
- ☐ Career opportunities
- ☐ Leave

Behaviour in the factory

- ☐ Code of conduct
- ☐ Disciplinary Procedure
- ☐ Absenteeism and tardiness
- ☐ Sexual Harassment and discrimination

Communication

- ☐ Workers' committees/ TU
- ☐ Information sources
- ☐ Grievance procedure
- ☐ Importance of good communication

Security and Safety

- ☐ ID cards usage
- ☐ Occupational health and safety

Performance

- ☐ Description of the tasks
- ☐ Connection of the tasks to the team and factory's performance
- ☐ Supervision of the job
- ☐ Performance indicators / job objectives
- ☐ Performance appraisals
- ☐ Promotion opportunities

Specific Onboarding Training (extra topics for workers)

Life skills

- ☐ Personal hygiene
- ☐ Banking (incl. using ATMs)
- ☐ Nutrition (food and water intake)
- ☐ Sexual and reproductive health

Factory work

- ☐ Time management in the factory
- ☐ Team work

Specific Onboarding Training (extra topics for supervisors and middle management level)

Soft Skills

- ☐ Leadership and communication skills
- ☐ Conflict management
- ☐ Problem-solving skills

Factory work

- ☐ Advanced supply chain and compliance
- ☐ Communication channels in the factory
- ☐ Enforcing policies and procedures
- ☐ Productivity
- ☐ Labour law

Annex II: Onboarding Feedback template for new hires (general training)

Employee name:

Department:

Welcome again to [Name of the factory]! We hope you enjoyed your onboarding training and that you have a good understanding of our factory and your future work.

In order to make sure that all your doubts are solved, we would like to ask you to complete this questionnaire. Please take your time to reflect on each question and answer it very honestly. It will help us to know what topics we should reinforce in the future.

Thank you very much!

Task: How much did you understand or do you remember about these topics? Choose between:

- I didn't understand much or I can't remember well
- I understood some information but I wish I knew more
- I understood completely and can remember everything

		<i>I didn't understand much/ I can't remember</i>	<i>I understood some information but I wish I knew more</i>	<i>I understood completely and can remember all</i>
	General Knowledge of the factory			
1	What does (Name of the factory) produce, who are their main clients and what are their goals			
2	How is the factory organized			
3	Who should I contact for questions and emergencies, their names and how to contact them			
	Employment			
4	How long does the probation period last			
5	What is written in my employment contract			
6	What are my rights as a worker			
7	What are my responsibilities as a worker			
8	What are the working hours in the factory			
9	What is overtime, when and why is it needed and how is it paid			

10	What is my salary and how is it calculated			
11	What benefits do I get for working in this factory			
12	What is a performance bonus and how can I get it			
13	What is an attendance bonus and how can I get it			
14	Which are the career opportunities for working in this factory			
15	What are the types of leave that I can take			
16	When should I ask for leave and how can I do it			
Behaviour in the factory				
17	What are the rules of behaviour in the factory			
18	What is considered sexual harassment			
19	What happens if I break the factory rules			
20	Can I be late to work? What are the consequences of me being late (for me and for my co-workers)			
21	Can I be absent to work without notice? What are the consequences for me and for my co-workers			
22	What is the procedure to follow when I need to be absent			
Communication				
23	What is the worker committee / trade union and how can I reach them			
24	Where can I find relevant information in the factory (i.e. shifts, rules, news, etc.)			
25	How can I communicate any problem, concern or grievance			
26	How should I communicate with my co-workers, supervisors and managers			
Security and Safety				
27	When should I use my identification card (ID card) in the factory and the Industrial Park			
28	What hazards are there in the factory and how can we prevent accidents			
29	What is not allowed in the production floor			
30	What personal protective equipment do I have to use at work			
31	What should I do in the case of a fire			
32	What should I do if I see something that threatens safety (i.e. aisles or			

	exits blocked, dirty toilets? no personal protective equipment)			
	Performance			
33	What does my team produce in the factory			
34	How is our work important in the factory What would happen if we do not perform			
35	Who is my supervisor/manager and what is her/his role			
36	What are my job objectives			
37	How is my performance monitored and evaluated			
38	How is my performance rewarded			
39	What happens if I don't perform as expected			

Chapter 4: Training and development

1. The benefits of training

Efforts made to train and develop the workforce have proven to have numerous benefits. In relation to productivity, upskilled workers are more efficient and, therefore, produce not only greater quantities but also better-quality products in less time. This improvement in efficiency and quality, in turn, ensures that production targets are reached faster (ILO, 2016) and boosts the factories' competitiveness in the global market.

However, the benefits of training are not limited to the area of productivity. Training has also proven to have a positive impact on the stability of the workforce. Trained and skilled workers tend to show more loyalty to factories. They also feel more motivated to further develop themselves, not only to earn better salaries and move to better positions but also to, ultimately, improve their living conditions. This motivation often translates into lower turnover and absenteeism rates and higher wage-satisfaction rates, as workers are enabled to earn higher salaries.

A good example of the positive effects that training has on productivity and the workforce in general, is the case of the ready-made garment industry in Cambodia, Bangladesh and India. Training programs in factories in these countries have resulted in the following impacts:²

- More than **25%** efficiency improvement
- Approx. **12%** increase in the hourly payment
- Up to **25%** increase in revenue-to-cost ratio
- Up to **34%** reduction in absenteeism rates
- Up to **66%** increase in retention rates
- More than **50%** reduction in worker turnover
- Spill over effects for non-trainees, who work closely with those who have been trained

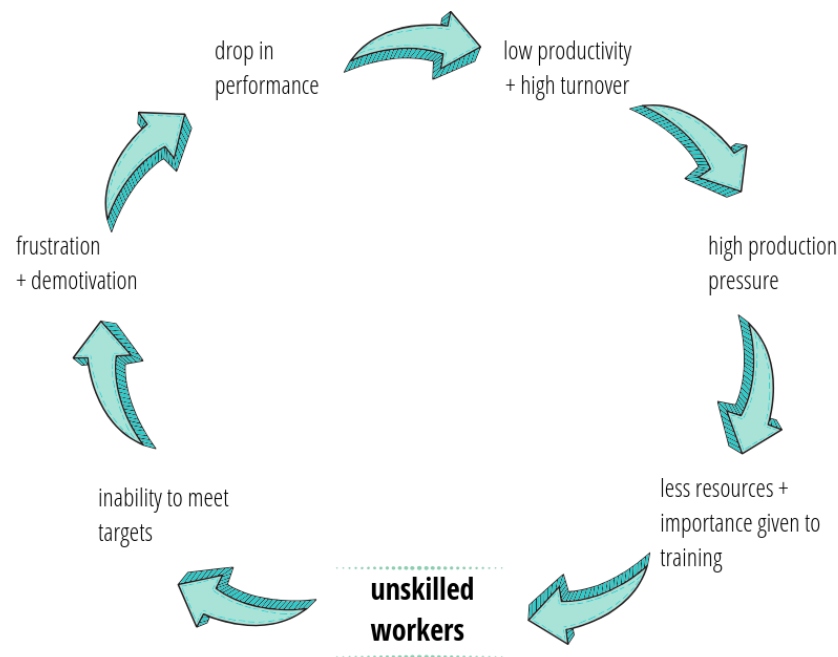
2. The challenge of training

With the expansion of manufacturing in Ethiopia, there has been a growing demand for skilled workers and managers. The Ethiopian government has taken several initiatives to develop the country's workforce and to equip them with the knowledge and abilities required to address this

² Hurst, Nanda et al, ILO, Adhvaryu et al, as cited in Hearle (2016). *Skills, Employment and Productivity in the Garments and Construction Sectors in Bangladesh and elsewhere*. Oxford Policy Management.

demand. Many factories have tried to complement the government's efforts by training their own staff in the technical and soft skills that meet their specific needs.

The efforts made by the factories have, however, been met with limited success due to a number of reasons. First, even if HR departments are fully aware of the benefits of training, they are often assigned scarce resources (incl. a low budget) for this purpose. Second, to exacerbate this problem, time is often not allocated for workers and staff to be trained and tight production plans don't take training into account. Finally, although trainings take place in the factories, they often lack a clearly defined structure. As a result, the lack of proper training leads to factories being caught in a vicious cycle: low productivity and high turnover put more production pressure on the factory. Due to higher production pressure and, partly, due to fear of investing in staff that might afterwards leave to other factories, factories invest less resources (e.g. time, workers) into training and development. The lack of comprehensive training prevents the workforce from developing, which leads to their inability to meet production targets. This, in turn, contributes to their feeling stressed and frustrated, which results in their losing motivation and, consequently, a decrease in performance. And the lack of skills, decrease in motivation and the drop-in performance lead to turnover and low productivity.



How can factories avoid or get out of this vicious cycle? Well planned, quality, high-impact training can help factories avoid falling into this trap and get out of it. As shown previously, *with the appropriate structure and methods, training can be an investment that provides multiple sustainable benefits for the factory and the workers.*




In the following sections, this guideline will provide practical advice on training and challenges that are common to all factories in Ethiopia's IPs. It will not discuss technical aspects of training as they are highly dependent on the specific needs of each factory, nor will it cover induction training topics as these are addressed in *Chapter 3*.

3. Analysing training needs: the training needs assessment

In high-paced environments such as modern factories, it is necessary to keep track of the skill development needs that exist at different levels. Assessing these needs is vital to channel efforts into the areas and departments that will contribute the most to the factory performance. A training needs assessment is an analysis of the current skill gaps in the company and includes both technical and soft skills.




3.1. What to assess?

Training needs assessments can be performed at the organisational, task or individual level.

	ORGANISATIONAL LEVEL
<p>Macro-level assessment to identify current gaps at the factory level.</p> <p>It allows to focus training efforts on what is really needed to improve performance. It requires good understanding of the overall organisation, the priorities of different departments and goals, and how they all contribute to the overall success of the factory.</p> <p>Questions that this assessment can help answer include: What are the most challenging departments/issues? What are the recurrent problems the factory faces?</p>	
	TASK LEVEL
<p>Department-level assessment to understand the gaps in relation to the tasks that each job includes.</p> <p>For example, when analysing gaps of supervisors in a factory, an assessment should look at: How are they performing overall? What problems do they have? What needs to be improved in their job?</p> <p>It is recommended to involve department heads.</p>	
	INDIVIDUAL LEVEL
<p>Individual-focused assessment analyses the level of performance of employees, identifies current skills qualification, their capacity for learning and their willingness to learn. It is recommended to involve direct supervisors/ managers of the individuals.</p>	

3.2. How to conduct the assessment?

There are different ways in which to conduct a training needs assessment. Selecting one depends on availability and the type of assessment that will be conducted. Below are some suggestions for each type of assessment.

	ORGANISATIONAL LEVEL
	<ul style="list-style-type: none"> ○ Interviews with managers are a good starting point for this assessment as they can provide an overall view of the production process and the main challenges encountered. ○ Interviews with department heads can help understand how each department is performing and what challenges are the most important in relation to skills and internal processes. ○ Interviews with department heads or group interviews with staff can also help to detect gaps in other departments as they inform us about how the relationship and synergy with other departments of the factory. ○ Surveys with workers help to see things from their perspective and detect issues that might not be clearly perceived by other staff. This can contribute to a deeper and holistic understanding of the skill gaps at the organisational level.
	TASK LEVEL
	<ul style="list-style-type: none"> ○ Interviews with department heads provide insights into the tasks performed by each role in the department and, also, into the general skill gaps detected among their staff. ○ Interviews with employees contribute to gaining a deeper understanding on the gaps, the reasons behind the gaps and how to develop the skills. ○ Direct observation of certain processes is also a valuable source of information to understand skill gaps. ○ Surveys with employees which evaluate their skills on specific tasks help to find common skill gaps in different roles.
	INDIVIDUAL LEVEL
	<ul style="list-style-type: none"> ○ Interviews with direct supervisors/ managers provide the first insight to individual employees' gaps. ○ Revision of HR Records: <ul style="list-style-type: none"> • Performance appraisals clarify job objectives that can be linked to specific skills that need to be developed by the employee. • Training records show what trainings have been provided to the employee and their effectiveness. ○ Interviews with the individuals provide insights into their own perception of their skill gaps, their motivation to develop new skills, the challenges they perceive, and what methods would be most adequate for the candidate.

3.3. When to conduct the assessment?

It is recommended to do training needs assessments periodically with realistic timelines. Generally, once a year is a good and realistic option. However, needs can pop up and the HR department should be able to respond quickly to address them. To be able to respond promptly, the HR department should maintain good communication with all departments. Good and regular communication with the different departments will help the HR to both quickly identify skill development needs and to promptly find solutions to bridge the gaps detected.

3.4. What to do with the results of the assessment?

Once the results of the assessment are analysed and the gaps are identified, the next step is to make an informed decision on what gaps to address first and also on the type of action that needs to be taken.

1. **Set up priorities:** In case gaps have been identified, it is necessary to prioritise. Issues related to legal aspects and compliance should be given a higher priority and immediate action must be taken if a gap has been detected in those fields e.g. discrimination, corruption, insufficient PPE, etc.
2. **Define the objective of the training:** After deciding which gaps to address, reflect about them, determine how the factory would like to solve them and then decide on what goals would be achieved by the training. For some gaps, on-the-job training or one short training may be sufficient, whereas for others, it might be necessary to implement a series of long-term actions. For example, let's imagine that a factory in the garment industry identified a lack of multi-skilled sewing operators. To address this issue, it was decided that the best way forward is training existing operators to become multi-skilled rather than recruiting new multi-skilled operators. Accordingly, the objective was to train 60 multi-skilled sewing operators in the next 4 months. From this, it is clear that, to achieve this objective, short one-off trainings will not suffice. Training will most likely have to be long-term and could mix relatively intensive training in the beginning and then on-the-job coaching at later stages.
3. **Understand the costs:** Once it is clear what the training programme should achieve and what it should look like, make a calculation of the costs of the training action(s) selected. This will include costs of planning, preparing material, external costs e.g. hiring external trainers, and indirect costs such as the employment costs of the workers for the time they participate in the training. This will help to also understand how many resources (investment) the training programme requires.
4. **But also understand the benefits:** Calculate the benefits that may be achieved through the training as well. Will productivity increase? Will turnover decrease? A decrease on costs related to court cases? What is the financial value of them? Understanding what value, the training may bring to the factory helps to make a better decision on whether to and how much to invest in the training.
5. **Calculate ROI:** Having understood the costs and benefits, the next step is to calculate the return on investment (ROI) of the training.

$$\text{ROI} = (\text{programme benefits} / \text{programme costs}) \times 100\%$$

Please note that these calculations (cost, benefits and ROI) will only be helpful when based on real and credible data. If there is no such data, the data is not reliable or it is not updated, then the calculations will lose their meaning and will not be helpful for deciding on whether to invest in training. In this case, it will be necessary to try to weigh the pros and cons based on other information and apply other rationale to explain the impact of the training.



Documentation: The training needs assessment results, the evaluation and selection of training plans and all decisions made must be properly documented. This will help the factory keep track of past and current assessments and facilitate the understanding of the gaps that have been identified, the measures have been implemented to address them and their effectivity.

4. Developing training capacities in the factory

In order to address the need to conduct training, factories often assign departments or specific employees to be in charge of this task. However, regardless of whether the factory has its own training department, specific training personnel or a group of employees who train others, in any case, there are some guidelines needed to ensure the effectiveness of the trainings. These guidelines are:

- **Clear communication:** Trainers need to communicate clearly, precisely and confidently.
- **Effective presentation:** Trainers should be able to present the information in a way that is easily understood by the target audience. They should provide context for the information that is delivered, such as reasons, effects, linkages to other activities, etc. This will help create awareness and increase acceptance/importance of the subject.
- **Combination of teaching techniques and participation:** Trainers should avoid sticking to just presenting information as it is not effective for long-term learning. Use participatory methods such as role plays, action learning and storytelling to get the message across.
- **Audience awareness and gender sensitivity:** Keep in mind who the audience is and tailor the training to them. This involves taking into account criteria such as age, level of literacy and gender. Special attention should be given to gender aspects to ensure the training is gender sensitive (see below for explanation).



Gender Sensitive Trainings

Trainings must be sensitive to the needs of men and woman at every stage.

- ☞ Trainings should equally benefit men and women.
- ☞ Trainers must understand gender dimensions related to the subject.
- ☞ Visual representations should not promote gender stereotypes.
- ☞ Cultural aspects regarding gender must be considered. For example, in certain roles and cultures, women tend to be less vocal and shy. In these cases, trainers must make a special effort to encourage women to speak up.
- ☞ There must be an atmosphere of listening and respect for everyone's experiences and views.

- **During the training:** Check the energy level in the group and how well participants understand the concepts.
- **Content is king and method is queen:** Content is key. However, keep in mind that the method is almost as important as the content. Using the wrong training method will result in less impact.

Skills to follow these guidelines should be developed in anyone delivering training in the factory. This includes not only staff in the training department, managers but also supervisors (including line supervisors), as they are in direct contact with workers and have a key role in their development.

5. Conducting training

5.1. Suggested Training Topics

Training needs are identified by each organisation through the training needs assessment. However, based on the analysis of the challenges and needs of manufacturing facilities in Ethiopia, a list of topics that should be considered for each position is presented below.

Operators

As Ethiopia is relatively new to industrial culture, workers – in particular those coming from rural areas – need to learn not only technical skills to perform their duties, but also a set of soft skills that allow them to adapt to the factory environment. While most of the training on life skills is done during the on-boarding, further training should be provided for enhancing their understanding of the industry. Suggested topics are:

- Productivity
- Financial literacy and planning
- OHS
- Team work
- Work ethics, responsibilities and obligations of employees
- Intercultural awareness and competences
- Conflict management



The WEAR model

An effective training tool that can save costs and time to factories is the use of audio-visuals to develop operators' soft skills. Enterprise Partners has developed the WEAR (Worker Engagement And Retention tool) model, to support industrial behavioural change through audio-visual supported learning tools that introduce workers to 10 thematic soft skill areas. In addition to the audio-visuals, tools such as facilitators guidelines and flashcards in Amharic, Tigrigna and Oromifa are provided to foster engagement in the sessions and facilitate peer-learning.

Supervisors

The role of supervisors in the factory is one of the most important ones – not only in relation to production but also regarding discipline and motivation of the employees. Supervisors are in direct contact with the workers and are accountable for their lines, often finding themselves in stressful situations. Helping supervisors better deal with these situations and their tasks can greatly benefit the factory. Studies have found that production lines being supervised by better prepared supervisors show higher levels of productivity and quality (Hearle, 2016).

Some key training topics to develop the skills of supervisors are:

- Intercultural awareness and competences
- Leadership and team building
- Motivation and feedback
- Communication in the factory
- Stress & anger management
- Dispute resolution & conflict management / negotiation skills
- Harassment and discrimination
- Productivity
- Disciplinary procedure and labour law

“If workers are promoted to supervisors without any further trainings, the lack of skills and knowledge on managing a team results in pressure and stress for both workers and supervisors. As a coping strategy, supervisors might adopt unhelpful or even harmful management techniques like verbal or physical abuse.”

Fair Wear Foundation (2018) The Fair wear Foundation supervisor Skills building programme.

Managers and middle managers

Managers in all levels also need to acquire the skills to work in the fast-paced environment of export-oriented manufacturing facilities. Some of the key areas that have to be developed are:

- Workplace communication
- Intercultural awareness and competences
- Leadership and coaching
- Decision making and problem-solving skills
- Dispute resolution / negotiation skills

- Diversity management and anti-discrimination/ harassment
- Supply chain



Intercultural barriers: When most of the top management consists of expats new to the Ethiopian culture, conflicts rooted in intercultural clashes are likely to arise. Providing serious training on intercultural competences to the expat managers, the Ethiopian middle managers and workers will contribute greatly to a better understanding and communication in the factory.

6. Evaluating training delivery effectiveness

After the training has been delivered, it is highly recommended to evaluate its effectiveness. Assessing the success of trainings helps the HR department to:

- Understand what went right and what went wrong
- Improve future rounds of training
- Share the impacts of training with the management and the organisation
- Increase the motivation to invest in training

6.1. What to measure?

There are different aspects that need to be considered when evaluating training delivery and effectiveness.

- **Evaluate the overall training plan:** Does the plan cover all the gaps detected in the training needs assessment? How many trainings are being delivered? How many people have received training?
- **Evaluate the effectiveness of technical training:** How has productivity changed after the training? Has quality improved? Has the effect lasted long term?
- **Evaluate the effectiveness of soft skills training:** Have productivity and quality improved? How many disciplinary issues have been reported since? How satisfied are workers with their supervisor/ manager?

7. How to start? Useful recommendations to get started

Even when the HR Department knows what has to be done to develop skills in an organisation, it might be challenging to take the first step into action. Here are some recommendations to make the journey easier:

- **Base training on the training needs assessment(s):** Base trainings on needs rather than, for example, on gut feeling or individual suggestions. This will guarantee that the trainings have valuable impact and are aligned to the company's strategic goals.
- **Start with pilot groups/ lines:** Training the entire workforce of the factory from the first go can be difficult if not impossible. Therefore, it is not recommendable to start too ambitiously as this often translates into fast, superficial trainings that do not ensure that a real learning

process takes place. For this reason, starting with pilot groups or single lines is a good option. It allows to evaluate (and show) impact and finetune the details for future trainings.

- **Trainings should be aligned with the production calendar:** giving more space to trainings when there is lower pressure on production, and limiting the time of the trainings when the pressure is high.
- **Notify participants and their superiors early enough:** (at least a week in advance is suggested) so that they can rearrange their line/workspace and find a replacement in time. Reminders through the PA system on the day of the training can be helpful to make sure everyone arrives on time.
- **Train critical lines/workers/staff:** Input from performance appraisals and production data will help identify underperformers and organise immediate training for them.
- **Do not forget top performers:** A mistake that must be avoided is to forget about top performers by focusing too much on the critical ones. The results can be devastating: loss of motivation, decrease in productivity and eventually leaving the factory. Companies have to take care of their best performing human capital. Provide training (e.g. soft skills training) to the best workers to increase their possibilities of promotion and keep them motivated. They will be able to lead by example and their confidence will be boosted.
- **Evaluate the results of training closely:** In both technical and soft skills training, plan how to assess its results and take action. If training has been provided to certain lines/ groups, it is useful to observe differences in performance between those who have received the training and those who have not.
- **Improve further trainings:** Work to improve future trainings based on the results of your evaluation.
- **Keep good communication with all departments:** Their feedback is key to detect skill gaps and to understand the impact of trainings.

Chapter 5: Performance management

Performance management is the systematic process of planning work and setting expectations, continually monitoring performance, developing the capacity to perform, periodically rating performance, rewarding good performance, and taking corrective measures when performance fails to meet factory expectations.

1. The importance of Performance Management

Performance is crucial to achieve results in any organisation, including factories and IPs. To ensure high performance in any business, it is necessary to develop a performance management system that helps the organisation to align employees and resources with strategic objectives and to make necessary adjustments to avoid or address problems. In particular, for factories that work in a highly dynamic and competitive global supply chain system, the need for performance management is critical, as they need to ensure effective performance not only to enhance their competitiveness in the global market but also to meet the needs and expectations of international clients.

In addition, to boosting the competitiveness of the organisation, designing an effective performance management system brings about countless benefits for the factory, as it:

- **Boosts company performance:** Research shows that organisations that effectively use performance management to develop the capabilities of individuals and teams significantly outperform organisations that do not in areas such as revenue, net income and employment (Corporate Leadership Council, 2002).³
- **Aligns team and individuals with the organisation:** Performance systems provide a tool to align competencies of individuals and teams to the strategic goals of the organisation.
- **Ensures workplace transparency and clarity:** Through the performance management talks, employees understand their role in their organisation, what is expected of them and know how to achieve expected results.
- **Creates base for designing development strategies that advance the organisation:** Based on data collected through performance management, organisations can devise and implement continuous improvement programs that further develop skills and expertise of employees and teams.
- **Provides a deep understanding on what is affecting performance:** Organisations understand what factors are affecting performance in all dimensions of the factory and can devise plans to address them.

³ Corporate Leadership Council (2002) *Building the High-Performance Workforce* A Quantitative Analysis of the Effectiveness of Performance Management Strategies.

- **Provides critical data for supporting fact-based decision making:** Important data can be collected for informed, fact-based HR decision making (e.g. selection, training, promotion, etc.).
- **Helps to retain top talent:** By systematically evaluating performance, performance management enables the organisation to identify top talent and reward high performance, which can greatly contribute to increasing employees' happiness and, thereby, retention.
- **Enhances ownership and employee satisfaction:** Performance management engages the employees in dialogue, which helps develop the relationship with the employee. It also enhances ownership by giving employees a say regarding their role in the company and the alignment of their personal goals with organisational objectives.

As seen above, setting up a performance system to build a working culture based on high performance can bring numerous benefits for factories. In the case of Ethiopia, in particular, developing and implementing a performance system is highly relevant. As the industrial working culture is still in the first stages and, therefore, most factory employees lack previous relevant work experience, it is necessary that factories accompany and guide the development of the workforce to help them achieve performance goals. This will require effort, time and commitment. However, such an investment will yield positive results that can help factories tackle some of their most pressing problems.

2. The Strategic Role of HR in Performance Management

As a general practice, it is the HR department who owns, leads and coordinates the performance management system in the factories. It works together with department heads and provides advice to them on staff performance management issues. Such advice can be provided in the following areas:

- Understanding and executing the performance management process
- Determining the activities that need to be performed in doing performance management
- Using the performance management tools and templates
- Dealing with issues or unusual situations that arise during the performance management cycle
- Helping to realise performance management improvement opportunities
- Documenting performance records

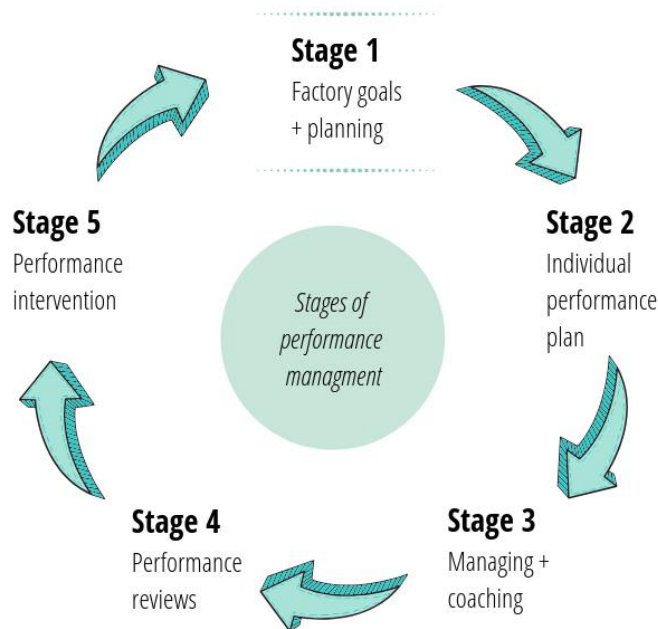
The department heads are responsible in identifying Key Result Areas (KRAs), developing metrics/measures, setting goals/targets and standards, and assigning weights for result and competency expectations for Operators and Line Supervisors.

It should be noted, however, that a key foundation for the performance management approach is that it is grounded in a culture that is supportive of the process and reinforces the actions and behaviours it attempts to reward and recognise. This means that for performance management to yield positive

results, the factory has to work together: HR leads and coordinates the performance management system and leaders in the factory not only support and adhere to the processes but also guide and encourage all employees to be active participants in their own performance and career management in the factory.

3. The Performance Management Process

To be effective, performance management in the factory needs to go through five major stages. These are:



3.1. Stage 1: Factory Goals and Planning

In order to be able to reach their objectives, factories need to cascade them into measurable elements appropriately to each of their departments. This process is usually done by the top management and the board through an annual goal cascading process that starts off the annual performance management cycle for each fiscal year. Top level goals can include items such as customer satisfaction, product variety, quality, profitability, lead times, etc. The factory goals should be deconstructed and translated across the factory top management to all departments and levels.

With cascading and aligning goals, employees can understand:

- Exactly what the factory is focused on
- How their work contributes to the achievement of factory goals

- The overall department/ team impact to the performance of the factory

Once the factory goals are communicated, each department should establish and outline their own objectives aligned to the factory goals. This process is led by the department managers with the help of the HR department and it involves:

- Understanding factory goals and the department's role in them
- Setting performance goals at the department level
- Defining the department's KPIs (Key Performance Indicators) and establish targets
- Communicate goals and KPIs to the department's employees



Key Performance Indicator (KPI): is a measurable value that demonstrates how effectively a company is achieving their objectives in order to evaluate their success at reaching targets.

A SMART KPI is one that is:

- ☞ Specific
- ☞ Measurable
- ☞ Attainable
- ☞ Relevant
- ☞ Time-framed

3.2. Stage 2: Individual Performance Plan

Once department goals are identified and clarified, the process of cascading moves further to every employee of the factory: each individual position should be assigned objectives and tasks that are aligned with the department goals.

Preparing the individual performance plan will have the following outcomes:

- Coming to agreement on the individual's key job responsibilities– the key aspects of the job to which attention have to be given.
- Developing a common understanding of the objectives that need to be achieved.
- Identifying important competencies that the individual must display in doing the job.
- Creating an appropriate individual development plan.
- Entering a performance agreement between the employee and his/her supervisor or manager.

This process is based on the factory and department goals and job descriptions (which describe the roles and responsibilities of all positions in the factory). All positions have to be aligned with the goals of the department/ unit.

It should be noted that *the individual management plan is a result of a joint effort of managers/supervisors and employees, who define the goals included in the performance plan and assign weights or priorities. A template for developing the individual management plan can be found in Annex I of this chapter.*

3.2.1. Developing the Individual Management Plan

- Determining objectives:** Managers and employees discuss and agree on the objectives of their performance plan together. This entails jointly identifying which accomplishment(s) will be included in the performance plan. For example, for a sewing operator in a garment factory, two objectives could be: (1) becoming a multi-skill operator who can work with single-needle machine and over lock machine; and (2) to increase their efficiency in single-needle machine by 15% i.e. increase from 70 pieces/hour to 80 pieces/hour. In the case of a staff member such as Assistant in Payroll, the objective could be to process pay checks for all 60% of the employees without error. Here it should be noted, however, that some objectives may be more easily quantifiable but this depends on the position (e.g. objectives for an HR Assistant may not be as easily quantifiable as the objectives of an operator).

When defining objectives and targets, it is important to:

 - ☞ Set objectives and targets that are ambitious but realistic i.e. focused on improving the factory performance while being fair to the employees and aligned to their knowledge, skills and possibilities.
 - ☞ Actively involve the employee in the process of defining objectives and targets. The set objectives and targets should not only be understood but also consented by the employee.
- Allocating importance weights to the objectives:** It might be that not all objectives are equally important. For this reason, it is necessary to determine which objectives are the most important and allocate weights reflecting the relative importance of the key objectives to each other. For example, in the case of the sewing operator, the first goal –i.e. becoming a multi-skill operator– might be more important than others if the factory has a shortage of over lock operators.
- Identify performance measures:** Measures are the yardsticks used to determine the performance of employees. Agreement should be reached on how performance will be measured on each performance objective. Quantity, quality, timeliness, and/or cost-effectiveness are usually important and applicable in factory work.
- Determine targets:** Once there is agreement on how the performance will be assessed, targets should be defined to determine how successfully the objectives are completed. When defining the targets, it is necessary to involve the employees actively. Industry or factory standards can be used for setting a benchmark. For example, if average single-needle sewing operation in the factory produces 80 pieces per hour and the employee with whom the plan is being developed produces only 60 pieces per hour the supervisor can discuss with the employee and find an agreement of what would be a target that is realistic and attainable but still ambitious with them (e.g. 70 pieces per hour by the end of the quarter).

- **Competency planning:** Manager/supervisors and worker/staff should identify the prerequisite competencies required to effectively reach the objectives. The competencies should be tailored to every position and may include both technical competencies and soft skills. Some common competencies for most employees in the factory (both at worker and management level) include collaboration, teamwork, communication, problem-solving, time management, planning, leadership and decision making. Competencies also have to be weighted in order of importance and measurements should be assigned to evaluate their development. For example, for a worker, the competency of leadership would weigh less as time management; in contrast, for a supervisor, leadership might be one of the most important competencies.
- **Personal development plan:** Once the objectives are set and the competencies necessary to achieve those objectives identified, it is necessary to assess the existing competency level of the employee. This will help the factory analyse what the employee's competency gaps are and, based on that, develop a learning and developmental plan with the employee to close those gaps. Priority should be given to the competencies that are needed to fulfil the individual performance plan. *The process of needs and goals assessment can be facilitated through the use of the Individual Development Plan (IDP) form attached as Annex II of this chapter.*
- **Performance agreement or contract:** To ensure that each employee is aware of the specific contributions expected of him or her for a predetermined period linked to the performance management cycle, a written contract must be established. Performance agreements form the basis for development, assessment and feedback in the performance management process. Once an employee's performance is defined in this way, it can serve as a living document that the employee and its manager/ supervisor can use to monitor worker's performance throughout the year and assess progress toward achieving his/her goals.
- **Documentation:** A print out of the plan is sent to a reviewer (usually a next level manager) for approval. If the reviewer demands revisions, he or she shall inform the individuals concerned and agreements need to be reached. A copy of the plan is sent to HR within a specified day (3 to 5 days are recommended) after the signature of the agreement.
- **Resolving differences:** In case of disagreements between the supervisor and the employee on any component of the plan, the next level manager may interfere to help the two reach a consensus. If it is not possible to reach a consensus, then the case shall be taken to the next upper level manager who makes the ultimate decision which will be binding and final.

3.3. Stage 3: Managing and Coaching

After the Individual Performance Management Plan has been developed, it is necessary to follow-up and monitor regularly to understand how the implementation of the plan is going and to take measures as necessary. In the follow-up it is necessary that all parties (i.e. managers, employees, HR, factory leadership) have an active role.

For the Performance Management System to work, it should be an ongoing process throughout the year to be monitored through on-going coaching and feedback across the performance period; not a "once-a-year ritual".

Managers/Supervisors

In the follow-up, managers/supervisors need to:

- Proactively provide year-round performance/development coaching and feedback, help build and improve specific capabilities and remove barriers to achieving objectives.
- Take record of important events and achievements of employees regularly as they happen. The records should focus only on those employee behaviours and actions relevant to the job and expectations that are included in the performance plan. *This can be done in a Performance Log whose template is attached in Annex III.*
- Hold regular work-related discussions to talk about performance. This involves informal conversation or notes, as well as more formal coaching meetings and written documentation. In the discussions, indicate both where performance has been improved and where it still needs to be improved. In the areas where performance has improved, recognise the achievement and appreciate the effort and accomplishment of the employee.
- Give balanced, constructive and ongoing feedback – both positive and negative –focused on improving the worker's performance. On-going feedback saves the employees from unpleasant surprises at the appraisal interview. Feedback should be given verbally and then appropriately recorded in writing.
- If performance expectations change throughout the year, redefine expectations and update the goals and action plan to reflect the change.
- Work hand by hand with their subordinates soliciting ideas and suggestions from the employees for improving work processes, identifying barriers to success and strategies for removing or minimising the barriers, and discussing their professional development needs.
- Solicit worker feedback on supervisory coaching effectiveness.

Coaching and giving feedback are skills that must be learned. Factories must ensure that every employee in a position of leadership is trained in the communication skills needed to provide good feedback, listen actively and motivate their subordinates to boost their performance

Employees

In the follow-up, employees should be engaged. In specific, they need to:

- Be actively involved in the definition of their own objectives.
- Identify and discuss performance issues openly immediately with their supervisor.
- Listen and respond to feedback.

- Reflect on their own performance, competences and the challenges they face in their daily work. It should be clear for all employees that they have an active role in improving their own performance.
- Ask their supervisors for coaching when they need it.

Human Resources department

The HR department needs to support the follow-up by:

- Providing training and support to relevant staff to enable them to develop the performance management plans, monitor and document them.
- Facilitating the ongoing feedback and coaching.
- Acting as a bridge between the manager/supervisors and employees to improve communication and guarantee that feedback is being given when needed.
- Escalating any coaching and feedback problem areas to the next level manager (e.g., poor feedback on the quality of the coaching provided).

Factory Leadership (top management)

Factory leadership also has an important role in the whole process of performance management. For the follow-up, they need to:

- Provide support for managers and supervisors on providing effective coaching and feedback.
- Monitor the practice of coaching.

3.4. Stage 4: Performance Appraisals

Supervisors and managers in the factory should do a performance review periodically. It is suggested to do it at least semi-annually. The aim of such review is to provide a clear view of how the employee is progressing towards their goals and to offer an opportunity for corrective action. The review involves the following activities:

- The supervisor reviews and assesses the employee's performance according to the agreed result and competency objectives.
- The employee and supervisor conduct performance review meeting to discuss progress made toward achieving goals as well as additional effort, support and/or resources needed.
- The supervisor provides a formal summary and record of the employee's performance for the reporting period in relation to the performance objectives and targets agreed.

Rating performance

The performance of a worker on each performance objective/criterion can be rated as one of the five rating categories as defined below:

Score	Rating	Definition
5	Exceptional	Performance is consistently superior and significantly exceeds target/standard
4	Highly Effective	Performance consistently meets and often exceeds target/standard
3	Proficient	Performance consistently meets target/standard
2	Inconsistent	Performance is slightly below target/standard
1	Unsatisfactory	Performance consistently/significantly fails to meet minimum target/standard



Self-appraisals

An option that factories can consider when their performance management system is already advanced are self-appraisals. Self-appraisals are an important tool to promote ownership among the workforce. They allow employees to make a self-reflection on their achievements, difficulties and opportunities while performing their daily tasks. Moreover, it is a helpful tool for the supervisor/manager to compare impressions and hold the discussion during the performance appraisal. It is recommended to provide a self-appraisal form (*see Annex IV*) to the employees right before their appraisal meeting, clarify the purpose of the form and give them enough time to fill it in. It should be pointed out that employees may have a different perception of their own performance than the impressions from the supervisor/manager and the available data. Therefore, it is crucial that the manager is aware of these differences, can provide a fact-based explanation to the employees for the differences in ratings where necessary and also be ready to review his/her own assessment based on the discussion with the employee.

Review and approval

The completed performance appraisal form has to be reviewed with and approved by the next higher level of management, dated, signed, and returned to the appraising supervisor. By signing the form, this level of management indicates concurrence with the content of the form and any recommended actions.

Signature

The performance appraisal form should be signed by all the parties involved i.e. employee, supervisor/manager, next level manager. An employee's signature does not mean he/she agrees with the evaluation results. It indicates that the worker and supervisor met to discuss the performance review. If a worker refuses to put his/her signature, it is recommended that the supervisor notes the employee's refusal on the form.

Deadline

A stipulated deadline has to be set for performance appraisals. Deadlines not being met should be considered unacceptable performance by the supervisor/manager in charge and taken into account in the assessment of his/her performance. In addition, supervisors/managers must complete the

evaluations of their employees they manage/supervise before their own is signed off by their supervising managers.

Appeal procedure

If employees do not agree with their performance appraisal results and the issue can't be handled through discussion with their immediate supervisors, they can appeal for reconsideration through the following steps:

- Report the case to the next level manager/supervisor in a written letter expressing their complaints.
- Within a few days of receipt of the letter, the skip-level manager/supervisor investigates the causes of the conflict with both the affected employee and its supervisor/manager. Depending on the matter, he or she may also advise both parties. If the complaint persists, the skip-level manager/supervisor makes a final and binding decision.

3.5. Stage 5: Performance Interventions

The results of the performance appraisal should be the basis for rewards and corrective actions in the factory.

Rewarding high-performing employees

During the appraisal process, top performers can be identified. Supervisors/managers should notify the next level manager, who in consultation with top management will make the final selection of those entitled to a reward and also determine the type of rewards.

The retention of top performers is of crucial importance in the factory and they should be recognized and rewarded for their performance, based on objectives and competencies.

The reward can be granted either as a promotion, salary increase, bonus (performance pay), or a combination of the them (depending on the particular circumstances of each staff member). Recognition for performance is not always monetary and good performance should be rewarded immediately, providing recognition (public or private) when it is due.

Addressing unsatisfactory performance

Managing poor performance is an integral part of the factory performance management system. It looks forward to what can be done by individuals to overcome performance problems and, importantly, how managers and supervisors can provide support and help. Poor performance can be addressed using the following procedures:

- **Formal poor performance counselling sessions:** In these sessions, problems of poor performance need to be identified and agreed on between the supervisors and employee. These problems may include different reasons such as not receiving adequate support or guidance, not fully understanding expectations, lack of ability/skills or unwillingness to perform. Counselling is provided depending on the reasons discussed and employees are

made aware again of the potential consequences of not complying with performance requirements.

- **Performance Improvement Plan (PIP):** An improvement plan should be devised and agreed on to assist the employee in achieving the required objectives and give a fair opportunity to improve performance. The plan should indicate the performance problem, an action plan, a target date and monitoring remarks. This plan should be specific and results-oriented with measurable outcomes to be achieved within a reasonable time period.
- **On-going monitoring and support:** Adequate instructions, coaching and training should be provided to ensure that the employee is able to meet his/her objectives and targets.
- **Formal disciplinary measures:** If performance does not improve, a series of graduated disciplinary measures should be considered. The following is a guide to taking disciplinary measures on the basis of unsatisfactory performance:
 - If a worker obtained unsatisfactory performance for two consecutive review periods, the worker will be given final warning in a formal letter of warning.
 - If a worker failed to improve his/her performance and obtained unsatisfactory performance for two consecutive review periods as a result of his/her refusal/negligence to take the opportunity of training, counselling, guidance and coaching prepared by the supervisor, the worker can be dismissed on grounds of unfitness or incapacity to carry out his or her duties.
 - If a worker obtained unsatisfactory performance for three consecutive review periods, the worker is either demoted to a lower grade position or dismissed on grounds of unfitness or incapacity to carry out his or her duties.

4. Performance Documentation

Documenting performance is necessary as it allows the factory to have records of the discussions held regarding the performance of employees, what topics were included, what progress has been made towards the goals in the performance plan, what issue arose and whether they were address and how. Therefore, as already briefly mentioned above, throughout the performance period, record of important events and achievements should be collected and kept by the supervisor/manager.

The supervisor/manager must determine what data to collect along with all the potential sources of information to be assessed, including, colleagues, employees, periodic written reports, productivity records, incidents and observable employee behaviour. Some ideas of what to document are presented below:

- Discussions held with the employee regarding their performance. It is necessary to document exactly what the employee did and said and what the supervisor/manager did and said in response.

- Both positive contributions/improvements/achievements and failures in performance (including reasons for failure both from employee perspective, management perspective) with corresponding supporting examples and data.
- Any agreements made during the discussions/conversations, including goals set, corrective actions discussed and agreed upon, timeline for improvements.

Records related to performance should be maintained regularly as they happen in, for example, the Performance Log (*a template is available in Annex III of this chapter*). In the case of negative feedback, it is particularly important that supervisors and managers make efforts to express observations as neutral facts rather than judgements and support these observations as much as possible with specific examples and data. This will make the observations more accurate and evidence-founded, which will contribute to having more accurate performance assessments.

In addition, to regular maintenance of the performance documentation, it is important to ensure that all participants in the performance review process sign relevant documents.

The completed performance planning and review form for each staff member is part of his/her official personnel file. Copies of the final form will be distributed to the employee; supervisor/manager and attached to the staff member's personal file by HR Department.

5. Implementation and enforcement of Performance Management

- Ensure that *HR trains, coaches and supports all departments* while they develop their performance plans. The role of HR is especially important in the first stages of introducing a performance management system in the factory.
- Set up *clear timelines and deadlines* for the development of the performance plan and performance appraisals.
- Ensure that *employees are always actively involved* in the process of defining their performance objectives and targets. This is a crucial basis for all the process that will help prevent conflicts, promote transparency and create an overall sense of fairness while increasing employee's sense of responsibility and ownership.
- When defining performance objectives and targets keep them *real and achievable*. Setting unrealistic goals can create a great deal of frustration and unhappiness in the employee and, as a result, negatively impact their motivation.
- If there are major changes in the organisation, job objectives can be amended (after approval of all involved parties) to respond to those changes.
- Address problems with low performers but *do not forget about high performers*. They are the ones who contribute the most to the factory goals and also the ones more likely to be wooed away by competitors. Managers and supervisors must spend time talking with high performers about their goals and how the can the factory help achieve them.

- *Integrate performance management into daily work.* Performance management is an ongoing process and the best performance managers constantly solicit, give, and receive feedback.
- Do not forget to *train and coach supervisors and team leaders* i.e. anyone in charge of the performance management of others, in communication skills. This will help to prevent conflicts, ensure that feedback is given on time, increase confidence and improve the work atmosphere.
- Always *link promotion to performance*. Beware of the fact that many supervisors do not want to let go of their best workers, and therefore, may not give them the chance to grow in the factory. Ultimately, this leads to demotivation, lower performance and leaving the factory. Good performance management systems in place prevent this from happening.
- Remember that performance management is a skill that takes time to build and refine. However, the results brought about by a well-implemented performance management system are more than worth the effort.

The activities, primary responsibilities, sign-off requirements and the supporting tools and templates employed in the above five stages of performance management process is summarised in the following table.

#	Activity	Primary responsible party(ies)	Supporting tools and templates	Sign-off requirements
1	Cascade factory goals and plans	<ul style="list-style-type: none"> ○ Top Management 		<ul style="list-style-type: none"> ○ Not Required
2	Prepare Individual performance plan	<ul style="list-style-type: none"> ○ Immediate supervisor ○ Employee ○ Reviewer (Next-level manager) 	<ul style="list-style-type: none"> ○ Individual Performance Plan Template (<i>Annex I</i>) ○ Development Plan Template (<i>Annex II</i>) 	<ul style="list-style-type: none"> ○ Immediate supervisor ○ Reviewer (Next-level manager) ○ Employee ○ HR unit
3	Ongoing coaching & feedback	<ul style="list-style-type: none"> ○ Immediate supervisor ○ Worker 	<ul style="list-style-type: none"> ○ Performance Log Template (<i>Annex III</i>) 	<ul style="list-style-type: none"> ○ Not required
4	Performance review	<ul style="list-style-type: none"> ○ Immediate supervisor ○ (Reviewer) Next-level manager ○ Employee 	<ul style="list-style-type: none"> ○ Performance Log Template (<i>Annex IV</i>) ○ Self-appraisal Form (<i>Annex IV</i>) 	<ul style="list-style-type: none"> ○ Immediate supervisor ○ Reviewer (Next-level manager) ○ Employee
5	Performance intervention	<ul style="list-style-type: none"> ○ Top Management 	<ul style="list-style-type: none"> ○ Not required 	<ul style="list-style-type: none"> ○ Top Management

Annex I: Performance Planning and Review Form

This performance planning and review form is divided into 3 sections. Please use the guidelines as described below in completing the form.

Section I: Result Objectives

- **Objective:** Write an objective statement consistent with the SMART model: Specific; Measurable; Attainable; Relevant; Time-framed.
- **Weight/Priority:** Enter the importance/priority weight.
- **Metrics and Milestones:** Identify agreed upon measures and milestones that will define successful performance.
- **Target Level:** Original score: Please enter the employee's target performance score on the original measurement scale (e.g. in hours, number etc.) for the quarter of the year.
- **Actual Level:** Original score: Please enter the employee's actual performance score on the original measurement scale (e.g. in hours, number etc.)
- **Rating:** please enter the appropriate rating (1 or 2 or 3 or 4 or 5) considering the achievement on the original score and the rating scales and standards defined. The ratings are defined as follows
 - **Exceptional (5):** Exceeded all expectations, measures, targets for the objective.
 - **Highly effective (4):** Exceeded most expectations, measures, targets for the objective.
 - **Proficient (3):** Meet all expectations, measures, targets for the objective.
 - **Inconsistent (2):** Met most but not all expectations, measures, targets for the objective.
 - **Unsatisfactory (1):** Failed to meet expectations, measures, and targets for the objective.

Space is provided for the supervisor to provide comments and examples to support the rating.

Name of employee:		Employee ID:		
Job Title:				
Work unit:				
Supervisor:		Performance Period:		
Next Level Manager:				
Performance on Result Objectives				
Result Objective 1:		Weight	Aligns to ...	Metrics and Milestones
Review period	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Target Level				
Actual Level				

Rating				
Observations & Comments (Optional):				
Result Objective 2:		Weight	Aligns to ...	Metrics and Milestones
Review period	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Target Level				
Actual Level				
Rating				
Observations & Comments (Optional):				

(Add objectives as required)

RATINGS SUMMARY - by Result Objective

Objective	Weight	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Average
Objective 1:		Weight x Rate	Weight x Rate	Weight x Rate	Weight x Rate	
Objective 2:		Weight x Rate	Weight x Rate	Weight x Rate	Weight x Rate	
Quarterly/ Annual weighted score						

E.g. Result objective total of all weights can be = 60%.

Section II: Planning and Evaluating Competencies

- In this section the supervisor identifies relevant sets of core, technical and managerial competencies required of the employee according to their grades and in accordance with the competency framework (if any) of the factory.
- The proficiency level of each competency shall be inserted in the form drawn from the competency framework.
- Each competency objective shall be rated using the standard scale as provided in this manual.

Competency Objectives				
Competency 1:			Weight:	
Review period	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Rating				
Weighted score				
Observations & Comments (Optional):				
Competency 2:			Weight:	
Review period	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Rating				
Weighted score				
Observations & Comments (Optional):				

E.g. Competency total of all weights can be = 40%.

Section III - Overall Rating

Use this space to describe the overall performance rating for the review period incorporating both result objectives and competencies.

Overall Performance Rating			
	Results objective (Weighted Score)	Competency (Weighted Score)	Overall Score
Quarter 1			
Quarter 2			
Quarter 3			
Quarter 4			
Annual Average			

Section IV - Overall Performance Appraisal Summary

- Supervisor/Manager comments- A section is also provided for the supervisor to comment and explain the overall rating given to the employee. For an overall rating of “exceptional” or “unsatisfactory,” the supervisor must provide expanded information why the employee warrants the highest or lower score in our performance rating system. This information should be detailed.

- **Employee Comments** – All employees have the right to add comments concerning their annual reviews. Such comments may include acknowledgement or disagreements with the performance ratings given by the supervisor. Prior to affixing signatures, the supervisor should ask the worker if they wish to add comments.
- **Signatures** – In this final section, space is provided for three signatures: the employee, the supervisor who conducted the performance review meeting and the next level supervisor or administrator charged to sign off on the performance review. An employee's signature does not mean they agree with the evaluation results. It indicates that the employee and supervisor met to discuss the performance review.
- **Distribution of the Form** – Once all signatures have been affixed, distribute copies to the worker, the supervisor and HR function.

Overall Performance Appraisal Summary
Comments
Supervisor Summary Comments:
Write quarterly or year-end
Employee Comments (if any) from Feedback/ Review Discussion:
Write quarterly or year-end
Manager Summary Comments:
Write quarterly or year-end
Signatures

Performance objective agreement			Quarterly/ Annual Review							
	Signature	Date	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
			Sign.	Date	Sign.	Date	Sign.	Date	Sign.	Date
Employee										
Supervisor										
Next level Manager										

Annex II: Individual Development Plan Form

Name of employee:			Job Position:		
Work unit:			Supervisor:		
Employee ID:					
Performance period:					
Identify critical development activities for the upcoming year that the employee will participate in to improve his/her performance and behaviour.					
Development Activity	Description	Hours	Date	Place	Success Indicator
Signatories					
Employee Name		Signature		Date	
Supervisor Name		Signature		Date	

Annex III: Performance Log

Performance Log Sheet		
Name of Employee:	Job Position:	
Work unit:	Supervisor:	
Employee ID:		
Performance period:		
Identify critical development activities for the upcoming year that the employee will participate in to improve his/her performance and behaviour.		
Date	Event description	Remark (Positive, Negative or Can't Say)

Annex IV: Self-appraisal Form

Name of Employee:		Job Position:				
Work unit:		Supervisor:				
Employee ID:						
Performance period:						
Objectives Result						
Please list the result objectives set in your performance plan for the performance period, and evaluate your achievement/performance on each objective on the following scale:						
Score	Rating	Definition				
5	Exceptional	Performance is consistently superior and significantly exceeds target/standard				
4	Highly Effective	Performance consistently meets and often exceeds target/standard				
3	Proficient	Performance consistently meets target/standard				
2	Inconsistent	Performance is slightly below target/standard				
1	Unsatisfactory	Performance consistently/significantly fails to meet minimum target/standard				
Result Objectives	Self-evaluation				Comment	
	1 st Q	2 nd Q	3 rd Q	4 th Q		
Write your evaluation of your own overall achievement of the result objectives for the period:						
Competencies						
Please list the relevant competencies for your position from the Competency Framework of the Factory, and assess yourself on each of them on the following scale: Outstanding, Fully Competent, Needs Improvement, or unsatisfactory.						
Competencies		Self-evaluation				Comment
		1 st Q	2 nd Q	3 rd Q	4 th Q	
Write your evaluation of your own overall achievement of the competence objectives for the period:						
Expectations						
What are your expectations for the next appraisal period?						
What can your supervisor do to help you achieve your future result and competence objectives?						
What are your plans for the next appraisal? Please be clear and concise.						

Signature: _____

Chapter 6: Compensation

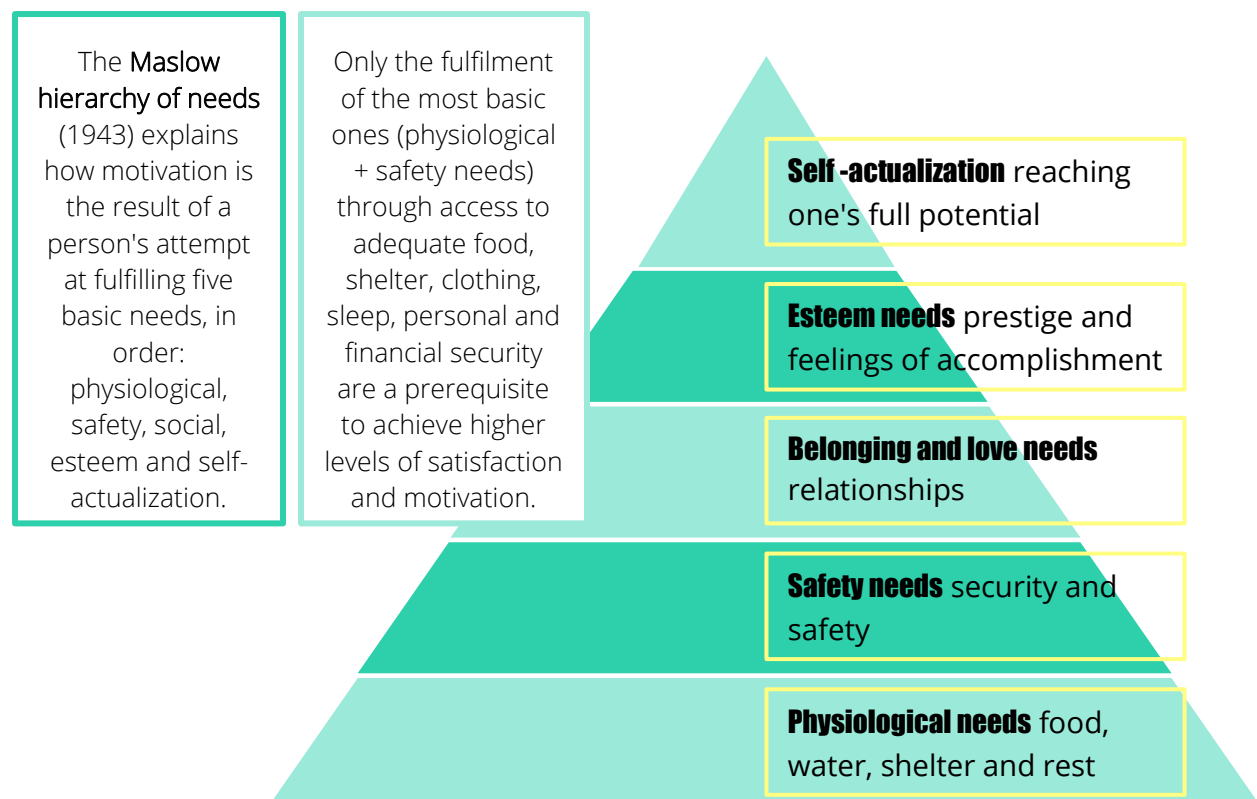
Defined in its broadest sense, compensation is any reward or payment given to a worker for services performed. It includes wages, salaries, commissions and bonuses, plus insurance and other types of indirect monetary benefits.

Compensation is a basis for worker satisfaction and therefore will play a great role in retention, motivation, productivity, a harmonious working space, and everything that relates to the success of a factory, an industrial park and generally speaking a country's economy. When workers' compensation cannot cover living expenses and pay bills, dissatisfaction and hence absenteeism and turnover will be the necessary result. Dealing with the cause is better than the symptom for sustainable effect.

1. The central role of compensation

Salary and wages are the main potential conflict area for any factory that wants to start and continue operations in Ethiopia, as in every other country. Not only is it relevant to workers and factories, but for the entire international community.

The reason is simple, without compensation that covers basic needs, workers won't have access to the quantity or quality of food they need, a safe shelter where they can rest, buy the goods required for a decent standard of living (clothes, hygienic products, medicines, etc.). This will necessarily end up in bad performance in the factory, demotivation, absenteeism, high turnover and conflict.



However, to increase the salary does not automatically solve the workers' challenges. Factors such as weak financial management from the side of the workers, peer pressure to share the wages they get, inflation rates especially in areas near Industrial Parks might end up making salary increments meaningless. The focus therefore should not only be on setting up higher salaries, but on *taking a holistic approach to provide benefits that improve the workers living conditions*.

Setting up a competitive compensation scheme will help factories to:

- Attract a sufficient number of qualified workers to fill factory positions
- Increase worker satisfaction and ownership
- Retain workers and decrease turnover rates
- Motivate workers to perform to the fullest extent of their capabilities
- Improve the positive image of the company among workers and the community

This chapter focuses on two aspects of compensation:

- 1) How to set up competitive salaries
- 2) How to provide benefits that increase the overall well-being of workers



Living wages

A 'living wage' is the minimum income necessary for a worker to meet the basic needs of himself/herself and his/her family, including some discretionary income. This should be earned during legal working hour limits (i.e. without overtime). Agreement on a 'living wage' should be reached through good-faith negotiations between the employer, employees and their legitimate representatives, preferably through collective bargaining at both industry and national levels.

2. Setting up a competitive salary

A pay structure has to enable factories to successfully compete in the labour market and be able to attract, motivate and retain required workforce by ensuring the right balance between internal equity, providing equitable and consistent reward on the basis of each individual's performance and responsibilities, and the market rate. Setting a fair pay structure which is equitable internally and against competitors is a critical issue in encouraging the performance and stability of the workforce in the factory. Factories' guiding principles in developing salary structure should be the following:

- *Equal compensation for equal work*. This does not affect distinctions made based on factors such as qualifications and experience.
- Compensation must be *comparable to the one offered by other factories* inside the park and other companies in the surrounding areas.
- Salaries should consider any loss of *purchasing power* due to changes in the market factors e.g. inflation.

- The salary structure should properly *reflect differences in responsibilities, complexity and workload* for each position.
- Performance improvement should be driven through *performance-linked incentives* (variable pay)



ILO Safeguards on Wages

- Adequacy of wage: The minimum wage paid (whether a fixed wage or piece rate) should be adequate to meet the needs of workers and their families, taking into account, as far as possible and appropriate in relation to national practice and conditions:
 - ☞ the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups;
 - ☞ economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment;
 - ☞ changes in the cost of living and other economic conditions.
- Payment in legal tender, made directly to the worker: Wages payable in money should be paid only in legal tender and paid directly to the worker. Payment should not be made in the form of promissory notes, vouchers or coupons. Workers must be free to dispose of their earnings as they choose, although voluntary thrift may be encouraged. If permitted by national laws or regulations, collective agreements or arbitration awards, wages may be partially paid in the form of allowances in kind where payment in the form of such allowances is customary or desirable, provided that they are appropriate and beneficial. The value of any payment in kind should be assessed at reasonable market prices.
- Transparency of payment calculation: Payments should be transparent, showing clearly the gross wages, any deductions taken and for what purpose, and net wages due. Deductions from wages should occur only if prescribed by national laws or regulations or fixed by collective agreement or arbitration award. Deductions for loss or damage to goods should be made only in cases where it has been proven that the worker is responsible. Workers should be informed in writing of any deductions made. No deductions should be made for the purpose of obtaining or retaining employment, paid either to the employer or an intermediary.
- Regularity of payment: Wages should be paid regularly. Upon the termination of a contract of employment, the worker should be paid a final settlement of all wages due within a reasonable period of time having regard to the terms of the contract.
- Equal pay for work of equal value: Rates of remuneration should ensure equal remuneration for men and women workers for work of equal value.
- Limits and conditions for deductions for provision of commodities or services by the undertaking: Any commodities sold or services provided by the undertaking should be provided at a reasonable price. Stores established and services operated by the employer should not be operated for the purpose of securing a profit but for the benefit of the workers concerned. There should be no coercion involved in the purchase of goods or services.⁴

⁴ Source: https://www.ilo.org/empent/areas/business-helpdesk/faqs/WCMS_DOC_ENT_HLP_WAG_FAQ_EN/lang-en/index.htm

Setting up a competitive salary scale involves 3 major stages:

2.1. Stage 1- Job analysis and grading

This process involves analysing and describing every position in the factory to then rank and grade them as a basis for remuneration structuring. The aim of this stage is to:

- Identify and eliminate salary inequities and create a fair and equitable salary structure;
- Provide an accurate way of measuring existing, new and/or modified jobs;
- Develop and implement a consistent practice to regulate job grading; and
- Ensure that job descriptions are consistent with job evaluation factors.

In doing this, it is advisable to consider factors such as complexity, knowledge and skill requirements, and workload of the position.

All employees should be set in the corresponding grade as soon as they start working in the factory.

The upgrade to a higher position should be in line with performance, acquisition of new responsibilities, skills or knowledge.

A worker promoted to a position of higher responsibility will be entitled to a salary increase appropriate to the salary scale level for the new grade into which they are promoted.

2.2. Stage 2 - Setting a competitive salary scale

After developing an appropriate job grade structure, the next step is setting up a competitive salary.

Key steps to be considered are:

- Review and understand the current factory pay scale (if no pay scale has been developed yet, develop a plan to do so)
- Analyse the relation between the factory's current salary scales and those of the competitors
- Establish a system to continuously monitor the living costs in the area
- Set a factory pay policy for revised or new salary scale design. The policy should answer how the factory wants to position itself against the market or competitors
- Develop incentive schemes for critical job families.

There are two common approaches that factories can use to design their salary structure:

- **Strict market matching:** In this approach, the only relevant decision required is the desired market positioning that would enable the factory to remain competitive in the job market, therefore, salaries are set by evaluating market pay levels. The desired positioning with regards to competitors can be the same for all grades and positions or differentiated by position (e.g. higher than market values for more critical positions and market average for other positions). This method requires a significant

Setting up salary scales can be done as a joint effort of all the factories in the industrial park, provided that their manufacturing processes are similar. In particular, they could set up a park system to monitor living costs in the area, and agree on a joint basic increment procedure e.g. annual wage increase to balance local inflation.

accuracy of market data and constant monitoring of market salary changes. Moreover, this approach provides a less structured way to managing careers, promotions and salary increases which are key to promote motivation, performance and satisfaction in the workforce.

- **Predefined parameters:** The second approach, which is common and fairly reasonable in the Ethiopian market context, is to use predefined parameters that will govern the design of the salary structure. Like the first approach, this approach also starts with a desired market positioning relative to selected market competitors. However, the market positioning consideration is only one of the design factors in this approach, among many others. To ensure equity and transparency, this approach defines appropriate salary differentials and salary ranges for the new salary scale. The advantage of this approach is that it provides a structure for promotions and career development in the factory.

2.3. Stage 3: Salary administration based on the Labour Proclamation

Workers' salary may be adjusted annually based on the performance/profit of the factory. In Ethiopia, wage is protected against deductions, attachment, and set-off by the employer.

Deductions are only exceptionally allowed in the case of: authorisation by law e.g. for tax purposes, court order, collective agreement (if any) or work rules, or when there is a written agreement of the worker.

- **Payroll deductions:** A factory is required to withhold statutory deductions and relevant taxes from each worker's gross salary. In addition, deductions will be made from a worker's salary for benefits such as pension contributions and advances (see below). Workers should complete the necessary paperwork authorising the HR Department for these deductions either when they start working at the factory or when the deduction will occur i.e. in the case of deductions for salary advances. All changes to the payroll must be done in writing through a pay change advice.
- **Salary advances:** A salary advance may be granted to a worker owing to unforeseen circumstances which place him/her in a difficult financial position requiring assistance from the factory. All salaried workers are eligible for salary advance approved by the HR Manager subject to:
 - A worker not having any major previous salary advance or disciplinary case.
 - The recovery of the advance has to be made within twelve months and within the contract period.
 - Workers are expected to ensure that they comply with the one third (1/3) rule: their total deductions cannot exceed two thirds (2/3) of their basic salary.
- **Overtime Payment:** Following the labour proclamation, the rate of overtime payment varies according to the dates and times in which the overtime is made:

Time of work	Amount to be paid
Day time or evening work	$1.25 \times \text{hourly wage rate}$
Night work	$1.5 \times \text{hourly wage rate}$
Work on Rest day	$2.0 \times \text{hourly wage rate}$
Work on Holiday	$2.5 \times \text{hourly wage rate}$

The Ethiopian labour proclamation also states that:

- Overtime can only be done on compelling grounds: accident, force majeure, urgent work and substitution of absent workers;
- Expressed instructions for overtime work from the factory are required (workers cannot just spontaneously work overtime);
- The maximum number of overtime hours permitted by law is limited to 2 hours per day, 20 hours per month and 100 hours in a year.

3. Workers Benefits

A benefit is any financial instrument except basic salary that accrues to a worker by virtue of his/her employment and/or rank in the factory. Specific benefits are stipulated in contracts and collective agreement (if existing). The benefits that are applicable in a factory are:

- Pension Fund (mandatory, as per Ethiopian Labour Proclamation)
- Rest Period and Leave. (mandatory, as per Ethiopian Labour Proclamation). *Because of the special nature of leave, it is described in detail in the next chapter.*
- Provident Fund
- Medical benefit
- Allowances such as transport, housing, food, and other allowances depending on the industry and position.
- Incentive schemes such as attendance and performance bonus

Medical Benefits

The medical benefit scheme can provide different types of medical coverage and/or attention:

- May cover inpatient, outpatient, and maternity expenses;
- Should specify ailments or conditions to be covered; and
- Should define the limits of entitlement for inpatient, outpatient and maternity expenses.
- Should state the ceiling amount for medical coverage in terms of ETB.

A factory can cover medical expenses based on refund of actual expenses, in their own facilities in case they have a clinic or through a company contracted medical service provider (on-site clinics, contracted /outsourced private clinics or referral hospitals, for more serious cases).

Pension Scheme

Workers who have completed the probation period of 45 days are eligible for the factory's pension scheme in line with what is stated in the Social Security Proclamation for private workers in Ethiopia.

- **Registration:** Companies shall submit to the government authorities copies of its establishment law, personal data of its employee taken at the time of first employment, letter of employment issued to the employee and other particulars.
- **The time limit for submission of data:** the registration shall be made within 60 days from the date of establishment or employment.

Allowances

Allowances can be a major component of the total compensation package. In order to guarantee workers physiological wellbeing and safety, it is recommended that these allowances are provided in kind. As stated before, allowances paid in cash might end up being used for other urgent matters, being shared with the family, or being insufficient to cover rising prices in the IP area. The factory should provide the allowances listed below.

- **Transport Allowance:** Providing transport allowance or service has a significant positive impact on the performance of workers by reducing tardiness and absenteeism and making workers safe. Factories are strongly advised to provide the transport allowance in kind. Centralising the IP's transport services can be an option for all the factories in the IP.
- **Food Allowance:** Workers' nutrition has a direct impact on the level of their productivity and motivation. Therefore, providing food allowance enhances (and in many occasions enable) workers' productivity. To this end, factories are highly recommended to provide at least one meal per shift to workers, either in their own canteens or organising a park centralised meal service.
- **House Allowance:** The establishment of an industrial park requires thousands of workers to move to an area. As a result, housing prices increase, making it very hard for workers to have access to decent housing. This is a major contributor to turnover, tardiness, and low productivity. To this end, it is advisable that factories consider this and work out solutions to this problem. Although a housing allowance paid in cash could help the workers to have access to better housing, this can just further contribute to the speculation and rising prices of rent. It is recommended that the IP and/or factories provides housing for the workers which would have a very positive impact on retention and on workers safety and living conditions.

4. Incentive schemes

Incentive schemes don't have to be used to reward people only for doing their job as expected by their contracts. Bonuses are meant to reward employees for performing *beyond the expected or planned*.

Some of the aspects to be rewarded can be:

- **Loyalty:** when a worker with good performance stays in the factory over a time period (the benchmark must be defined by the factory)
- **Skills:** when a worker can perform several different tasks.
- **Performance:** producing more than planned by individual effort and/or teamwork.
- **Attendance:** unblemished attendance over a period of time

Whereas factories are encouraged to develop schemes that reward loyalty and skill development, attendance and performance should be included in the compensation from the beginning. They help to promote a working culture in which responsibility, performance and motivation are considered of high value and therefore rewarded. In the context of Ethiopia, where industrial culture is only starting and many workers are experiencing the pace and requirements of manufacturing for the first time, the bonuses can be of great help.



Bonus schemes are not a magic cure for low performance, nor are they an alternative to good overall practices. Low productivity can be a result of a combination of reasons that also need to be addressed to improve performance, including communication and leadership issues, lack of training and skills, a negative working environment, etc. If the roots of low performance are not addressed, incentives for themselves will not have the expected results.

4.1. Attendance

For the attendance bonus, factories should set up a minimum standard for acceptable levels of absenteeism. Based on the standard, those who qualified for it have to receive the reward at the end of the month.

Factories are recommended to set up their attendance incentive from early on, as this is a common practice in Ethiopia.

It is important to create a clear and transparent structure for the computation of the attendance bonus, and to have a good communication strategy towards the workforce. Based on the current practice the following attendance bonus is recommended for operators in the factory.

Factories should follow their own criteria to define the amount of payment and how will it be done. Both authorized and unauthorized absences are counted as an absence for attendance bonus.

4.2. Performance bonus

There are various ways of setting up performance incentive schemes, but all of them require that the factories are clear about their performance of goals indicators. In order to define and set up a performance bonus/ incentive, the factories can follow the next steps:

4.2.1. Step 1: Identifying job families

A factory has to identify those critical work segments or job families that are eligible for performance bonuses. A simple table like the one below can help to identify eligible job families.

Department /Function	Positions
	Manager
	Supervisor
	Officer
	Operator

Not everyone in the factory needs to be entitled for a performance bonus. The job families that are most relevant for the achievement of the factory objectives should be prioritised.

4.2.2. Step 2: Designing a performance incentive framework

The factory needs to consider a number of dimensions in designing a performance bonus framework. The most important dimensions are summarised below.

Dimension	Key question	Example options
Eligibility	Which worker categories should be eligible for the programme?	All workers, supervisors, managers, middle managers, operators, etc. (if applicable)
Pay mix	What should be the relative share of the bonus out of the total pay or relative to annual base pay?	Percentage of variable pay out of total pay e.g. 8 to 10 % of total pay.
Plan Format	What format should the plan have?	Commission, Bonus, Matrix/Pool e.g. commission based on quantity of production relative to a certain daily or weekly standard.
Performance measures	What performance measures should be used? How can individual and group performance be incorporated?	Results vs. effort, Individual vs. group, absolute vs. relative to goal vs. relative to past performance e.g. highly interdependent roles and hence pay should be based on both individual and team performance
Pay-out timing / frequency	How frequently should the bonus be paid?	Annual /semi-annual/ quarterly/ monthly/ weekly. e.g. monthly paid with salary
Pay-out curve	How should the pay-out rate vary with level of performance?	Progressive, linear, regressive, mixed. E.g. pay starts only when a certain level of production quantity achieved, otherwise zero. Pay depends on personal and team performance.

The choice of a particular option in any dimension of a variable pay programme depends on consideration of different factors such as:

- Extent to which collaboration is needed in the factory.
- Extent to which an individual control the outcome of his/her action/decision.
- The sophistication of the HR and production function in the factory to administer the performance bonus programme.
- The need for ease of communication and understanding of the programme.
- Precision of forecasts and plans – including targets.
- The impact of factory-wide factors in enhancing performance.
- Nature of positions - some positions are relatively more critical in driving factory performance (e.g., operators, IE, etc.) and play a key role in driving the growth and productivity. Those could be entitled to a higher bonus. This helps to motivate these positions even more, as their role in fulfilling the objectives of the factory is recognised.
- Control on outcomes - positions that have greater control on the results of their actions and decisions (e.g. production) may be entitled to more variable pay in their compensation.
- Ease of measurement – positions for which accurate measurement of results produced by actions and decisions of position holders is easier (e.g. production) may a higher variable pay component in their total compensation.

Factories can consider to pay the performance bonus separately from the salary. This can help the workers understand that this is not part of their base salary but an award that they receive depending on their performance. Factories that have already implemented this method have proved to achieve better results.

Annex I of this chapter provides a template that factories can use to develop a performance incentive for a selected job family.

5. Communication of salary and benefits

Salary payment tends to be the main source of grievances in factories. This is in many cases not a consequence of the payment itself, but of bad communication and misunderstandings. Therefore, *factories have to invest time and effort in making sure that there is a good understanding of the compensation and how it is calculated.*

Clarity on the salary calculations has to be guaranteed from the beginning. During the onboarding period, this topic must be included, focusing on the differentiation of their wages, allowances and incentives and their calculation.

Workers have to receive their payslips monthly. Payslips must be written in a language that is understood by all the workers. If this is not possible, translations of the payslips should be easily accessible e.g. in posters on the production floor, outside HR office, entrance/exit, employee handbook. *Payslips should never be written in a foreign language.*

The knowledge provided during onboarding has to be reinforced after the workers start receiving their payments, so as to prevent feelings of unfairness and confusion about the salary, reinforce the importance of performance and attendance and how it reflects in their compensation, and guaranteeing that workers are aware of the benefits that the factory provides. Participatory trainings with role play, group works, presentation of cases for workers to analyse and understand are the most helpful. Classic classroom-style trainings that consist only of presentations are not as effective. *More information on training methods for adult learning can be found in Chapter 4, Training and development.*



Communication on salary and benefits is crucial to prevent misunderstandings and conflicts in the factory. Factories are recommended to implement all of the following measures:

- ☞ Include salary, benefits and incentives as a part of induction/orientation and reinforce the knowledge afterwards with participatory trainings
- ☞ Issue salary/ pay slips monthly that can be understood by the workers i.e. in their own language
- ☞ Include salary, benefits and incentive calculations as part of the employee handbook
- ☞ Visual communication in the production floors using posters explaining the pay slip.
- ☞ Prepare supervisors to be experts in all issues regarding compensation and how to communicate them to workers
- ☞ Develop strategies for the HR department to be prepared to answer more questions/ grievances after payday.

In addition to the trainings, the salary calculations and details on the payslip should be included in the employee handbook and should be visually communicated on the factory floors with posters, so that workers can check them whenever they are in doubt.

Supervisors, who are in charge of managing workers and are the first to be asked about salary issues, should be experts in explaining all the components of the salary to workers, along with labour law issues regarding salary payment. Factories should give intensive training to supervisors on this topic.

Finally, the HR departments should be ready to get questions and grievances from the workers during or immediately after the payday (even if these will not be as high if all the recommended measures are implemented). Different strategies can be implemented to ease the job of HR and prevent conflicts, such as offering a review session before the payday to workers, assigning a designated person to ask supervisors if any doubts have been raised after the payment, etc.

Annex I: Setting up the performance incentive

The following template can be used by factories as a tool to develop an incentive scheme for a selected job family. To facilitate the reading, production operations is used *as an example*.

This scheme is prepared for a job family in which both personal and team performance are critical and interdependent. Hence, a matrix plan is proposed in which the pay-out rate depends both on individual and team performance.

Components of the matrix

- Individual performance. The rows represent an individual's performance as measured by the weighted average of the person's achievement on key performance indicators for his or her position. A person's personal performance is measured relative to the target, where 100% represents full achievement of target. Note here that for any individual with more than one personal performance indicator, a weighted average of all personal performance indicators should be used. *For details about the setting up of performance indicators, refer to Chapter 5, Performance management.*
- Team performance. The columns represent team performance as measured by the achievement of team production targets.
- Definition of total payment: the combination of team and individual performance will define the final value of the performance bonus that the employee will earn, based on a percentage of their basic salary. This value is to be determined by the factories and can be found in the cells of the matrix.

Target group							
Production Operations							
Plan format							
Matrix plan with performance bonus calculation based on both personal and team performance							
Expected or average percent of incentive pay relative to total payment							
24% to 30% of total payment is expected on average.							
Outstanding cases will go up to 42%							
Pay-out level relative to performance							
Individual performance		Team performance					
		<80%	[80% - 90%)	[90% - 100%)	[100% - 110%)	≥110%	
	<80%	0	0	0	0	0	
	[80% - 90%)	0	12	15	18	21	
	[90% - 100%)	6	21	24	27	30	
	[100% - 110%)	12	27	30	33	36	
	≥110%	18	33	36	39	42	
Note: Both personal and team performance should be evaluated depending on targets. The numbers are provided arbitrarily for the sake of example.							
Pay-out timing							
Monthly							
Pay-out calculation							
Pay-out is calculated by multiplying the appropriate pay-out percentage with monthly gross salary- Pay-out rates specified in the matrix represent pay-out as a percentage of the monthly gross salary. The figure can be changed into payment per unit by converting performance goal percentage into number of units produced and dividing the amount of variable pay by the quantity of units produced above the target level.							
Pay determinants							
The matrix is defined relative to individual target (row) vs. team target (column) percentage achieved.							
Based on performance target level set (both individually and as a team)							

Please note: Based on the example above, the following general features of the incentive scheme are to be noted:

- The numbers at the intersection of the rows and columns are percentages of incentive payments relative to a position's gross salary for the period. In the proposed plan, the incentive pay-out rate is zero if either the actual team performance is less than 80 percent of the target or if the actual achievement of the individual target on his or her own KPIs is 80 percent or less than 80 percent of the target.
- If both the actual team and individual performances are above 80 percent of reference (target performance), a worker will earn a certain percentage of his or her gross salary for the period as incentive. However, the percentage of the pay-out depends on the particular configuration of the actual team and individual performance. For instance, if an Operator achieves 90-100 percent of target and the team also achieves 90-100 percent of target the Operator earns 8% of (depending on timing of pay-out) gross salary as an incentive pay. For a second example, if actual team performance is within 100-110 percent of target and if worker's Individual performance is within 80 to 90 range, an Operator receives only 6% of gross salary as incentive. The same procedure applies for the remaining combination of Individual and team performance levels. The procedure is just to locate the percent applicable for the Individual and the team performance ranges and apply that percent to the worker's gross salary or convert it into per unit of production pay.
- For a given level of team performance, the incentive pay rate increases as worker's performance on his or her own individual performance increases.
- For a given level of individual performance, the pay rate increases as the actual team performance increases. Nonetheless, at any one cell in the matrix, a worker will hit a better incentive rate by moving down to the immediate next cell in the same column rather than moving right to the immediate next cell in the same row. The implication of this is that a worker is rewarded for achieving both his own personal performance and his team's performance. But the reward for improving his or her own performance is higher than the reward he receives for improved team performance which is a collective achievement

Useful references

Factories can refer to the following books for consultation on setting up their compensation structures:

- Stress free performance appraisals, Sharon Armstrong and Madelyn Appelbaum, 2003
- Productive performance appraisals, Paul Falcone with Randi Sachs, 2007
- The Compensation Handbook, Sixth Edition: A State-of-the-Art Guide to Compensation Strategy and Design (General Finance & Investing)

Chapter 7: Leave management

1. The Importance of Leave Management

Leaves of absence are a fact of life. Proper leave management is necessary not only to comply legal obligations, but also, and equally importantly, to help the business operate more effectively and to address the employee's needs for time-off.

Over the past years, more data has come out supporting the benefits brought by granting extended leave to the employees. According to studies, taking periodic breaks allow employees to refresh and be more engaged at work, which, in turn, can lead to an increase in productivity of up to 30% and revenues for the organisation can triple.⁵ The benefits are, however, not limited to productivity. Encouraging employees to take time off helps improve employees' happiness, retention and prevent burnout.

Recognising the importance of giving time off to employees, the Ethiopian Labour Law entitles workers to paid leave.

2. Types of Leave

By the Ethiopian Labour Law, employees have the right to different types of leave. A summary of the types of leave can be found below. However, for more detailed information on the legal provisions regarding leave, please refer to the Ethiopian Labour Law.

Rest day

Although it is not technically a type of leave, employees have the right to at least one rest day per week. Normally, employees are not required to work on their rest day. Working on the weekly rest day may be allowed only for compelling grounds and payment for overtime work done on the rest period, as stated in *Chapter 6 Compensation under Overtime payment*.

Annual Leave

According to the Ethiopian Labour Law, every employee is entitled to paid annual leave.

Duration:

- The amount of annual leave depends on the length of service.
- One year of service entitles the employee to a minimum leave of 14 working days;
- For every additional year of service, the leave is 14 working days plus one working day for every additional year of service.

⁵ Achor, Shawn (2015). Are the People Who Take Vacations the Ones Who Get Promoted?, *Harvard Business Review*. Retrieved from: <https://hbr.org/2015/06/are-the-people-who-take-vacations-the-ones-who-get-promoted>

Payment:

- Annual leave cannot be converted into money. In cases of termination, however, the annual leave not taken by the employee shall be paid.
- The payment received during the annual leave has to be equal to the employee's normal payment (i.e. equal to what the employee would have received if he/she continued to work).

Sickness during leave: If an employee falls sick on annual leave, then sick leave applies.

Recall:

- An employee who is on annual leave may be recalled for compelling reasons.
- An employee who is recalled from leave is entitled to a payment covering the remainder of his/her leave, excluding the time lost for the trip.
- The employer shall pay the transport expenses incurred by the employee that has been recalled and also per diem.

Requesting leave: For each leave of absence, employees need to go through the formal procedure of filling leave (*please refer to the form attached as Annex I and II of this chapter*).

**Annual Leave for New Employees**

Employees who have less than one-year in the factories are not eligible for any paid annual leave.

However, this usually leads to an increase in the rate of unauthorised absenteeism. To manage this issue, factories should consider granting annual paid leave not after the first year but after the first 6 months in the factory.

Sick leave

- To be eligible for sick leave, an employee has to have completed the probation period.
- Sick leave will apply in cases in which the sickness is not resulting from employment injury/disease. In case the sickness is due to employment injuries, then the relevant provisions of the law apply.
- When the employee is absent due to sickness, he/she has to notify the employee the day following his/her absence. In addition, he/she needs to bring a valid medical certificate from a recognised health centre (health centre includes both private and public health centres) unless it is waived by the collective agreement.

The sick leave is for a maximum of 6 months. Payment during the sick leave is granted as follows:

Sickness Period	Amount
The first one month	Full wage (100%)
The next two months	Half wage (50%)
The last three months	No pay

Maternity leave

- Pregnant employees are entitled to time off for medical examinations connected to the pregnancy –provided that they present a medical certificate of the examination conducted. No deductions from the wage/salary can be made for this time off.
- Pre-natal leave: Pregnant employees are granted leave with pay for 30 consecutive days (1 month) preceding their due date.
- Post-natal leave: Pregnant employees are granted 60 consecutive days (2 months) of paid leave after giving birth.
- Other specific additional leave shall be granted upon doctor's recommendation. This leave shall also be paid.

The difference between pre-natal leave and post-natal leave is clearly stated in the labour proclamation and they are not interchangeable.

Holiday leave

Recognised public holidays are paid leave, meaning that wage may not be deducted. This includes as defined in the public holidays' proclamation.

Other holidays, including regional holidays, that are not included in the public holiday proclamation, are not considered as paid leave. Factories should be aware of these regional holidays and act at their own discretion.

Special leave (with pay)

For any of the following cases, the employee should notify the employer in advance and present the necessary evidence as requested by the employer.

- **Marriage of the employee:** The employee is granted 3 working days of paid leave.
- **Bereavement/ mourning:** The employee is granted 3 working days of paid leave in case of death of close/immediate relative
- **Union leave:** Paid leave is granted to trade union leaders for the purpose of presenting cases in labour disputes, negotiating collective agreements, attending union meeting, seminars, and training courses. The number of days for such leave is as required for the purpose.
- **Leaves for special purposes:** Paid leave is granted to employees who appear at hearings before court or labour enforcement organs or to exercise civic duty/rights (e.g. leave to vote in elections and testify in court). The amount of days for such leave is as required for the purpose.



Leave for Family Events

- 1) A worker shall be entitled to leave with pay for three working days when;
 - a) he concludes marriage; or
 - b) his spouse or descendants or ascendants or another relative, whether by affinity or consanguinity up to the second-degree dies.
- 2) A worker shall be entitled to leave without pay for up to 5 consecutive days in the case of exceptional and serious events.

Exceptional/personal leave without pay

An employee is entitled to leave without pay for up to 5 consecutive days in the case of exceptional and serious events.

Leave for national call

Employees are entitled to take unpaid leave for a national call (e.g. military), as needed, to enable them to fulfil their obligations.

Leave without pay by agreement

The employee may be granted, upon the discretion of the employer, unpaid leave for various reasons. Thus, when an employee's need for a longer leave cannot be entertained by the leaves discussed above, leave without pay can be arranged by agreement.

Study leaves

Study leaves may be granted but the specifics are to be regulated by collective agreements (if any) or work rules.

3.Unauthorised Leave

Unauthorised leave of absence is when the employee fails to come to work without a justifiable reason, thus it does not include any of the cases presented in the previous section.

Factories should be concerned about unauthorised leave, as a high level of can cause significant costs to the factory coming from disturbances in planning and not being able to meet targets due to lack of employees. Therefore, *managing unauthorised leave should be a priority for factories right from the beginning.*

The factory leadership and all supervisors down the hierarchy need to set the tone about unauthorised leave during the induction period, in refreshing trainings and through spontaneous reminders. After communicating a clear message, when unauthorised leave happens, the responsible supervisor needs to conduct return-to-work interviews, which can help identify reasons and work on preventive measures.

To manage unauthorised absence due to health-related issues, factories should include regular reviews with sick employees, planning workplace adjustments and involving occupational health professionals. In this way, factories can contribute to employees returning faster and preventing absences due to the same reason from repeating.

Other tools to manage unauthorised absence may include well-being surveys to acquire a deeper understanding of different factors that may influence unauthorised leave, such as employee satisfaction, well-being, levels of work stress experienced by employees and also conflicts at the workplace.

4. Enforcing the leave policy

During onboarding, all employees should receive, as a printed handout, the different kinds of leave to which they are entitled and the procedures for requesting them. *A sample is provided in Annex III of this chapter.*

In order to better manage employees' absence, *it is necessary to properly track each employee's combined authorised and unauthorised annual leave* (a simple Leave Summary is provided in Annex IV of this chapter for this purpose). This will help the factory understand how much time is lost per employee and may also contribute to calculating the costs incurred because of lost productivity, needs to reshuffle workers to cover for absent ones, etc. Monitoring and collecting absence related data can also help shed light onto the extent and cause of absence issues. All the information collected can, then, help the management to make informed decisions and build a strategy to manage absences more effectively.

The measures to be taken in case of unauthorized leave should be part of the disciplinary procedure of the company, where the detailed consequences of this type of absence must be clearly stated (Refer to chapter 9, Disciplinary procedure, Annex I "Guidelines for the classification of offences and progressive disciplinary sanctions"). Managers and supervisors have to enforce this policy from the beginning. Supervisors / managers should first talk to the worker to understand if there is any justification for the absence, and emphasise the importance of asking for leave. In cases of absence without acceptable reasons, a written warning can be handled to the worker. After 5 consecutive days of unauthorized leave, if there is no valid/acceptable⁶ reason from the side of the employee that justifies the absence, the company is allowed to dismiss the employee.



Useful absence measurements:

- ☞ Lost time rate (the percentage of possible working time lost to absence)
- ☞ Frequency rate (the average number of absence periods per employee).

Once leave is regularly tracked and analysed, trends can be identified to analyse causes and address the root of the problem, if any identified in order to take preventive measures.

⁶ Employers can ask for supporting documents to assess whereas an employee had an acceptable reason for the absence e.g. a letter written by local authorities or an informal support group (called "Edir") for mourning leave, medical certificates for sickness, court or police letter for any legal matters.

Annex I: Leave Request and Authorization Form

Part 1: to be filled by workers

Date: _____

Name: _____

Department/Function: _____

Leave Requested from (date): _____ to _____

Total number of working days: _____

Reason: _____

Type of Leave:

- | | |
|--|--|
| <input type="checkbox"/> Annual Leave | <input type="checkbox"/> Sick Leave |
| <input type="checkbox"/> Maternity Leave | <input type="checkbox"/> Wedding Leave |
| <input type="checkbox"/> Bereavement Leave | <input type="checkbox"/> Union Leave |
| <input type="checkbox"/> Other Leave (please specify): _____ | |

Applicant's Signature: _____

Date: _____

Part 2: to be filled by immediate supervisor

Approved as Requested: _____

Department/Function Manager's Signature: _____

Part 3: to be filled by HR

Carry over annual leave days from previous year:		
Current year annual leave entitlements:		
Annual leave days taken in current year:		
Annual leave balance:		

Annex II: Leave without Pay Request and Authorisation Form

(To be filled by workers)

Date: _____

Name: _____

Department/Function: _____

Leave without Pay Requested from (date): _____ to _____

Total number of working days: _____

Reason: _____

Applicant's Signature: _____

Date: _____

Comment of Immediate Supervisor: _____

Approved as Requested

Supervisor Signature

CEO/Chief Signature (if necessary)

Annex III: Types of leave

By the Ethiopian Labour Law, employees have the right to different types of leave. If any employee wants to apply for any of these leaves, **they must follow all the procedures set up by the factory to do so.**

PAID LEAVE	
<i>Employees receive their compensation while taking paid leave</i>	
Annual Leave	<p>Every employee is entitled to paid annual leave.</p> <ul style="list-style-type: none"> One year of service entitles the employee to a minimum leave of 14 working days; For every additional year of service, the leave is 14 working days plus one working day for every additional year of service. <p>To take annual leave, employees must notify the factory in advance.</p>
Sick Leave	<p>When the employee is absent due to sickness, he/she has to notify the employee the day following his/her absence. In addition, he/she needs to bring a valid medical certificate from a recognised health centre (health centre includes both private and public health centres) unless it is waived by the collective agreement.</p> <p>To be eligible for sick leave, an employee has to have completed the probation period.</p>
Maternity leave	<ul style="list-style-type: none"> Pregnant employees are entitled to time off for medical examinations connected to the pregnancy –provided that they present a medical certificate of the examination conducted. No deductions from the wage/salary can be made for this time off. Pre-natal leave: Pregnant employees are granted leave with pay for 30 consecutive days (1 month) preceding their due date. Post-natal leave: Pregnant employees are granted 60 consecutive days (2 months) of paid leave after giving birth. <p>Other additional leave shall be granted upon doctor's recommendation.</p>
Special Leave	<p>Special leave with pay can be given for the following reasons.</p> <ul style="list-style-type: none"> Marriage of the employee: The employee is granted 3 working days of paid leave. Bereavement/ mourning: The employee is granted 3 working days of paid leave in case of death of close/immediate relative Union leave: Paid leave is granted to trade union leaders for the purpose of presenting cases in labour disputes, negotiating collective agreements, attending union meeting, seminars, and training courses. The number of days for such leave is as required for the purpose. Leaves for special purposes: Paid leave is granted to employees who appear at hearings before court or labour enforcement organs or to exercise civic duty/rights (e.g. leave to vote in elections and testify in court). The amount of days for such leave is as required for the purpose. If they intend to take any of these leaves, employees must notify the factory in advance.

UNPAID LEAVE	
<i>Employees <u>DO NOT</u> receive compensation while taking unpaid leave</i>	
Exceptional/personal leave	<p>An employee is entitled to leave without pay for up to 5 consecutive days in the case of exceptional and serious events.</p> <p>Employees must notify the factory in advance.</p>
Leave for national call	<p>Employees are entitled to take unpaid leave for a national call (e.g. military), as needed, to enable them to fulfil their obligations.</p>
Leave without pay by agreement	<p>The employee may be granted, upon the discretion of the employer, unpaid leave for various reasons. Thus, when an employee's need for a longer leave cannot be entertained by the leaves discussed above, leave without pay can be arranged by agreement.</p>

Annex IV: Leave Summary Format

(To be filled by HR)

Department/Function: _____

Leave Summary for: _____ (Month), _____ (Year)

No	Name of Staff member	Leave of Absence	Sick Leave	Annual Leave	Wedding Leave	Mourning Leave	Maternity Leave	Leave without Pay	Unjustified Absence	Remark

Prepared by: _____

Approved by: _____

Chapter 8: *Grievance procedure*

A grievance is a complaint, dissatisfaction or feeling of injustice in connection with an employee's work and employment situation that is brought to the attention of management or the employer. The source of grievance may be general working conditions, harassment and discrimination (including sexual harassment and discrimination) or interpersonal relations within the organisation.

Factories typically put in place a grievance procedure to address employee concerns before they lead to more serious employee relations issues (dispute, court cases, strike and/or lockout), decline in motivation and employee engagement at their working place. The grievance procedure, when drawn up carefully and implemented consistently, lead to better workplace satisfaction and employee engagement as well as to more productivity. Moreover, management in factories can use the information obtained through the grievance procedure to come up with creative solutions to deal with issues that employees bring to management's attention.

Studies conducted on functioning grievance handling systems in factories⁷ have shown that the existence of an effective grievance handling procedure leads to:

- better relationships in factories
- more productivity
- lower absenteeism
- lower turnover rates

However, grievance mechanisms have to function well to achieve these results. Factories (not only in Ethiopia but all over the world) sometimes have grievance mechanisms that are just a formality to comply with client requirements. *Factories should not be proud "not to have any grievance", as this does not necessarily imply that employees do not have any issues to report, but in fact, that employees do not know how the procedure works or do not trust it.*

⁷ Fair Labour Association (2008). How a functioning Grievance procedure may positively impact a factory's performance; John F Kennedy School of Government, Harvard University (2008). Rights-compatible grievance mechanisms. A guidance tool for companies and their stakeholders.



Guiding principles for the establishment of grievance procedures, according to the UN Guiding Principles on Business and Human Rights

1. Legitimate: The grievance mechanism should be perceived as legitimate by the affected stakeholder groups (management, supervisors and workers), and should be jointly designed and overseen by the factory and those stakeholder groups concerned in order to generate trust
2. Publicised and accessible: The grievance mechanism should be publicised and readily accessible by all parties. Therefore, it should be available in all relevant languages spoken in a region
3. Transparent: The grievance mechanism should operate on a presumption of transparency of process (e.g. investigation) and results, while allowing for dialogue to remain confidential.
4. Based on engagement and dialogue: The grievance mechanism should focus on engagement and dialogue between the parties, with the aim of identifying sustainable, rights compatible solutions that are acceptable to all and that will contribute to a better working environment.
5. Predictable in terms of process: The grievance mechanism should provide predictability in terms of the key steps and options within the process should be time-bound where appropriate and provide for agreed outcomes to be monitored.
6. Fair and empowering: The grievance mechanism should seek to redress imbalances in power, knowledge and influence between the company and potential complainants to enable informed dialogue, a shared responsibility for outcomes and a process based on respect
7. A source of continuous learning: The effectiveness of the mechanism should be measured and cumulative lessons from complaints should be reviewed to identify systemic changes needed to either company practices or the workings of the grievance mechanism.

1. How to establish effective grievance handling systems

No matter which the grievance mechanisms established in the factory are, there are certain guidelines that can be followed in order to create effective, transparent, fair and empowering practices.

- There should be *commitment from factory management* to acknowledge and address employee grievances. Involvement of management in grievance process helps to give this process the importance it should have in the factory and guarantee that grievances will be used to improve factory practices at all levels. If management neglects grievances, it is likely that the grievance procedures will not be fully implemented will be ineffective.
- One grievance mechanism (i.e. the formal procedure that is usually set up in the factory) is usually not enough to address all the challenges and problems that can be channelled through grievances. Therefore, factories should have a *combination of informal method of addressing grievances* e.g. through communication with workers representatives, counsellors, team leaders or supervisor/manager *and formal methods of submitting grievances* through the use of anonymous methods e.g. suggestion box or grievance forms/letters.

- *Employees should be trained and encouraged to share their grievances and concerns.* Clear and consistent communication of procedures through onboarding, periodic refresher training and inclusion in the employee handbook must be provided. Moreover, a working environment that is open for suggestions and that values opinions of employees should be created in the factory. It should be clearly communicated to workers that grievances must be first raised and addressed internally, following the grievance mechanisms that the factory has established, before appealing to any other instance that is external to the factory.
- While all employees should receive training on grievances, factory key position holders should be prepared more thoroughly. *Team leaders, supervisors and managers must receive training on how to receive, address, solve, communicate and document grievances.*
- Workers representatives can help not only to address grievances, but also provide ideas on designing grievance mechanisms in a way that the procedures are adjusted to the needs of workers. *Workers representatives should also be trained in grievance handling and be involved in the process along with the management.*
- Once a grievance issue is solved, there should be a *timely, transparent and consistent feedback on the outcomes* of handling the grievance issue. It should be communicated to the employees concerned (if confidential in nature) and to the wider employee body (if the case affects all or a significant majority of employees).
- Grievances should be *actively used to refine policies, procedures and factory practices.*

HR departments should keep records of all the grievances, document how they have been handled and post the outcomes and actions taken for the grievances that affect the majority of the employees. This will not only generate trust, but also encourage them to further communicate their grievances.

An effective grievance handling procedure helps factories not only to address current issues, but also should be perceived and used as a tool to identify potential grievance issues. It should help factories to solve the grievances in the shortest time possible with no or little disruption to the factory's operation.

2. Whistle blowing

Whistle blowing is the act of alerting the management or employer about alleged acts of dishonesty and / or illegal acts and misconduct at the workplace.

In some instances, grievance procedures are coupled with whistle blowing practices to ensure that employees feel safe enough to report illegal and unethical actions of colleagues and/or supervisors without fear of negative repercussions.

Employees may occasionally opt to report grievances, alleged acts of dishonesty and /or illegal acts and misconduct at the workplace anonymously. This can be done either by using a simple note that is inserted into a suggestion box or a toll-free telephone line operated by an independent third party assigned by the organisation. In both cases, the HR department is responsible to collect as much detail as possible and respond to employees in an open forum since there is a possibility of not being able

to identify a particular employee as an aggrieved party. A reasonable timeline to investigate the grievance and provide a solution/response would be established based on the particular situation of the organization.



Suggestion/ grievance boxes

If the company decides to use these boxes, there should be a review procedure that establishes:

- Responsible party for opening the box
- Specific timeline to open the boxes
- Recording procedure: including register of the grievance, the action taken and how it is communicated to employees

3. Developing a grievance mechanism

The grievance mechanism should be designed by each factory. Ideally, the HR department will *involve workers representatives, counsellors, team leaders or supervisor/managers in the development of the procedure*, to have a clear idea of what are the main grievances that should be prevented and addressed from an early stage. The following is an *example* for a grievance mechanism in the factory (the stages, time periods and responsibilities described are based in common practices but should be adapted to each factory).

1. The aggrieved employee (the one who has a complaint to express) should first discuss his/her grievance with the immediate supervisor verbally within 5 working days of the incident causing the grievance. The immediate supervisor should provide a verbal response and solution within 7 working days of the presentation of the grievance. If for any reason this does not happen or the response and solution prove unsatisfactory, the employee may take his/her case to the next level authority in writing. In case the grievance concerns the immediate supervisor, the incident would be presented to the next level of authority from the beginning.
2. The next level of authority shall provide a written response and solution within a period of 7 working days. He/she should take the case to the next level authority to prove inadequate; the employee may arrange a grievance meeting with the human resources (HR) office by filling a formal grievance form.
3. The grievance form should clearly indicate a complete description of the issue involved, the date of the alleged incident, and references to a specific policy allegedly to have been improperly applied. It should also indicate the responses received from earlier stages.
4. HR will review the grievance form and the aggrieved person will receive a written response within 5 working days of receiving the completed form. HR will interview the employee (in the presence of workers' representative, if so desired by the aggrieved employee) immediate supervisor and the next level of authority to obtain a complete picture of the grievance and subsequent steps taken.
5. If the response provided by HR is not satisfactory, the employee may present the grievance to the highest authority in the organisation.

6. In some cases, a grievance may be presented by workers' representatives when there are multiples of aggrieved employees. In this case, a joint consultation between the HR department and workers' representative would be held to resolve the matter as swiftly and as effectively as possible.
7. HR is responsible to prepare a grievance log with details of grievance incidents. A grievance log is a document prepared by the HR of the organisation to provide a complete documentation of the grievance incident and the remedial action taken by the organisation with the aim of providing future reference on the incident. *A template is provided in Annex II to this chapter.*
8. If the aggrieved employee chooses to remain anonymous, then the whistle blowing process must be applied.

4. Beyond grievances: towards improved communication and practises

The existing grievance handling procedures should be regularly reviewed and improved to ensure that grievance issues are being founded and resolved. It is important to keep in mind that lack of grievances being communicated (and the factory is still facing high turn-over, low productivity and low motivation) should not be considered as a good sign, but as a sign of alarm that the communication channels in the factory are not effective.

Whereas the establishment of grievance procedures can be achieved in the short to medium term (grievance boxes, the establishment of a system for recording grievances, etc.), finding long term solutions that improve the communication between workers and managers is a continuous process that focuses on an overall improvement of communication and dialogue in the factory.

The development of dialogue practices in the factory enable workers and managers to acquire skills and knowledge to improve effective communication, enhance cooperation and mutual understanding, and to develop participatory organisational structures that promote sustainability in the factory's existing practices.

Providing counselling, both about work and personal issues, is a valuable tool to channel the concerns of workers, as they might not only be related to the factory but to their new living environment. Although it may not always be able to solve the problems faced by the workers, it can offer much needed psychological support and thereby alleviate some of the feelings of frustration and being overwhelmed experienced by the workers. This can help to increase the sense of well-being among workers and, in this way, help factories to increase retention.

An effective grievance handling procedure not only helps to address current issues. It should also be used as a tool to identify trends and its causes, in order to design preventive measures that help solve them in the shortest time possible with no or little disruption to the factory's operation.

Annex I: Employee Grievance Form

To be completed by an aggrieved employee and submitted to:

1. Human Resources
2. Employee Representative (if required)
3. Aggrieved employee to keep a copy

Name of employee: _____ Employee ID number: _____

Position title: _____ Department: _____

Name of Immediate Supervisor Line Manager: _____

Date: _____

Aggrieved by _____

Grievance:

Attach additional sheets of paper if necessary

Desired outcome:

Signature of employee: _____ Signature of Employee Rep: If applicable _____

Signature of designated HR function staff: _____ Date received: _____

HR Function response:

Outcome of grievance (if necessary with reasons for failure to reach a settlement):

Employee Signature: _____ Employee Rep Signature (if required) _____

Line Manager Signature: _____ Date: _____

Annex II: Grievance Log

Grievance Log

	Date	Accountable Department	Code*	Category	Collected by	Brief Description	Status
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							

*Code: Grievances need to be coded in order to protect confidentiality.

Possible categories of grievances (to be defined by the factory according to their own structure and code of conduct):

- Salary
- OHS
- PPE
- Bullying/Mobbing
- Mental or physical coercion (threatening)
- Verbal Harassment
- Physical Harassment
- Sexual Harassment
- Intimidation
- Corruption
- Confiscating of Personal Items
- Stealing of Personal Items
- Stealing of Company Property
- Factory Services
- Other TBD by factories

Possible options for grievance collection:

- HR Department
- Supervisor
- Workers representatives
- Counsellors

- Factory Management
- Grievance/ suggestion Box

Possible grievance statuses:

- Under Investigation
- Internal Mediation Process
- External Mediation Process (relevant institutions)
- Legal or Court Proceedings
- Settled internally
- Settled by external institution in Favour of the Factory
- Settled by external institution in Favour of the complainant
- Settled by Court Decision in Favour of the Factory
- Settled by Court Decision in Favour of the complainant
- Pending - Process not followed-up
- Not applicable (outside the scope of the factory/ irrelevant)

Chapter 9: *Disciplinary procedure*

Discipline is a corrective measure and not a punitive process. The primary purpose of discipline is to encourage employees to correct their conduct or performance at work. This should be done through the application of progressive sanctions.

Although general rules and procedures should be established and enforced, it is important to consider the particularities of each case to be able to determine an appropriate sanction, as sanctions depend on the merits of each case and should take into account the context and gravity of the offence.

Developing and enforcing a clear, transparent, fair and well communicated disciplinary procedure in the factory has numerous positive consequences, among them:

- It promotes a harmonious working environment, helping to achieve organizational goals.
- It establishes common guidelines to promote certainty and consistency in dealing with misconduct.
- It defines consistent, fair and predictable consequences to offenses; describing how it will deal with any occurrences of misconduct and giving guidelines on the application of disciplinary sanctions.
- It guides supervisors and managers in the discipline of employees, ensuring a fair, just, equitable and consistent treatment and reducing the likelihood of arbitrary decisions by supervisors/managers
- It guides employees with regards to what will be deemed as unacceptable conduct, preventing misunderstandings, confusion and feelings of unfairness, and therefore reducing the likelihood of negative employee relations consequences, such as strikes and lockouts
- It reduces the legal expenses, time and reputational risk of the employer as a result of court cases regarding unlawful termination or issues related to disciplinary cases

The rules and procedures of the factory must be specific and clear, adapted to the local language and clearly communicated and explained to the workers. This has to be achieved on the short term so as to prevent conflicts and misunderstandings coming from the lack of clear procedures.

1. Development and enforcement of disciplinary procedure

The disciplinary procedure should be applied equally to all employees of the factory, regardless of their contract status (indefinite period, definite period, casual employment), position in the organizational level (worker, supervisor, manager, etc.) or nationality (expats and Ethiopian nationals)

The Ethiopian labour proclamation establishes the basis for termination with and without notice on disciplinary grounds. Factories must make sure to follow the provisions stated in the labour proclamation.

Employee conduct which may warrant disciplinary action and sanctions that may be applied are *listed as Annex I to this chapter*.

Even if it is not possible nor practical to list every possible misconduct in a factory, some common misconducts that workers tend to incur in should be listed and communicated to workers, such as:

- Sleeping in the workplace
- Using the phone/earphones in the work place
- Eating in the workplace
- Not using the adequate PPE
- Taking away company products outside the factory
- Tardiness (at arrival time and after breaks) and leaving earlier without permission

The listed sanctions cannot be an exhaustive list of all offences that may be committed in a factory, this would be a never-ending list. Therefore, all employees should be aware that they may be disciplined in respect of any conduct if the employee knew, or ought to have known that the conduct constituted grounds for disciplinary action.

As mentioned, factories should consider in every case: the circumstances and seriousness of the misconduct; any instances of repeated misconduct; the employee's circumstances; the nature of the job; and, generally, the application of the principles of corrective discipline and consistency with the need for each case to be judged on its own merits.

It is recommended that counselling is provided to employees that have committed first time minor offences. A short informal talk with the immediate supervisor is recommended, in which the consequences of the offence are explained to the worker both on the productivity aspects e.g. increase of workload on peers, delayed delivery time; and on the disciplinary consequences to the specific employee.

Roles and responsibilities for a harmonious working environment	
Management role	<ul style="list-style-type: none"> ○ Maintain fair, just and consistent discipline ○ Ensure employees are aware of the standards of acceptable behaviour expected from them
Employee's role	<ul style="list-style-type: none"> ○ Comply with all rules and procedures of the employer ○ Comply with the law ○ Behave in an orderly and lawful manner ○ Familiarize themselves with the employer's policies and procedures ○
HR's role	<ul style="list-style-type: none"> ○ Educate employees on Organizational procedures through disseminating policies and procedures ○ Train managers on handling disciplinary procedures ○ Guide Supervisors and Employees on corrective procedures

2. Types of disciplinary sanctions

Whereas the seriousness of the misconduct is what determines how the offences will be dealt with (*for reference see Annex I to this chapter*), the types of disciplinary sanctions that can be taken by the factory are:

Verbal warning

- In the event of a minor offence on the part of the employee, the disciplinary action will be a verbal reprimand.
- The immediate supervisor will inform the employee of the intention to discuss the minor misconduct and advise them of their right to bring employee representation to the discussion
- The immediate supervisor will bring the misconduct to the employee's attention, determine the reasons for the misconduct and give an employee the opportunity to respond to the allegations and will seek to get an agreement on how to remedy the conduct.
- After hearing the employee's submissions, if the immediate supervisor deems it appropriate, he/she may issue a verbal warning reiterating the proper conduct expected of the employee.
- The employee's immediate supervisor will maintain a record of verbal warnings issued. The verbal warning is valid for 3 months from the date of issue.
- Repeat offences will follow a progressive sanction

Written warning

- An employee may be given a written warning by the Immediate supervisor where the seriousness of the misconduct warrants one.
- The immediate supervisor will bring the misconduct to the employee's attention. The employee will be requested to attend a meeting with HR present and may be represented by a fellow employee or employee representative. The immediate supervisor will determine the reasons for the misconduct and give an employee the opportunity to respond to the allegations and mitigating circumstances if required.
- If after hearing the employee's submissions the immediate supervisor deems it appropriate, he/she may issue a written warning reiterating the proper conduct expected of the employee. The Immediate supervisor may issue a written warning to correct the behaviour. HR will ensure that the sanction is appropriate as per policy and labour proclamation and signs the letter jointly.
- The immediate supervisor must capture the warning accordingly *and the employee must acknowledge receipt thereof*. If the employee refuses to sign the warning letter, the immediate supervisor must hand in the letter in the presence of an HR representative or another employee who will act as witness. The witnessing employee and must sign in confirmation that the written warning was conveyed to the employee.
- The written warning must be filed in the employee's file. The warning remains valid for six months. After six (6) months the written warning will expire unless there is another offence committed within the period.

- If during the six (6) month period the employee is subjected to disciplinary action on a same or related offence, the written warning may be taken into account in deciding the appropriate sanction.

Final Written warning

- In cases where the seriousness of the misconduct warrants a final written warning, the immediate supervisor and HR may give the employee a final written warning.
- The immediate supervisor will bring the misconduct to the employee's attention. The employee will be requested to attend a meeting with HR present and may be represented by a fellow employee or staff representative. The Immediate supervisor will determine the reasons for the misconduct and give an employee the opportunity to respond to the allegations and present mitigating circumstances if so required.
- If after hearing the employee's submissions the immediate supervisor deems it appropriate, he/she may issue a final written warning reiterating the proper conduct expected of the employee. The immediate supervisor and HR may issue a final written warning to correct the employee's behaviour.
- The final written warning is valid for twelve (12) months.

Dismissal

In cases of serious misconduct and very serious misconduct, an appropriate sanction including dismissal may be imposed. *All dismissal decisions should be consulted with a legal advisor in order to avoid litigation as a result of unlawful termination*

3. Best practices for an effective disciplinary procedure

A disciplinary procedure is effective only when it is applied fairly and consistently. Best practices in an effective disciplinary procedure include:

- **Documenting all procedures and actions taken when handling offenses.** Non-documentation of procedures will not only lead to confusion inside the factory, but will also have negative consequences if a case is taken to court by the employee. Factories must make sure that everything related to a disciplinary case is documented, including proof if applicable.
- **Training and communication to employees, supervisors/managers and the HR department.**
 - Every member of the HRD must be an expert on handling disciplinary cases, since they are in charge of managing all relationships in the factory.
 - Next, supervisors, who are the first line of contact with workers and usually have to operate under pressure from the management and the team, have to have a thorough knowledge of the violating behaviours and how to handle disciplinary cases. In order to prevent conflicts, supervisors must also be trained on how to manage stress and teams. If they lack this ability, they are more likely to ignore the procedures that must be followed in cases of misbehaviour, which can end up in legal cases in which the factory can easily lose.

- Management has to be knowledgeable and highly compliant with the factory own disciplinary procedure. In particular, expats managers have to be aware of the legal steps that must be followed in the country in order to take disciplinary action.
- Employees should be informed and regularly reminded of the rules of behaviour in the factory. A mere list of good and bad behaviour may not be enough as they also need to understand how offences have negative consequences for the factory and for their co-workers. Applying action learning methods in which workers deal with complex issues, develop solutions, take empowered action, learn from each other and engage in reflection can help workers to better understand and follow the disciplinary procedures.
- **Visual reminders** of the most common disciplinary offences are a good way to remind the workforce about what is considered good and bad behaviour in the factory. Photos and graphics will have more impact than just texts describing the code of conduct of the organisation.
- **Understand the causes behind offences.** If certain offence is being committed regularly in the factory, this should be seen as a sign of lack of knowledge, misunderstanding or other underlying issues. HR should understand the causes behind the offence and prepare a strategy to prevent further misbehaviour. It is recommended to involve workers' representatives in this process.
- **Clear and predictable consequences.** The consequences of offence should be clear, predictable for everyone and applied consistently among all the workforce.
- **Register all disciplinary actions.** Disciplinary offences and the actions taken should be registered and tracked in a Disciplinary action log. This will allow to detect trends on the main sources, reasons and departments that are more problematic to the factory and take preventive action. *A template for the development of the Disciplinary Action Log can be found in Annex II to this chapter.*
- **Learn from experience.** The lessons learned from the development and application of the disciplinary procedure should also be documented and used for future improvements in the execution of policies, communication or training, following an approach of continuous improvement.

4. Code of conduct and work ethics

A code of conduct is a *key governance best practice* that guides your business policies, procedures, and practices. Moreover, it helps to ensure compliance with international standards and national laws and regulations that are applicable to all activities in the factory.

Moreover, a code of conduct serves the factory to:

- Show employees that the factory has a genuine interest in doing business responsibly

While the code of conduct is usually developed by the management, factories are encouraged to make it a participatory activity, as it will more likely achieve full implementation and integration within the organization when employees are involved in its creation.

- Show clients (brands) that the factory values integrity. A code serves as a public statement of what the company stands for and its commitment to high standards and right conduct. Brands and other stakeholders appreciate that some attempt is being made to develop a company culture of responsibility and honesty.
- Sensitize employees to things that may not have been obvious to them and avoid inadvertent, yet potentially harmful, missteps.
- Provide a clear point of reference when enforcing corrective action

5. Basic principles of work ethics

While the code of conduct should reflect the organizational values of the company, there are certain topics that are recognized as relevant by the international community.

5.1. Equal employment opportunity

Equal employment opportunity is the principle that ensures *all employees and potential employees are treated equitably and fairly, regardless of their race, ethnic background, religion, sex, marital status, age, physical or intellectual impairment, or sexual preference*. This principle aims to ensure that all employees are given equal access to opportunities through all the stages of the employment life cycle without considering any factor that is not related to their competencies or ability to perform their duties. An equal employment opportunity employer is committed to the implementation of fair, equitable and non-discriminatory practices to create an inclusive company culture that fosters acceptance and respect for diversity.

5.2. Anti- Harassment and Violence

This principle aims to ensure that no employee is subjected to any form of violence or harassment while at work.

Workplace violence may not always be a critical or extreme situation from the outset. It sometimes follows a pattern of escalating behaviour from agitation, expressed anger or frustration and intimidating body language, to verbal/written abuse and threats, physical threats, or assault. Harassment is a type of violence that can be defined as any unwelcome action (any action which the harasser knows or ought to reasonably know is not desired by the victim) by any person, whether verbal or physical, on a single or repeated basis, which humiliates insults or degrades.

Sexual harassment

Sexual harassment can happen in any organization and should be taken seriously by all factories. It can be defined as any unwelcome conduct of a sexual nature that makes a person feel offended, humiliated or intimidated. In labour intensive factories, such as garment, it should be especially prevented, as some of its characteristics such as power differences, vulnerability of the workers,

high pressure to meet production targets, are factors that can lead to a hostile working environment.⁸

5.3. Anti- Corruption

Factories should commit to prevent and eliminate any attempt or possibility of corruption or bribery, in particular in key positions that might affect the company performance and reputation. For this, clear guidelines should be set to clarify what are acceptable practices and what is considered as bribery and/or corruption.



Conflict of interest: A conflict of interest arises in the workplace when an employee has competing interests or loyalties that either is or potentially can be, at odds with each other. In order to prevent this situation, the factories can define rules to outline what is considered as conflict of interest and how any conflict in this area will be resolved.

5.4. Child labour

The International Labour Organization, defines child labour as work by children under the age of 12; work by children under the age of 15 that prevents from attending to school and work by children under of age of 18 that is hazardous to the physical or mental health of the child.⁹ According to the Ethiopian labour proclamation (Article 89) the statutory minimum age for young workers is 14 years. The minimum age for hazardous work in Ethiopia is set as 18 years and workers between the ages of 14 to 18 years are classified as young workers. Factories are encouraged to develop a policy to clarify the acceptable age for their workers and to prevent the employment of children (for example, mechanisms to verify the age of a candidate when in doubt).

5.5. Occupational Health and Safety

Factories should be committed to maintain a safe working environment and to develop procedures to eliminate or mitigate any hazard or potential hazard at the workplace. This includes setting up a safe infrastructure, developing and enforcing a policy for health and safety and providing the workers with training and the required personal protective equipment.

5.6. Forced labour

According to ILO, forced labour can be understood as work that is performed involuntarily and under the menace of any penalty. It refers to situations in which persons are coerced to work through the use of violence or intimidation, or by more subtle means such as manipulated debt, retention of

⁸ Better Work. Research brief: Garment Factory Characteristics and Workplace: Sexual Harassment. Retrieved from: <https://betterwork.org/global/wp-content/uploads/Research-Brief-Sexual-Harassment-LR-Rnd5-4.pdf> in 02/05/2019

⁹ ILO. Main topics. *ILO Conventions and Recommendations on child labour*

identity papers or threats of denunciation to immigration authorities.¹⁰ Factories should commit to avoid any situation that classifies as forced labour.

¹⁰ ILO. Main topics. *Forced labour, modern slavery and human trafficking*. Retrieved from: <https://www.ilo.org/global/topics/forced-labour/definition/lang--en/index.htm> in 02/05/2019

Annex I: Guidelines for the classification of offences and progressive disciplinary sanctions

Note: this classification is provided as a recommendation. Each factory should establish their own disciplinary procedure and progressive sanctions.

Classification of offence		Description		1st ^t offence	2nd ^d offence	3rd ^r offence	4th offence
1	Dishonesty/ Fraud	A	Dishonesty of any nature, including theft; fraud; bribery; corruption; counterfeiting; making of a false statement or presenting false testimony; industrial espionage; misappropriation of money; unauthorized removal, possession or use of organization, colleagues' or clients' property; blackmailing or misrepresentation; giving or receiving of a bribe to incite or attempt to incite a person to commit corruption.	Dismissal			
		B	Any attempt, collaboration or favouring of a person to any of the above offences.	Final Written Warning	Dismissal		
2	Behaviour to the detriment of the employer	a	Sabotage: any purposeful or malicious action to disrupt the normal business of the Organization by damaging any machinery or equipment or by disrupting essential power flow, material or services.	Dismissal			
		B	Unauthorized work for a competitor or working in direct competition to the employer.	Final Written Warning	Dismissal		
		C	Moonlighting, doing other work without management approval.	Final Written Warning	Dismissal		
		D	Failure to account for Organization funds.	Dismissal			
		E	Unauthorized dissemination of Organization's information.	Final Written Warning	Dismissal		
		F	Damaging, including spoiling work, or wastage of the Organization's, clients or fellow employees' possessions.	Written Warning	Final Written Warning	Dismissal	
		G	Being found guilty in a criminal court which could in the Organization's opinion have a negative impact on the employer / employee relationship. (Depending on seriousness of the case)	Final Written Warning/ Dismissal	Dismissal		
		H	Any behaviour that impacts negatively on the organization, business unit or clients. (Depending on seriousness of the case)	Written Warning/ Final Written Warning	Dismissal		

		I	Any attempt, collaboration of favouring of a person to any of the above offences.	Written Warning/ Final Written Warning	Dismissal		
		j	Unauthorized possession or misappropriation of Organization property, or property belonging to other employees, customers or suppliers.	Dismissal			
		K	Attempting to conceal evidence of misappropriation or attempted misappropriation.	Final Written Warning/ Dismissal			
3	Gross Insubordination	A	Refusal and/or failure and/or carelessness to carry out a lawful and reasonable instruction; deliberately ignoring authority of employer; continuous unruly and defiant behaviour	Written Warning	Final Written Warning	Dismissal	
		B	Refusal and/or failure to carry out a lawful and reasonable instruction and such action results in a loss for the Organization, which may result in physical harm to the employees, financial, reputational and property damage to the Organization.	Dismissal			
4	Insubordination	A	Impertinence, impudence or rebelliousness towards superiors.	Verbal Warning	Written Warning	Final Written Warning	Dismissal
		B	Refusal to obey a reasonable instruction without a valid reason. The onus is on the employee to justify his/her refusal or disobedience.	Verbal Warning	Written Warning	Final Written Warning	Dismissal
5	Gross Negligence	A	Negligent damaging of organization property/ management of organization property.	Written Warning	Final Written Warning	Dismissal	
		B	Failure to wear issued safety protective clothing and equipment when instructed or required.	Dismissal			
6	Negligence	A	Breach of procedures and practices, failure to correctly execute duties according the Organization's standards and expectations. The Negligence test will be whether a reasonable person in that position of the employee would have foreseen the harm resulting from his/her act or omission and would have taken steps to prevent the harm.	Verbal Warning	Written Warning	Final Written Warning	Dismissal
7	Workplace/ Work related relations	A	Victimization, intimidation, unfair discrimination of harassment of any kind, including sexual harassment.	Dismissal			
		B	Non-compliance with safety / security regulations or other safety procedures, where the consequences of such behaviour are potentially dangerous.	Written Warning	Final Written Warning	Dismissal	
		C	An act of violence, physical harm to another person, fighting or assault	Dismissal			

		D	Any threat to commit violence or to do physical harm to another person; fighting, assault, intimidation or instigation of other employees to commit violence.	Final Written Warning	Dismissal		
		E	Any act that promotes tension or disharmony in the workplace.	Final Written Warning	Dismissal		
		F	Damaging the Organization's, clients or fellow employee's possessions.	Final Written Warning	Dismissal		
		G	Falsifying or altering records or documents.	Dismissal			
		H	Providing false or misleading information in Job application documentation or during interviews.	Dismissal			
		I	Failing to take disciplinary action when necessary/required.	Verbal Warning	Written Warning	Final Written Warning	Dismissal
8	Other misbehavior: General	A	Under the influence of alcohol/drugs on Organization premises while on duty (or while on duty outside of the premises)	Dismissal			
		B	The use or possession of alcohol or the unauthorized use of alcohol on Organization or clients' premises while on duty.	Final Written Warning	Dismissal		
		C	Failing to comply with prescribed or established procedures, policies, regulations, practices or rules, which apply where the consequences are serious or potentially serious.	Written Warning	Final Written Warning	Dismissal	
		C	Failure to comply with health, fire and/or safety regulations, including failure to report a fire, accident or emergency.	Written Warning	Final Written Warning	Dismissal	
		D	Unauthorized and/or un-communicated absence without a valid/acceptable reason for less than 5 consecutive workdays. The onus is on the employee to justify the absence and the reasons for not informing the employer.	Written Warning	Final Written Warning	Dismissal	
		e	Unauthorized and/or un-communicated absence without a valid/acceptable reason for more than 5 consecutive workdays. The onus is on the employee to justify the absence and the reasons for not informing the employer.	Dismissal			
		F	A history of unauthorized absence over short periods of time.	Final Written Warning	Dismissal		
		G	Sleeping on duty.	Written Warning	Final Written Warning	Dismissal	
		H	Leave the workplace without permission.	Written Warning	Final Written Warning	Dismissal	

	I	Late coming (up to 30 minutes).	Verbal Warning	Written Warning	Final Written Warning	Dismissal
	J	Late coming (More than 30 minutes).	Written Warning	Final Written Warning	Dismissal	
	K	Failing to meet set deadlines or to complete work timorously.	Written Warning	Final Written Warning	Dismissal	
	L	Extending authorized break period (tea break, meal break) without permission.	Written Warning	Final Written Warning	Dismissal	
	M	Failure to clock in or out or failure to register.	Verbal Warning	Written Warning	Final Written Warning	Dismissal
	N	Misuse of access card.	Written Warning	Final Written Warning	Dismissal	
	O	Failure to leave the premises when instructed to do so.	Final Written Warning	Dismissal		

Annex II: Disciplinary Log

	Date	Employee name	Employee ID	Supervisor Name	Collected by	Accountable Department	Category	Description	Action taken
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									

Possible categories (to be defined by the factory according to their own disciplinary procedure):

- Unauthorized absence
- Tardiness
- Dishonesty/Fraud
- Misbehaviour
- Insubordination/ refusal to take orders
- Negligence/ Carelessness
- Failure to comply with OHS requirements

Possible actions to be taken:

- Counselling
- Verbal warning
- Written warning (#)
- Dismissal
- Court procedure

Chapter 10: *Employee movement*

Transfer, promotion, demotion and termination

Factories typically have a large workforce with different skill levels. One of the inevitable consequences is that, at any given time, staff movement into, within and out of the work environment is bound to happen. This chapter is intended to provide a guideline about the steps and process to be followed for internal employee movement, which includes:

- Transfer
- Promotion
- Demotion
- Termination

1. Transfer

Employee transfers are an ideal method to encourage the development of the employee's career within the company and fill vacant positions from internal sources. In transfers, existing employees are given the opportunity to fill vacant positions with no change to salary/job grade. This may be done through an internal vacancy announcement or direct assignment after reviewing documents in the personal file of employees.

Transfers can be made for the following purposes:

- To increase the effectiveness of the organisation
- To increase the versatility and competency of key positions
- To deal with fluctuations in work requirements
- To correct incompatibilities in employee relations
- To correct erroneous placement
- To relieve monotony
- To adjust workforce

Transfers, it should be noted, are not to be confused with that assignment to a less desirable position as a consequence of a disciplinary offense. Transfers involve moving employees to fill vacant positions which are on the same grade as the employee's previous grade due to valid reasons such as interest from the employee and in some cases restructuring or disestablishment of a position. Transfers occurring due to restructuring or disestablishment of a position are a last resort measure short of termination of employment with notice as per the provisions of the current labour proclamation.

It is recommended that the factory develops its own transfer policy. The policy should be impartial and transparent, meaning, that it should be known to all employees. In general, a good transfer policy should at the minimum:

- Be in writing and communicated to all employees
- Clarify the types of transfers and the conditions under which they will be made

- Clarify the procedure for transfers (how they may be initiated, how information is shared and communicated to the employee, how the decision for approval is taken, etc.)
- Clarify the payment that the transferee will receive
- Clarify whether training or retraining is required
- Clarify whether the transfer is permanent or temporary
- Not be made arbitrarily without valid reasons

To avoid claims of problems (such as unfair staff treatment) during the implementation of a transfer decision, it is important to have a discussion with the concerned employee about the decision and formalise this discussion by issuing a formal letter with details of the assigned position, the effective date of transfer and the reason for the transfer decision.

2. Promotion

A promotion is the internal advancement of an employee from one job position to another one with a higher salary range, higher job title and higher-level job responsibilities.

Managing promotions effectively is an important way to motivate employees and drive the success of the company. Promoting from within the current workforce provides the best opportunity for factories to show their appreciation and commitment to the career development of their employees. Furthermore, when employees believe that the promotions are managed effectively, they are twice as likely to put more effort in work and to plan a long-term career within the company.¹¹ Therefore, it is recommended a clear promotion process that considers an employee who has consistently displayed a performance rating of proficient, highly effective or exceptional for a higher position when opportunities for growth are available within the factory.



Transparency in Promotions

Promotions can be a delicate topic within the organisation. Therefore, it is necessary that the process of promotions is transparent so that employees have a clear idea of how promotions are made and, thereby, prevent situations in which employees perceive that promotions in the company are unfair. A good understanding of the promotion process means that all employees clearly understand:

- ☞ How the process of promotion is initiated
- ☞ What the criteria for selection are (which means they also understand what they need to achieve and do in order to get a promotion)
- ☞ How the decision of who is promoted is made and by whom

¹¹ Rohman, J., Onyeagoro, C., Bush, M. C. (2018). How You Promote People Can Make or Break Company Culture. *Harvard Business Review*. Retrieved from: <https://hbr.org/2018/01/how-you-promote-people-can-make-or-break-company-culture>

Promotions may be initiated in different ways. A common way, however, is when the promotion is initiated by an existing employee who aspires to fill a position of a higher job grade within the factory through an application. To ensure a fair and transparent process of promotion, it is recommended to follow the provisions of the internal recruitment process (*please refer to Annex II of Chapter 2*), whereby:

- The existence of a promotion possibility is communicated to all eligible employees through an internal vacancy announcement prior to or at the latest in parallel with an external vacancy announcement
- Employees have adequate time to apply for the position
- Employees are clear about the criteria to be used for selection (e.g. required education, experience, skills, past performance record) and also about the process

Similar to transfers, promotion decisions are best implemented when results of internal recruitment process are communicated to employees through a face -to -face discussion; followed by a formal letter both to those who are selected for the promotion and those who are not successful in their application.

3. Demotion

Although rare in practice in the Ethiopian labour market, demotion decisions can be made in factories in response to a pressing reason that makes it necessary to have an employee to work in a position of a lower job grade than they were initially employed for.

Demotions can happen for different reasons. In voluntary demotions, the employee requests an adjustment to circumstances and current needs of his/her life. In compulsory demotions, a demotion can be a measure taken due to the employee's failure to perform at the job she/he was hired for or promoted to; or as a measure taken as a result of restructuring in the organisation. In most of the cases, however, the causes of demotion typically emanate from the employee's inability to perform a significant part of their current responsibility because of:

- A gap in the recruitment process whereby the employee has successfully completed his/her probation period but has failed to perform to acceptable standards;
- A temporary partial disability /health challenge that result in reduced performance levels not because of lack of willingness but from lack of ability that cannot be addressed by termination of employment contract for reasons of incapacity;
- A disciplinary offense that does not fall within the current provisions of the disciplinary procedure and does not warrant a termination of employment contract.

Demotions are never an easy task. A demotion can be embarrassing for the employee and, if the demoted employee was a supervisor, it might be difficult for the employee to join the people he/she once managed. In the end, when the demotion is not voluntary, it can greatly demotivate the employee –which is not beneficial for the company, and, in cases in which the demotion is used to discipline the employee, it will most likely not help to fix the misconduct. Therefore, it is recommended

to avoid compulsory demotions. Use them as a last resort or when strictly necessary and try to take into account all facts in the matter before reaching the decision.

Once it has been decided that a compulsory demotion is absolutely necessary, it is important to consider that a demotion is bound to elicit an emotional reaction from an employee. Therefore, as in all staff movement decisions, make sure to communicate in a discussion with the concerned employee first; and then follow with formal communication through a letter.

4. Termination

Termination of employment contracts can be initiated either by the employer or the employee as per the provisions in the Ethiopian Labour Law. Since these guidelines do not attempt to duplicate such provisions, refer to the Labour Proclamation for more information regarding termination of employees. In this section, aspects which are complementary to the provisions of the proclamation and the disciplinary procedures of the guideline are presented instead.

According to the Ethiopia Labour Law Proclamation, a contract of employment:

- May be terminated by either employee or employer according to the legal provisions in the Labour Law or the collective agreement or the agreement between the two involved parties.
- Shall terminate by law: on the expiry of the contract period or on the completion of the work where the contract of employment is for a definite period/piece of work; upon the death or retirement of the worker; when the undertaking ceases operations permanently; or when the workers is unable to work due to partial or permanent incapacity.
- Shall terminate by agreement: when the parties agree to the termination in writing.

In the process of termination, it is important that when the termination takes place due to poor performance, the following measures have been considered and followed before making the decision of terminating the employee.

- **Setting Expectations:** Make sure that you set the performance expectations and requirements (qualifications and skills) right from the beginning through a job description that is clearly shared with the employee. Do not assume that the roles, responsibilities and qualification requirements are clear and known or that the understanding the employee has is the same as yours (i.e. supervisor, manager).
- **Performance Improvement Plans and Coaching:** Provide ongoing coaching to discuss with the employee the low performance: what the problems were, what solutions there might be and develop a course of action and establish commitment. If you have provided ongoing coaching and training but the performance has not improved, then develop a performance improvement plan with a reasonable timeline and provide the support necessary.
- **Transfer, Demotion:** If the employee still shows no improvement, the factory may consider discussing a transfer based on other skills that the employee shows or even a demotion if it is deemed that the employee might do better in a lower position. These are last resort options that can be considered to try to work out a solution with the employee.

- **Documentation:** It is necessary to document all the process with the employee: From the job description and hiring process to formal conversations and meetings (incl. performance review meeting, performance improvement plans, etc.), training and development sessions and informal conversations.

If no improvement is shown after all corrective actions and other measures, the factory may terminate the employee. Once the decision is made, it is necessary that, regardless of the cause of termination, employees a complete handover of all outstanding matters in regard to their current responsibilities to another employee designated by the management of the factory. The only exception to this would be for cases of dismissal / termination without notice whereby the mere fact of the employee being present in the premises is detrimental to the work environment. Handover of job duties can be accompanied by a formal handover note for office-based positions. *A template for the handover note is provided in Annex I.*

In addition to the handover note, it is necessary that factories prepare clearance forms to be completed by employees who leave their employment to ensure all outstanding matters are settled. Some examples of matters to be settled are:

- Appropriate handover of duties, as already mentioned above
- Return of tools and materials for work as well as documents including IDs /Access cards
- Update data on salary and benefits
- Removal of letters of guarantees, if available
- Settlement of cash advances, if any



Mandatory Work Certificate

It is frequently misunderstood that employees are not be entitled to work certificates unless they have given an appropriate notice period.

While factories can withhold work certificates of an employee for failing to complete the clearance process, there is little legal recourse for failing to provide the certificate for any other reason.

☞ It is, therefore, important to address the entire process of termination of employment contract at the initial /onset of the employment relationship by way of including the topic in the onboarding process.

Once clearance process is complete, it is mandatory that the HR department prepares a work certificate with details mandated by the Ethiopian Labour Proclamation. *Please keep in mind that this certificate is mandatory and it is still necessary to provide one even if the termination was done by the employee without giving proper notice.*

In addition to the handover and the settlement of outstanding matters, it is highly recommended to conduct an exit interview with the employee leaving the factory. The interview will help the factory gain valuable feedback that can help it improve aspects of the organisation, understand what influences retention and, based on this, devise strategies to improve it and reduce turnover. Furthermore, employees who leave factories amicably by serving the appropriate notice period remain to be ambassadors of their employer and can serve as sources of information to and regarding

potential candidates. Finally, when both parties agree, there might even be an opportunity for the employee to join back in the future.

For the exit interview, it is recommended that it is conducted by a senior HR department staff to elicit as much candid information as possible. If a staff from the HR department resigns, it is recommended that a senior staff from another department conducts the interview to ensure confidentiality to the employee. *The attached exit interview form in Annex II provides a guideline to the HR department on the type of information to be gathered and summarised on a quarterly or at least semi-annual basis.* The report that is generated from this summary should focus on major reasons mentioned by employees for leaving their factories. This would serve as an input to design appropriate retention mechanisms for the future.



Things to keep in mind when conducting an exit interview

- ☞ Create a comfortable environment and create trust: It is important to create a comfortable environment in which the employee feels safe enough to provide honest feedback. This is, however, not a task achieved only during the interview. If the factory does not create a culture in which employees feel comfortable sharing ideas and critical opinions without fear of punishment or retaliation, then it is very unlikely that they will suddenly open up during the exit interview.
- ☞ Provide reassurance: To create trust and make the employee feel comfortable to share openly, it is important to ensure that the information from the interview is shared in a way that keeps confidentiality (e.g. in an aggregated format) and reassure this to the employee.
- ☞ Be open and listen: Listen carefully to what the employee says and be mindful of not mixing your own ideas or assuming that you clearly understand what the employee is saying.
- ☞ Ask about the positive and the negative: Ask the employee about what has led to the employee's decision to look for a new job and leave but do not forget to ask about what is working well too. It is crucial to know what caused the employee to become open or search for new opportunities but it is also good to know what the organisation is doing well in order to ensure that those aspects are kept and fostered.

Annex I: Handover Note

Handover Note				
Name of outgoing employee:				
Contact details:				
Name of employee taking over:				
Contact details:				
Date of handover:				
Item No.	Action Item	Status	Next Step	Related Documents and Fil Locations

Annex II: Exit Interview Form

NAME OF EMPLOYEE: _____

DATE OF INTERVIEW: _____

INTERVIEW CONDUCTED BY: _____

Introduction

- Explaining the aim of the interview
- Confidentiality and Reporting Procedures
- Consent for Interview Process

Exit Interview Questions

- Date of Employment – _____
- Department/Section/Job title – _____

Top factors/reasons for joining the factory

- a.
- b.
- c.
- d.

Top factors/reasons for leaving the factory

- a.
- b.
- c.
- d.

Top practices, policies or procedures that the factory should start

- a.
- b.
- c.
- d.

Top practices, policies or procedures that the factory should improve

- a.
- b.
- c.
- d.

Top practices, policies or procedures that the factory should stop

- a.
- b.
- c.
- d.

Willingness to be re-hired

- a. Yes, why?
- b. No, why?
- c. Conditional? List conditions for re-hire

Any other comments

Chapter 11: Communication

Good communication in the workplace is crucial to creating a positive work environment, to avoid misunderstandings that can lead to conflicts, and to resolve these conflicts once they have arisen.

Communication is not only important inside the factories. Good communication strategies have to be developed to keep a good relationship with the community, government institutions involved, NGOs that might have an interest in the Industrial Park and international organizations. Moreover, factories have to develop effective ways of dealing with conflict, as conflicts and disputes are an inevitable aspect of every organization.

A communication strategy helps factories to define the audience(s) of the different messages they want to send, to be precise in their messages, and to get the message across effectively.

A communication strategy involves defining:

Why?	What is the purpose of the communication need?
Who?	What is the audience that needs to be reach?
What?	What is the message that needs to be sent?
How?	What are the right channels that need to be used?

This chapter provides useful information to develop and improve communication in factories and IPs. It is divided in 3 sections: internal communication; stakeholder management and conflict resolution.

1. Internal Communication

Internal Communications can be defined as *the exchange of information and ideas within a factory with the aim of creating an atmosphere of trust, mutual cooperation and respect*. Although the importance placed on internal communication differs from one organization to another, the common goal of all internal communication can be summarized as imparting knowledge to employees about the vision, mission, purpose of the organization and receiving their feedback on one or more aspects of the employment relationship with the organization.

In the context of factories within the industrial park, internal communication is even more important given the large number of employees from diverse backgrounds, the possible existence of strong informal communication channels and the precedence of frequent gaps in communication that have resulted in misunderstanding and grievances.

Effectively executed, internal communications can result in an

increase in commitment, trust, job satisfaction, and improved performance. Moreover, good

Although factories may have a clear idea of what good communication in the workplace entails in theory, sometimes they may be unable to identify specific habits that affect communication. A clear understanding on what good and bad communication practices help factories to avoid making common mistakes.

internal communications contribute to an improved corporate reputation and improved business results as well as reduction of potential for misunderstanding and conflicts.

The correct enforcement and success of all the policies and procedures that have been identified in this manual depend on good communication. If communication channels don't exist or are just "formal" structures that are not used, if communication is not actively promoted by the top management, if managers and middle managers lack effective communication skills and/or if workers do not have a voice in the factory, the effective implementation of good policies is doomed to failure.

1.1. Setting up effective internal communication structures

Factories need to set up formal and informal communication structures that can facilitate effective communication in the workplace. This has to be a part of a real communication strategy/ plan guided by the HR department and validated by top management. Some of the aspects to be considered are:

1.1.1. Communication channels

There are a number of communication channels that facilitate the communication in factories.

- **Employee Handbook:** short printed publication that contains concise information about employment relationship, major policies and procedures, frequently asked questions, reference materials and points of contact (*for more information refer to Chapter 1, The HR Policy Manual*)
- **Permanent Notice Board materials:** visual reminders for organizational values, existing committees, health and safety, objectives and priorities.
- **Periodic Notice Board materials:** communicating information on upcoming events, changes, ad-hoc notices, disciplinary issues (where applicable), result of common grievances, etc. are accomplished through periodic notice board materials
- **Public Address Systems:** live announcements to communicate immediate needs or encourage a particular behaviour among employees. They can be used to provide short educational messages, motivation as well as entertainment that promote organizational priorities.
- **Suggestion boxes:** although mainly used as a venting mechanism for grievances, suggestion boxes have a much wider usage among employees of an organization. They can, for example, be used not only as airing complaints but also as sources of suggestions to improve productivity, promote health and safety and report unethical/illegal practices. They should be placed at locations that are easily accessible e.g. entry door, canteen; and/or contribute to confidentiality i.e. toilet room.
- **Surveys/polls:** Two-way communication is vital to any effective communication strategy, and developing formal tactics to listen to employees is essential. Employers can elicit fast feedback through surveys and polls about specific issues (like new benefit or policy) or general concerns.

1.1.2. Meetings and engagement sessions

Besides the above-mentioned communication channels, sessions should be regularly organized to ensure face to face communication, develop motivation, ownership and making sure that key messages are being understood by all employees.

Periodic meetings

- **Annual Meeting:** A meeting held during an important milestone defined by the management of an organisation is important to communicate the yearly plan, results of the previous year, recognize long years of service by employees or commemorate the achievement of a particularly challenging assignment. All employees are involved in attending this meeting. The annual meeting is best organized by a cross functional team and may even include engagement with external stakeholders (major customers, community leaders, regional government, civic associations, educational institutions, key suppliers etc.)
- **Quarterly Employee Engagement sessions:** These sessions are typically held at the functional/departmental level and used to communicate priorities and short-term goals. They provide ample opportunity to share results of initiatives, brainstorm solutions to repeated challenges and reward achievements of employees during the quarter. If applicable, competitions with regard to productivity, improved safety, perfect attendance, team work and innovation can be included in these sessions.
- **Monthly check-ins /Weekly KPIs/Daily Toolbox meetings:** These periodic meetings are designed for smaller teams within departments. Nonetheless, they serve an important purpose of solving problems at the first instance and handle grievances before they become major issues. Supervisors/line managers lead these communication sessions, providing feedback on performance of teams as well as individuals, accepting employee concerns and disseminating tactical information which is going to be immediately used.



Characteristics of an effective meeting

- ☞ There is a chairperson who makes sure that the meeting is on track and steers the discussions to the topics in the agenda.
- ☞ The meeting has a clear goal /purpose.
- ☞ The meeting has set starting and ending times, which are respected as much as possible.
- ☞ The meeting participants have prepared for the meeting beforehand.
- ☞ There is a person who is in charge of minute-taking during the session and of circulating the finalized document afterwards.
- ☞ The meeting is not only informational but also solution-focused.
- ☞ Decision-making methods are participatory, such as negotiation and voting.
- ☞ The meeting has a system that ensures follow-up actions.

Ad-hoc sessions

- **One -on-one goal setting and performance review:** Although a specific timeline which applies to all organisations is difficult to dictate, depending on the performance management cycle of the company, goal setting and performance review meetings provide a good opportunity to communicate specific deliverables and feedback to employees on an individual level. The success of these communications culminates in better team performance and cohesiveness.
- **Incident Management:** Whenever a serious misconduct, potential or actual health and safety incident or a major change in day-to- day operation occurs, it is important that organisations take the lead in communicating what actually happened and the way forward. This will prevent confusion, misunderstanding and negative employee relations. To remain consistent and effective, a specific person within each department must be delegated as the sole source of such information disseminated to employees.

Documentation of Internal Communication

Organisations have a range of options in using technology for registering and disseminating information depending on the type of information, level of sensitivity, applicability of a particular means of communication as well as organisational culture.

Communication which has a significant impact or affects a large proportion of employees must be captured by the official stance of the organization as “Minutes of Meetings”. All major decisions, concerns, approvals and endorsements must be documented as per the existing documentation procedures of the organization. Where no such procedure exists, the management of the organization should initiate one in conjunction with legal counsel. *A template of the meeting minute can be found in Annex I of this chapter*

1.1.3. Workers participation

The importance of giving a voice to workers has been highlighted in many of these guidelines' chapters. *Involving workers leads to better results and better implementation of policies*. Some of the benefits of fostering workers participation are¹²:

- **Good ideas:** Workers have ideas and unique insights that are innovative and useful to improve productivity and solve production challenges
- **Work Intelligently:** workers work more intelligently if they are well informed about the reasons and intentions of decisions
- **Solving problems:** Problems can be resolved more quickly if complains are listened to and addressed when they arise
- **Builds trust:** communication helps to build trust between workers and managers
- **Prevents escalations:** good communication helps to prevent escalations of misunderstandings and disagreements e.g. strikes
- **Better decisions:** it improves decision making regarding important issues such as working conditions, productivity and quality
- **Leadership:** it develops leadership, ownership and motivation in workers

Workers participation can involve different stages of worker involvement. Factories should aim to continuously improve and develop the workers representation mechanisms to get the most benefits out of it. Good communication detects problems before they can turn into a strike or accident. It has a positive impact on working conditions and on solving problems quickly and efficiently.

- **First stage - Information sharing:** workers are provided with balanced and objective information about new developments in the factory through direct (assemblies, meetings, individual discussions) and indirect (notice boards, flyers, newsletters) means.
- **Second stage - Consultation:** the factory gathers workers' opinions on different topics or issues before they are made. In order to collect workers' views, a consultative body such as a committee with representatives of management and workers, should be established.
- **Third stage - Involvement:** In this stage, the management actively involves the cooperation of workers in the decision-making process. Workplace cooperation models such as quality

¹² Sustainability Agents SUSA GmbH, Prosper E2E manual. Communication and Dialogue.

circles, work groups, and committees are established in order to directly involve workers or their representatives. Suitable topics include occupational health and safety (OHS), productivity, efficiency, welfare, etc.

- **Fourth Stage – Joint decision making:** On this stage, cooperation goes one step forwards as workers cooperate not only in topics defined by the management, but they also raise topics of common interest for which joint solutions are agreed on.




1.1.4. Communication skills

Communication can be simply understood as the process of using words, sounds, signs, and behaviour to exchange information or to express ideas, thoughts, and feelings to other people.

The mere act of communicating does not guarantee successful communication. Many problems can arise in the process of communication, creating misunderstandings and issues that lead to less productivity, accidents and a negative environment in the workplace.

To improve communication in the workplace, it is not enough to have the proper communication channels and structures in place. For them to work, it is necessary to develop effective communication skills to practice effective communication.

The importance of communication skills in the factory¹³

	Effective communication
Communicating effectively entails not only speaking well, but also, and most importantly, listening well. When we truly listen to others, we convey interest and respect. We are also able to understand better the others' needs and goals, which is crucial for solving problems and having good relationships at the workplace. To listen well, it is necessary to practice active listening and also to provide qualitative feedback to employees.	
	Active listening
<ul style="list-style-type: none"> • Spend more time listening than talking, • Respond to others only after they have finished speaking. • Do not dominate the conversation—let others participate and engage. • Do not evaluate/judge what you have heard until you feel that you fully understand it. • Do not join with a defensive attitude —good communication requires an open mind. • Stick to the topic being discussed. • Walk the listeners through your analysis and summarise your statements. 	
	Giving feedback
<ul style="list-style-type: none"> • Ask for clarifying information if you don't understand a point. • Paraphrase—try to explain the other's statements in your own words to make sure you understand what they are saying and feeling. • Give positive feedback to the person you are speaking with—emphasise the importance and usefulness of his/her statements. • Be specific—give specific examples rather than just general comments or advice. • Be problem-oriented, not people-oriented —focus on issues, i.e. refer to what the person does rather than to what you think he/she is. 	

¹³ Sustainability Agents SUSA GmbH, Prospere2e manual. Communication and Dialogue.

- Be problem-oriented, not people-oriented —focus on issues, i.e. refer to what the person does rather than to what you think he/she is.
- Be descriptive, not evaluative—try to describe what happened instead of evaluating its goodness, badness, rightness, wrongness.
- Try to completely understand what the other person means by his/her statements.
- Try to come to a mutual understanding.

2. Duty of care

Duty of care refers to an obligation to take reasonable care to protect another from all reasonably foreseeable risk of harm. Employers should be aware of their legal and social responsibilities related to their Duty of Care to all their stakeholders.

There is a general Duty of Care on employers, from a legal and corporate social responsibility perspective. Factories have a duty of care to their workers, which means that they should take all steps which are reasonably possible to ensure workers' health, safety and wellbeing.

Duty of care can be a key factor in building trust and reinforcing commitment to workers, and can help improve employee retention, boost productivity and pave the way for better employee engagement.



Corporate social responsibility

is a self-regulating business model that helps a company be socially accountable — to itself, its stakeholders, and the public.

Besides the legal expectation to do so, factories also have a moral and ethical duty not to cause, or fail to prevent, physical or psychological injury, and must fulfil their responsibilities with regard to personal injury and negligence claims.

In light of duty of care, factories have different ways of responsibilities, such as;

- Clearly defining jobs and undertaking risk assessments
- Ensuring a safe work environment
- Ensuring workers do not work excessive hours without rest
- Protecting workers from bullying or harassment, either from colleagues or third parties
- Protecting workers from discrimination
- Providing communication channels for workers to raise concerns
- Consulting workers on issues which concern them
- Prevent risks to health
- Ensure that machinery is safe to use
- Provide adequate first aid facilities
- Set up emergency plans

- Make sure that ventilation, temperature, lighting, toilet, washing and rest facilities all meet health, safety and welfare requirements
- Check that the right work equipment is provided and is properly used and regularly maintained
- Provide protective clothing or equipment free of charge (if risks can't be removed or adequately controlled by any other means)

Therefore, foreseeable risks to these employees must be mitigated by an employer through an integrated and strategic risk management strategy. This approach must be suitable to the work context of the worker. Factories employ workers coming from different catchment areas in rural surroundings of industry parks. More often, these workers are vulnerable to safety and security risks due to both negligence and for a simple fact that they are unaware of their surroundings.

Factories must demonstrate they have taken steps to educate their employees about these risks so that they are prepared to handle them should they arise. Factories must then monitor the environment for potential hazards and update workers (including expatriates) on any developments that could become critical incidents. Finally, employers must adequately support and assist their employees in event of a crisis or an emergency.

Factories can follow the following steps to set up an effectively duty of care practice for their workers.

1. Assess risks:

Assess health, safety and security risks in the locations where workers are assigned (including outside the premises of the factory) or travel to for work.

2. Develop an integrated risk management strategy

This includes both incident crisis management plan and an ongoing Duty of Care process so that the organization can effectively assume its Duty of Care obligations.

3. Develop policies and procedures:

Develop clear Duty of Care and travel risk management policies and procedures for expatriate workers and international assignees.

The management of most factories in industrial parks are comprised of employees of different nationalities from abroad. Factories are responsible for the safety and security of these expatriates. Thus, should develop guidelines and risk management procedures including but not limited to:

- Overall security situations in Ethiopia and in the region of the IP's location.
- Contact details and telephone trees of responsible personnel for safety and security of employees.
Telephone trees is a phone communication line that people in an organization use to quickly notify others in the event of an emergency. (Annex II)
- Recommendations and instructions on how to deal with security risks both in industrial parks and outside the premises of IPs.
- Security standard operating procedures.
- Medical and emergency guidelines, including evacuation procedures.
- Emergency contact details
- Security risk matrix

4. Communicate and train workers:

Factories need to make sure that the duty of care policies and procedures and travel risk management plan communicated throughout the organization and that workers are informed.

5. Continuous follow-up:

Provide ongoing guidance, support and assistance when workers are in safety and security risks and find themselves in unfamiliar situations.

6. Control and analyze:

Track and analyze workers' safety and security data to improve the efficiency and effectiveness of duty of care.

3. Stakeholder management

A stakeholder is defined as anyone that can affect or is affected by what someone else is trying to achieve.

In the case of factories in Ethiopian IPs, relevant stakeholders would be clients (brands), suppliers, the immediate community, and the government departments that collaborate with the IP or are influenced by its functioning, the workers, and the workers' families.

Of particular importance is the impact that an IP has in the communities in which they are settled. Every aspect of a community's economy is affected by the new IP. For example, the new workers that arrive to the area attracted by the employment opportunities offered by the IP contribute to a high increase in the demand for transport, housing and public security, which in turn, often leads to a rise in the prices of goods and services, which the local community might find initially hard to adapt to. Such developments, when negative and not handled properly, can easily lead to social unrest.

Stakeholder management included the systematic identification, analysis, planning and implementation of actions designed to engage with stakeholders. A good stakeholder management strategy can help the factories and the IPs in general, to prevent conflict by establishing a good relation with the community from the very beginning.

In order to prevent social unrest and clashes with stakeholders such as the local community, it is crucial that, from the very beginning, IPs have a clear strategy on how to communicate with and relate to them. Such a strategy will help generate spaces of dialogue and mutual understanding, which can prove to be critical not only for reaching clear agreements with the community and other stakeholders, but also for preventing the escalation of conflicts and managing risks.

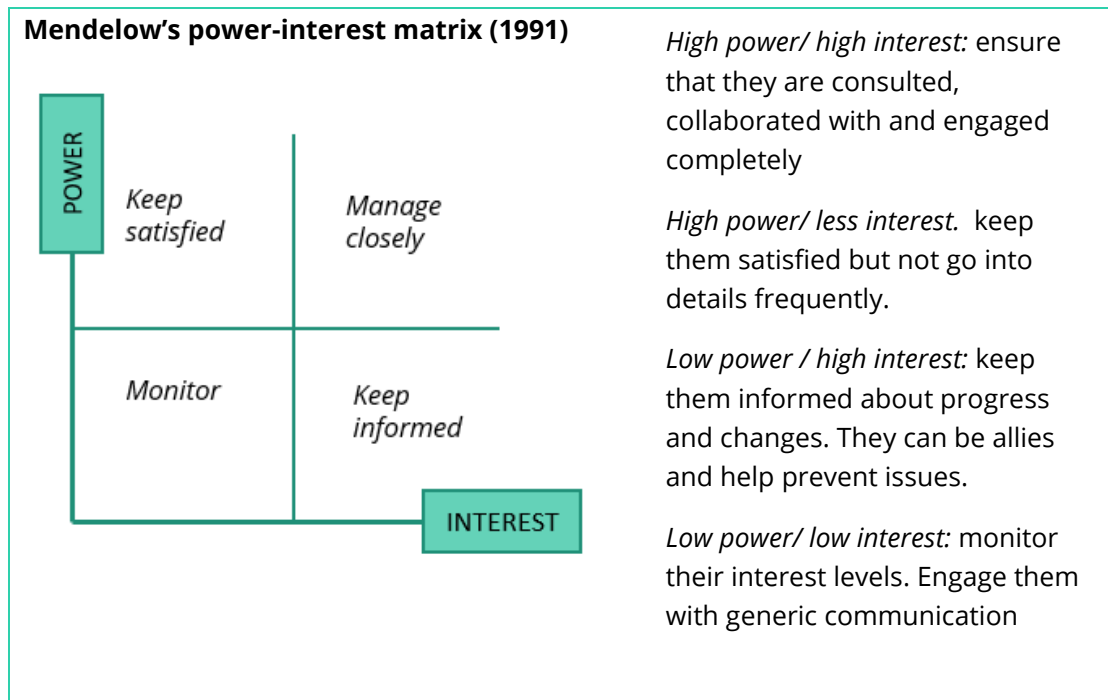
1.2. Steps of Stakeholder management

It is recommended that factories go through the identification of stakeholders and development of an engagement plan as a park strategy. This will help to join efforts and to make sure that all factories are following the same goals. Remember that the reputation of the IP affects the reputation of all individual factories, both for the good and for the bad.

To develop an effective stakeholder management strategy, it is necessary to:

- **Identify the stakeholders:** Stakeholders are anyone who can affect or is affected by a project or action. In this case, by the development, settling and functioning of the factories / IPs.

- **Understand their needs and expectations towards the industrial park:** For example: What are the different stakeholders' ideas about the IP? What needs could the industrial park cover? What needs could the IP generate in the community?
- **Classify stakeholders:** Not all stakeholders are the same. A widespread way of classifying them is by considering the interest (concern) stakeholders have and how much power(authority) they have to influence the IP.



- **Develop the engagement strategy:** Based on the understanding developed of each group of stakeholders, decide the frequency and the ways in which you would like to engage them and who will be responsible for engaging each stakeholder This will be the core of your strategy and will be the base of your engagement plan.
- **Take Action and manage engagement:** Once the strategy is set up, it is time to take action. Communicating and working with stakeholders to meet their needs/expectations, addressing issues as they occur, and fostering appropriate engagement in planned activities. A responsible team of people has to be defined and a schedule with activities as well as contingency plans in cases of unexpected problems.
- **Revise and repeat:** Stakeholder management is not to be done one time only. It is an iterative activity, that has to be revised and renewed, not only to learn from previous actions but also because stakeholders change, as well as their interest and power.

1.3. Useful principles for stakeholder engagement

- Check *the communication preferences* and if information is being understood clearly by all stakeholders. This will help to avoid misunderstandings and working towards common goals.
- *Have a clear picture of who the stakeholders are, their own objectives and constraints and gain their support from an early phase.* It is recommended that factories engage in this activity as soon or even before they establish themselves in a region. Previous information on stakeholders is usually available in the Environmental and Social Impact Assessment of the IP.

- Remember that stakeholders are human, and therefore their behaviour can be unpredictable or irrational.
- *Invest time and resources* on planning your engagement strategy. Plan with flexibility but rigorously.
- Relationships are key in countries like Ethiopia. *Invest time in generating trust* among the stakeholders and consider cultural values that are relevant to every region.
- Make sure that those involved in managing stakeholders develop the necessary skills: *empathy, effective communication, negotiation skills, active listening*.¹⁴

2. Conflict management

Conflict is inevitable in all working environments. Having a good internal communication strategy in place and sound workplace policies and procedures established are the foundation for good workplace relations and can help a prompt and equitable settlement of labour disputes when these arise.

However, *factories have to be ready if conflicts escalate*. Conflict can be either constructive or destructive, and its effect in the organisation will be defined by the way it is handled. Conflict can lead to the establishment of better procedures, fairer practices and more productivity in the factory, or it can lead to increasing dissatisfaction and long periods of no production or low productivity.

Learning to manage conflict is an integral part of any organisation, in particular in organisations with a high number of employees such as factories. As the HR department is in charge of managing employee relationships, the staff must have an understanding of how to handle conflict in the factory and how to respond to an escalation of conflict.

2.1. Principles of effective conflict resolution

According to the International Labour Organisation (ILO), the following principles should be followed by organisations for the effective resolution of disputes¹⁵:

- An effective system for processing workplace disputes is essential for sound labour relations and the proper functioning of an organisation.
- The parties should use their best endeavours through discussion, consultation and negotiation to resolve any disputes which may occur, and must deal with each other in good faith in seeking mutually acceptable solutions to disputes. They should consult each other when they anticipate that disputes may arise.
- Employers/ employees and their organisations should treat one another with appropriate sensitivity and respect, and contribute towards a constructive working environment, (...) making genuine attempts to resolve disputes at the workplace.

¹⁴ RICS Professional Guidance, UK. Stakeholder engagement. 1st edition

¹⁵ ILO. *Code of good practice: Resolution of disputes at the workplace*. Industrial Relations Act, Section 109. Retrieved from: <https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/104362/127272/F1823904484/SWZ104362.pdf> on 30/04/2019.

- The processing of a dispute must not prejudice an employee's employment in any way. The parties must recognise each other's rights to utilise available systems and procedures to resolve disputes that occur.
- An employee must be given the opportunity to be assisted by a fellow employee in processing a dispute at the workplace i.e. worker representative.
- Employers, employees and their organisations should attempt to deal with problems quickly and as close to their source as possible.
- Employer, employees and their organisations must address the root causes of conflict, and not just the outward symptoms of the problems.
- Employers, employees and their organisations must recognise the extent to which the nature of the dispute influences the suitability to different dispute resolving mechanisms.
- Employers, employees and their organisations must recognise the need for an effective dispute management system, to deal with all disputes that may arise.

2.2. Types of conflict in the workplace

Employment disputes are divided into two categories: individual and collective disputes. In general, individual disputes are those involving single individuals, and collective disputes involve groups of workers.¹⁶ The understanding of this categories should be guided by the labour proclamation of each country.

The Ethiopian labour proclamation defines a labour dispute *as any controversy arising between a worker and an employer or between trade union and employers in respect to the application of law, collective agreement, work rules, employment contract or customary rules, and also any disagreement arising during collective bargaining or in connection with collective agreement.* Individual labour disputes are to be handled by regular courts, collective disputes require special conciliation and arbitration bodies before being dealt with by regular courts for a final decision, if necessary.¹⁷

According to Wubie, the differentiation between individual and collective disputes is not straightforward. The main criteria that defines it are the effects of the dispute: if they are limited to the disputing worker (or workers) it shall be considered as an individual dispute, whereas disputes whose effects transcend individual spheres and affect the joint interest of employees shall be collective labour disputes.

A legal advisor should always be involved from the beginning of any conflict, this will help the factory to understand the legal nature of the dispute and the right mechanisms to rely on.

2.3. Conflict prevention

¹⁶ ILO (2007) *Collective Dispute Resolution through Conciliation, Mediation and Arbitration: European and ILO Perspectives*. High-Level tripartite Seminar on the settlement of labour disputes through mediation, conciliation, arbitration and labour courts. Cyprus, October 18th – 19th, 2007

¹⁷ Hiruy Wubie (2013) *The Settlement of Individual and Collective Labour Disputes under Ethiopian Labour Law*. In E-Journal of International and Comparative LABOUR STUDIES. Volume 2, No. 1 January 2013. Published by Adapt, International School of Higher Education in Labour and Industrial Relations.

Conflict prevention is the object of a wide range of policies and initiatives and it is based on effective communication strategies. It aims to avoid the violent escalation of a dispute. Guidelines to prevent conflict include:

- Have a communication policy in place to ensure that relevant information is made available to the workforce. Management decisions that are relevant to workers have to be effectively communicated, at all times.
- Have several communication channels available and define which will be used for which information.
- Disclose all information about agreements with the workers' representation and conflict resolutions between groups.
- Give workers' representatives the opportunity to use the communication channels under an agreed policy that defined to what extent and under which circumstances they can do so.
- New solutions found for conflicts should be incorporated into the relevant policies and procedures to make sure that they contribute to the development of the factory.

Factories should try to solve conflict internally and prevent escalation to instances outside the factory. This is to be done by encouraging dialogue among stakeholders. Dialogue is a process where the participants commit to listen, reflect and question with a curious mind-set in order to seek a shared understanding.

2.4. Mediation in the factory

Sometimes informal conflict resolution is not enough. When negotiation is not working out, it is important to know when to step away from a conflict situation and ask someone more skilled to mediate. The key difference between negotiation and mediation is that in negotiation, the parties involved work out their own agreement. In mediation, they have the support of the third party, the mediator, to help them come to an agreement. A mediator is a neutral third party who facilitates the mediation process by guiding the negotiations between the parties so that the parties may arrive at mutually acceptable solutions.

The mediator must be highly objective and must remain neutral throughout all the mediation process. A high degree of confidentiality is required for all aspects of the mediation process. The work involves giving all parties an equal opportunity to be heard and to respond, ensuring that negotiations take place in a fair and balanced manner, helping each party to identify his or her own needs, evaluate options and develop solutions. These tasks must be executed diligently and independent of influence or bias and in accordance with the systems and procedures in place at the mediation centre.



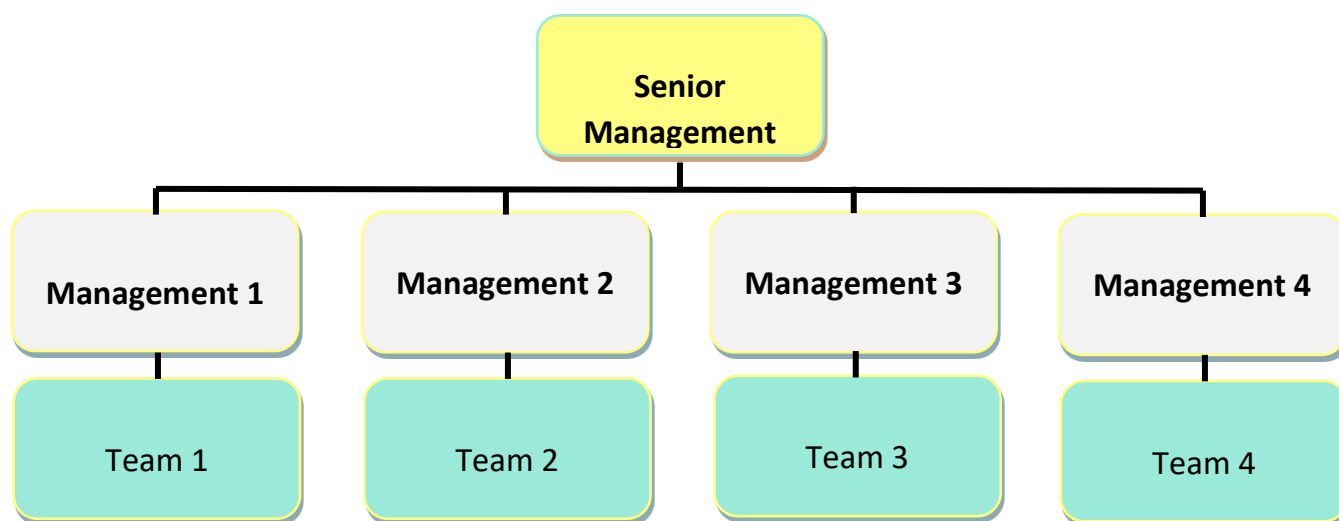
Qualities of a Mediator

- ☞ Acceptance of individual differences
- ☞ Ability to analyse
- ☞ Ability to recognize and manage power
- ☞ Strong communication skills
- ☞ Active listening skills
- ☞ Summarising skills
- ☞ Ability to articulate and identify the issues and interests of the parties
- ☞ Ability to control the process without dominating the parties
- ☞ Ability to generate movement in the discussion of the *dispute*

Annex I: Meeting Minutes Template

Date and time						
Meeting subject						
Moderator/Chair						
Participants						
#	Topics	Main discussion points	Actions to be taken	Responsible person	Deadline (DD/MM/YY YY)	Additional notes
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						

Annex II: Typical emergency telephone tree



In the event the Senior Management is unavailable, Management 1 will be responsible for implementing the Senior Management phone tree. In the event a management is unavailable, the next member of staff down on the list is responsible for implementing the team phone tree.

[Senior Management] Phone Tree					
Ref	Name	Work	Work mob	Personal mob	Home tel
1.	[Manager1]				
2.	[Manager1]				
3.	[Manager1]				
4.	[Manager1]				
[Management 1] Phone Tree					
Ref	Name	Work desk tel	Work mob	Personal mob	Home tel
1.					
2.					
3.					
4.					

[Management 2] Phone Tree					
Ref	Name	Work desk tel	Work mob	Personal mob	Home tel
1.					
2.					
3.					
4.					

[Management 3] Phone Tree					
Ref	Name	Work desk tel	Work mob	Personal mob	Home tel
1.					
2.					
3.					
4.					

[Management 4] Phone Tree					
Ref	Name	Work desk tel	Work mob	Personal mob	Home tel
1.					
2.					
3.					
4.					

Chapter 12: *The Way forward - HR Guidelines implementation*

1. The Checklist

This checklist is meant to help factories to monitor the implementation of the basic recommendations described throughout the manual. It focusses on the deliverables and responsibilities of the HR department.

HR manual (Chapter 1)

		Remarks
<input type="checkbox"/> Minimum content completed	<input type="checkbox"/> Introduction	
	<input type="checkbox"/> Business environment	
	<input type="checkbox"/> Business ethics	
	<input type="checkbox"/> Recruitment and selection	
	<input type="checkbox"/> Onboarding	
	<input type="checkbox"/> Training and development	
	<input type="checkbox"/> Performance management	
	<input type="checkbox"/> Compensation	
	<input type="checkbox"/> Grievance handling	
	<input type="checkbox"/> Leave	
	<input type="checkbox"/> Disciplinary procedure	
	<input type="checkbox"/> Staff movement	
	<input type="checkbox"/> Health and safety	
	<input type="checkbox"/> Employee records	
<input type="checkbox"/> Translated to local language		
<input type="checkbox"/> Reviewed by legal advisor		
<input type="checkbox"/> Selected policies posted on notice boards		
<input type="checkbox"/> HR Manual easily accessible for HR staff and management		
<input type="checkbox"/> Employee handbook available for all employees		

Recruitment and selection (Chapter 2)

	Remarks
<input type="checkbox"/> Job descriptions available and upgraded	
<input type="checkbox"/> Recruitment documentation completed (personnel file)	

Employee onboarding (Chapter 3)

	Remarks
<input type="checkbox"/> Onboarding plan completed	
<input type="checkbox"/> Onboarding provided for every new position (incl. internal promotion)	
<input type="checkbox"/> Soft skills included in onboarding	
<input type="checkbox"/> Onboarding checklist completed	

Training and development (Chapter 4)

	Remarks
<input type="checkbox"/> Training needs assessment completed	
<input type="checkbox"/> Annual training plan completed	
<input type="checkbox"/> Training evaluations being applied	
<input type="checkbox"/> Adult training methods being applied	

Performance management (Chapter 5)

	Remarks
<input type="checkbox"/> Performance management system implemented for staff (all steps completed)	
<input type="checkbox"/> Performance management system implemented for operators (all steps completed)	
<input type="checkbox"/> Training on performance management system for supervisors & managers	

Compensation (Chapter 6)

	Remarks
<input type="checkbox"/> Salary slips are being issued to all employees	
<input type="checkbox"/> Salary, benefits and allowances communication strategy established and implemented	

Leave management (Chapter 7)

	Remarks
<input type="checkbox"/> Attendance tracking implemented	
<input type="checkbox"/> Leave tracking implemented	
<input type="checkbox"/> Action plans to remedy unauthorized absenteeism implemented	

Grievance procedure (Chapter 8)

	Remarks
<input type="checkbox"/> Grievance procedure implemented	
<input type="checkbox"/> Grievance procedure communicated to workers	
<input type="checkbox"/> Worker representatives involved in grievance handling	
<input type="checkbox"/> Feedback on status of grievance being provided	
<input type="checkbox"/> Grievance log developed and in use	

Disciplinary procedure (Chapter 9)

	Remarks
<input type="checkbox"/> Disciplinary procedure implemented	
<input type="checkbox"/> Disciplinary procedure communication strategy established and implemented	

Employee movement (Chapter 10)

	Remarks
<input type="checkbox"/> Procedure followed for all cases of employee movement	<input type="checkbox"/> Transfer
	<input type="checkbox"/> Demotion
	<input type="checkbox"/> Promotion
	<input type="checkbox"/> Termination
<input type="checkbox"/> Complete documentation for every case of employee movement	

Communication (Chapter 11)

	Remarks
<input type="checkbox"/> Meetings regularly held with factory staff and workers	<input type="checkbox"/> other departments
	<input type="checkbox"/> worker representatives
<input type="checkbox"/> Annual meeting organized (all employees)	

Once the checklist is completed, the work is not over! Keep improving the policies and procedures, implementing all the recommendations in the manual and working towards advancing satisfaction, retention and productivity in the factory.

2. The HR Scorecard

Effective measurement systems encourage a clear, consistent and shared view on how factories implement their strategy in each department and at each level. It helps factories to focus on what is important, what is happening, the reasons why this is happening and to foresee what might happen in the future. Relevant and good quality data is key to make strategic decisions.

A scorecard is a metric used in strategic management to identify and improve various internal functions of a company and their outcomes. It can be used to measure and provide feedback to each department on how they are working towards the factory strategic goals.

A scorecard is a tool that provides a comprehensive measure of how the organization progresses towards the achievement of its strategic goals.

An HR Scorecard allows the HR Department to be able to visualize and show the value it creates in the factory. Unlike dashboards, the most common metrics used in the factory, scorecards have a focus on strategy and long-term goals.

Dashboard	versus	Scorecard
○ Used for monitoring and performance measurement		○ Used for performance management and strategy
○ Based on daily metrics		○ Based on Key Performance Indicators (metric plus target that we want to achieve)
○ Updated in real time		○ Updated periodically
○ Focus on operational short-term goals		○ Focus on strategic long-term goals
○ Helps to visualize performance to understand the current state		○ Helps to visualize a strategy, identify why something is happening and what can be done

The HR scorecard is a method for the HRD to position itself as a strategic partner with line managers and executives. The metrics help to demonstrate how HR activities impact profitability, how HR is a source of competitive advantage for the factory. Internally, an HR scorecard helps understand the big picture and ensures that everyone is moving towards the same direction.

2.1. What to measure?

In order to define the measures that will give meaningful information on the strategic role of HR in our factories, the department should focus on their deliverables and overall impact on the factory operations.

To do so, HR departments must identify:

- Key Result Areas (KRA): the fundamental areas of the outcome for which a department is accountable. Examples of KRA for the HR department are: recruitment and selection, onboarding, training and development, performance management.
- Key Performance Indicators (KPIs): quantifiable measure that gauges the performance of the department in quantitative terms. KPIs can be grouped according to the KRA to which they are related. Examples of KPI for the HRD are: turnover rate, average time to recruit, number of grievances successfully solved internally.

It is not possible nor efficient for a factory to try to quantify all the aspects of their strategy and outcomes. However, this shouldn't be a reason not to measure the key dimensions of HR strategy.

2.2. Setting up Targets and Checking Performance

After the definition of the KRAs and KPIs, factories need to set up targets for each KPI selected.

In order to define targets, factories should start by measuring the actual value that the KPI has.

A target is the desired level of performance that aims to be achieved, as measured by the KPIs.

Later, they should define targets that are both ambitious and achievable. For this, historical data (if available) or external sources can be used to provide information to set up clear and achievable targets.

Whereas targets should be time-bounded, not all of them have to refer to the same timeframe. For example, the KPI “average time in training per employee” is usually evaluated in a yearly basis, while “turnover rate” is usually done monthly.

2.3. How to implement the HR Scorecard?

This chapter provides a template for factories in Ethiopian IPs to track the most relevant KPIs for the performance of the HR department. Factories can use the template as a basis to then establish their own HR scorecards, that should evolve in complexity along with the development of the HR department's expertise and functions.

Implementing new practices in a factory can be challenging, but the benefits it brings are worth the effort. Some tips to facilitate the adoption and effective use of the HR Scorecard are:

- Get the HR staff involved and train them on HR metrics
- Establish clear responsibilities and deadlines for each KPI
- Take small steps: start with a few KPIs per KRA. Don't over measure, make sure that the investments in measuring are worth their benefit.
- Encourage thinking beyond numbers: What are the causes behind the data?
- Be persistent on the application of the HR scorecard
- Develop and include in the HR scorecard the measures planned in order to reach the targets.

2.4. HR scorecard for factories in Ethiopian IPs

Key Result Areas	Key Performance Indicators	Target	Actual Value	Measures to reach target
Cross cutting results	Absenteeism rate			
	Turnover rate			
	Productivity rates			
	Retention rate of high performance			
	Percentage of new hires achieving satisfactory rating at first appraisal			
Recruitment and selection	Average time to recruit			
	Number of recruits that completed probation period			
Onboarding	Number of onboarding days			
	Percentage of new recruits that completed onboarding			
Training	Average number of training days per year per staff			
	Average number of training days per year per operator			
Performance	Percentage of employees with job descriptions			
	Percentage of employees with individual performance plan			
	Percentage of workers with performance appraisal in a period of time			
	Percentage of departments who completed all their performance appraisals on time			
Grievance	Percentage of grievances successfully solved internally			
Discipline	Number of disciplinary offences registered during a period of time			
Leave	Unauthorized leave rate			

Formulas

Absenteeism rate	Number of unauthorized leave days/Number of working days (in a determined period of time)
Turnover rate	Number of voluntary turnover/Average number of employees (in a determined period of time) Average number of employees= (Number of employees at the beginning of period of time + Number of employees at the end of a period of time) /2
Productivity rates	Percentage of employees who meet productivity targets

Turnover rate of high performance	Number of voluntary turnover of high-performance employees/Average number of high-performance employees
Average time to recruit (TTR)	Average TTR: Sum of all TTR / Number of TTR (in a determined period of time) TTR: Date of sending job offer letter– Date of request of employee by a department
Unauthorized leave rate	(Number of unauthorized leave days/Number of total working days) * Number of employees

Annex 1: Centralised Services in Industrial Parks

1. Centralised Services in Industrial Parks

A centralized service is a service that is provided to a cluster of different entities, provided that they share a common interest in the service provided. In the case of industrial parks, centralized services refer to those that are taken out of the sphere of the individual factories to start being provided to them all as a whole by one or more providers under the same standards.

The development of industrial parks (IPs) benefits investors, communities and individuals in multiple ways. Some of these benefits include¹⁸:

- IPs offer employment opportunities to a large number of people, who usually come from impoverished areas and have limited access to jobs;
- They foster the development of underdeveloped areas and promote balanced regional growth, contributing to regional and national economic development;
- They provide an institutional framework, a physical and social infrastructure, and modern services to factories, giving them a competitive advantage in the country where they operate.

To reap these benefits, however, it is necessary to ensure the success of the factories part of the IPs. And, while factories largely determine their own success by defining their own production goals, financial objectives and internal structures and by responding to their individual needs, their success is also linked to the bigger framework in which they find themselves, namely, the IP. As most of the challenges the factories face (such as attracting and retaining workforce, maintaining a good relationship with stakeholders and ensuring good working conditions to their employees) are often challenges shared by other factories in the IP (and in many cases in other IPs as well), the IP can help factories tackle these challenges by centralising social services and resources, i.e. sharing the provision and management of key services that are delivered to all the workforce of an IP.

Centralised social services and resources help the factories by:

- **Increasing cost-effectiveness of social services**, as joint efforts allow to provide better quality services with lesser resources.
- **Providing a level platform of minimum social services and standards**, thereby helping to avoid multiple and mismatching standards in IPs
- **Preventing social and labour standards from being entangled into the logic of competition** by restraining the use of different levels of social services between the factories to poach workers.

¹⁸ UNIDO (2016). *Global Assessment of Eco-industrial Parks in Developing and Emerging Countries*. Retrieved from: https://www.unido.org/sites/default/files/2017-02/2016_Unido_Global_Assessment_of_Eco-Industrial_Parks_in_Developing_Countries-Global_RECP_programme_0.pdf on 01/05/2019

- **Contributing to fostering social peace with the communities around the IP**, as sharing a joint strategy to manage community relationships contributes to protecting the reputation of the IP and of each factory.
- **Preventing unrest with the workforce**, as they receive standard social services that improve their living conditions.
- **Enabling the factories to focus on their core business, production and quality**, as common needs and risks are addressed in a coordinated and effective manner, which helps to significantly reduce the time and resources that each factory would require to do so individually.

The structure and responsibilities for the centralization of services is to be developed by each IP. It is recommended that the main management functions are under the responsibility of an association of all factory tenants i.e. investors association.

In the next sections, a number of interventions for offering centralised services in Ethiopian IPs are introduced. These interventions are intended to help IPs and factories tackle some of the most common and pressing challenges faced by both. It should be highlighted, however, that, for these interventions to be effective, factories and the IP need to have a common understanding of current challenges, to set clear goals and to channel efforts into joint sustainable strategies.

2. Management of Stakeholders

IPs have a significant impact in the communities in which they are settled. Almost every aspect of a community's economy is affected by the new IP. For example, one of the consequences often observed after the introduction of an IP, is a change in the living conditions in the surrounding areas. Attracted by the employment opportunities offered by the IP, thousands of workers from both nearby and faraway regions flock into the area –increasing the demand for transport, housing and public security. This, in turn, often leads to a rise in the prices of goods and services, to which the local community might find initially hard to adapt.

In order to prevent social unrest and clashes with stakeholders such as the local community, it is crucial that, from the very beginning, IPs have a clear strategy on how to communicate with and relate to them. Such a strategy will help generate spaces of dialogue and mutual understanding, which can prove to be critical not only for reaching clear agreements with the community and other stakeholders, but also for preventing the escalation of conflicts and managing risks.

To develop an effective stakeholder management strategy, it is necessary to:

- **Jointly identify the stakeholders.** Stakeholders are anyone who can affect or is affected by a project or action. In this case, by the development, settling and functioning of the IP.
- **Understand their needs and expectations** towards the industrial park.
- **Classify stakeholders.** Not all stakeholders are the same. A widespread way of classifying them is by considering their power, interest in and how they are affected by the IP.
- **Develop the engagement strategy.** Based on the understanding developed of each group of stakeholders, decide the frequency and the ways in which you would like to engage them and who will be responsible for engaging each stakeholder. This will be the core of your strategy and will be the base of your communication plan (*more information on this topic can be found in Chapter 11: Communication*).

Some ways in which you stakeholders can be engaged are:

- **Stakeholder Community Forum:** The forum includes relevant local authorities and organisations and is steered by a professional mediator. Meetings should take place regularly and at the end of each meeting there should be decisions on tangible outcomes. To ensure the success of this medium, it is necessary to assess and review the forum's work regularly.
- **Community Activities:** Activities such as guided visits to the IP, special events at the IP can help the community to get to know the IP.
- **Venues for Dialogue:** Venues to engage in dialogue (which may be of the scale of the stakeholder community forum but can also be much smaller) to share concerns and work on solutions.

3. Medical Services

The health of workers is inevitably linked to their productivity and workplace satisfaction. Health risks at the workplace (such as heat, dust, hazardous chemicals, psychological stress) and related to the workplace (such as long commutes) can affect the physical and psychological health of workers. This, in turn, can lead not only to a decrease in productivity due to e.g. more sickness' days and less efficiency, but also generate a general feeling of dissatisfaction among workers as they perceive the workplace to have a negative impact on their level of well-being.

To counter some of the health risks posed by the workplace and the negative consequences that can arise from those risks, it is necessary to apply measures for protecting workers' health. Research has shown that workplace health initiatives help reduce absenteeism related to sickness by 27% and healthcare costs for companies by 26%.¹⁹ Healthcare initiatives should, however, not be limited to improving working conditions but also to ensuring access to preventive healthcare and good-quality, timely treatment. Such initiatives can be taken individually by the factories but also in a centralised manner through the IP. As mentioned above, however, having a centralised, shared facility can help factories to save time and costs while still allowing them to provide high-quality medical care for its workers.

The centralised medical centre should be adequate to the size of the IP and provide the following services:

- Standard medical treatment and medication
- Preventive health services such as educational campaigns for disease prevention (e.g. STIs or common illnesses among workers such as kidney disease due to dehydration), reproductive health (incl. the provision of sanitary products such as sanitary pads for women) and nutrition.
- Emergency medical services, including ambulance pickups and transport to nearby hospitals, for situations that are beyond the capacities of the clinic.
- First aid training for factory staff and providing ongoing advice to factory management on nutritional requirements (incl. quantity, quality and frequency) of meals provided to the workers.

¹⁹ WHO (2017). *Protecting Workers' Health*. Retrieved from: <https://www.who.int/news-room/fact-sheets/detail/protecting-workers'-health>

To ensure the sound operation and effectiveness of the medical centre, it is imperative that standard procedures are developed for all services provided and communicated to the management of each of the factories in the IP. Factories should be well aware about the procedures to be able to clearly provide instructions to workers and to the management in charge of dispatching workers to the centre in case of illness, injury or emergency and of coordinating healthcare campaigns and health-related training. Communication should, however, not be limited to the procedures. The centre should provide regular reports on sickness and accident rates to the factories as well so that they can use them for their social auditing and other stakeholder communication purposes.

Finally, to ensure the good quality of the services, strict standards and guidelines should be developed and monitored by public authorities, the investor associations or a commission set up for this purpose. This will help to guarantee a safe and healthy environment for the patients and keep track on the technical performance, services offered, effectiveness of care and the physical infrastructure of the clinic.

4. Meals

Workers' nutrition is very important in the factory context. *Good nutrition levels lead to gains in productivity and worker morale; prevention of incidents such as mass fainting, and a reduction of sick days.* In the case of manual workers, it is especially important that their diet satisfies their high caloric intake needs. However, the reality is that many workers are unable to consume enough calories to perform the strenuous work expected of them. Workers often find themselves with little money by the middle of the month, which makes it difficult for them to buy sufficient food. In some cases, workers do not count with the facilities necessary to store or cook food at home. Workplace meal programmes help address some of these difficulties and prevent nutritional deficiencies and diseases (such as anaemia), which lead to chronic fatigue, tiredness, weakness, difficulty concentrating on work and, consequently, low productivity.

Factories can significantly benefit from a workplace meal programme. Providing at least one meal to workers can greatly contribute not only to avoid the negative consequences of malnutrition on production, but also to enhance the overall health and well-being of workers. Unlike cash food allowances, meal programmes prevent workers from spending the money to address other needs and also ensure that at least one meal consumed by workers meets nutritional needs. In this way, the meal programme helps enhance workers' health and reduce the instances of workers experiencing health problems –such as feeling weak and fainting– at work.

As with other services mentioned previously, factories can organise this service individually and provide meals to the workers in their own canteen. However, a centralised meal service can be beneficial for the factories as it;

- Lowers costs.
- Limits the amount of effort required by factory management.
- Ensures that meals meet caloric and nutritional requirements by engaging professionals in the development of the menu.

The centralised meal programme can be organised in different ways. One of the most uncomplicated ways, however, is by arranging a central kitchen that delivers the food to meal

rooms –either for each shed or for sharing by a number of sheds– in shifts. This would avoid the organisational complexity of having one main canteen in which all workers in different factories within the IP go for a meal at different times; and of delivering food to numerous individual factory canteens.

In order to have a successful meal programme, however, it is absolutely mandatory to ensure that, in addition to nutritious and sufficient, the food provided by the canteen is safe. Therefore, it is imperative that the meal programme includes a supervision component that entails regular and spontaneous checks to monitor hygiene, condition of facilities, quality of supplies and prepared food, and the canteen services themselves.

5. Transport

Transport is an essential service that can greatly affect the quality of life of workers. Lack of safe, reliable and affordable public transportation systems and the long commutes from the workers' houses to the IP can make transport one of the biggest challenges for workers. *If left unaddressed, the deterioration in the well-being of workers caused by the lack of adequate transport or exhausting commutes can result not only in higher tardiness and absenteeism rates, but also, ultimately, in higher turnover rates.*

To address this problem, it is necessary to provide workers with a reliable transport service to commute to work. Providing transport can help minimise the stress felt by workers who need to adapt to the urban lifestyle. It can reduce tardiness and absenteeism as workers can rely on the factory's buses to come on time in all weather conditions. It can make it easier for workers to take overtime hours when needed as they do not have to worry about availability of transport at late hours. And, finally, it can also help protect workers by ensuring that transport meets safety standards.

As with other services, factories can choose to either organise their own transport or opt for taking part in a centralised transport service at the IP level. Some of the benefits that a centralised transport unit brings are:

- It makes it easier to combine the service with vehicle maintenance shop –which could ensure that factory cars/buses are fully compliant with safety requirements and follow standard procedures.
- It lowers costs through collective tendering and sub-contracting process.
- It requires less effort from factory management.

6. Subsidised Shops

Factory workers usually have limited income and cash-at-hand to buy goods that help them meet their most basic needs. As a consequence, they are often only able to buy small amounts of food and basic goods. Furthermore, as some of them also lack the facilities at home for the safe storage of food and other items, they are unable to purchase larger amounts, which would potentially allow them to save money (as the smaller the unit the higher the price per item). Lastly, when IPs are developed in a region and a mass of workers arrive there, it is common for prices to rise as

businesses speculate with the costs of goods. This makes it even harder for workers to have access to good and nutritious food.

To tackle this problem, IPs can offer food at cost or wholesale prices in so-called ‘fair shops’. This would enable workers to access affordable, fairly-priced and good quality basic goods and, thereby, allow them not only to have food security but also save money. In addition, by ensuring that the food is of good quality, fair shops could help prevent sickness among workers due to the consumption of low-quality food. Ultimately, by increasing the well-being of workers through enhanced food security and increased possibilities for saving money, these shops can be a big incentive for workers to stay in the factory and can make the option of working in the IP more attractive to the community.

Building and setting up shops and infrastructure of subsidised shops should be done by IPDC, whereas the management and operation of the shops can be done in different ways:

Option 1. Once price of goods is fixed through thorough assessments and market analyst that involves workers, an open tendering can be conducted to select retailers to occupy and operate shops.

Option 2. Subsidized consumer cooperatives can be contracted to provide goods and food items for fair prices.

To ensure that subsidised shops function correctly, it is necessary to have clear and strict regulations. For example, limits on the amount of goods that can be sold per worker should be established in order to avoid reselling and regulations to ensure the quality of food to be offered should be developed to avoid massive illness. The regulation should include not only the quota pro workers and quality assurance measures but also directions regarding keeping and replenishing stock, selecting suppliers and determining sale prices.

7. Training

Training is a crucial part in the Ethiopian manufacturing industry. Training prepares the workforce with the knowledge and skills necessary to perform well in their role. Benefits of proper training (*as explained in more detail in Chapter 3 Employee onboarding and Chapter 4 Training and development*) include improvements in production efficiency and decreases in absenteeism and turnover rates. However, factories sometimes lack the resources –time, skills and budget– to provide relevant, high-quality training to their workforce.

IPs can help factories with this challenge. Although technical training is highly industry and factory-specific, training on general technical skills, life skills and soft skills (incl. managerial skills) are necessary for employees in all kinds of factories and can, therefore, be centralised in an IP training centre. Through centralised training services, an IP training centre would enable factories to provide training to their staff on core topics with considerably less costs and efforts. It would count with skilled staff that possesses expertise not only on the different topics at hand but also on training delivery methods and adult education. The centre would have structured programs and diverse material to ensure the development of relevant skills in workers, supervisors and management. Workers, staff and managers of all factories within the IP would be trained in topics such as leadership, team building, labour law, compliance, and OHS, among others. It would be

located in within the IP premises and have a dedicated training office. For special cases, the delivery of training could be arranged in each factory.

Factories gain added benefit from centralized training services because;

- Pre-planned training programs make it easier for factories to design developmental plans per employee.
- Training cost is decreased, as factories can now send only the relevant workers to take part in specific training types.
- Cost and effort of training acquisition process is eliminated.
- Factories can plan operational activities and training simultaneously, as the centralized training service will accommodate similar trainings in different timelines.

In order to create ownership and maximize the added value of the training centre, design of training programs and modules should include inputs of factories' management. A competitive bidding and selection of training providers should be conducted for the management and operation of the training centre.

As beneficiaries and major players of the training program design, factories are to be responsible for the cost of the training services, whereby governmental organizations such as IPDC, along with the tenants' association can set up the training centre and infrastructure.

8. Counselling

Many of the workers who start working in manufacturing facilities come from rural areas. Most of them are young females, and it is usually the first time that they are away from their families and villages. Dealing with the challenges posed by starting a new job in a new environment (i.e. the factory) can be stressful by itself, but, in many instances, workers have to face difficulties related to having to adapt to a new living situation that entails not only adjusting to an urban lifestyle but also being in a new place without a social support network (incl. family members). Moreover, even though it is often invisibilised, harassment and abuse are common in many factories and workers feel that they have to deal with this themselves as they are too afraid of losing their jobs or of the consequences that speaking up can have to their reputation. Finally, it is not uncommon that factory workers are stereotyped and marginalised by the community. Faced with such a cocktail of challenges, workers often find it extremely difficult to deal with their new life situation and, as a result, quit the factories to return to their homes after a few months of work.

Providing counselling, both about work and personal issues, is a valuable tool to ease the situation of the workers and help them to deal with their daily problems. Although it may not always be able to solve the problems faced by the workers, it can offer much needed psychological support and thereby alleviate some of the feelings of frustration and being overwhelmed experienced by the workers. This can help to increase the sense of well-being among workers and, in this way, help factories to increase retention.

Although factories can offer counselling services on their own, centralising counselling services have the added benefit of allowing factories to offer qualified professional support (i.e. support by professional

It is highly encouraged that factories in IPs share knowledge and jointly address common needs, work together towards joint solutions and develop new ways of offering better services to their workers while saving costs.

psychologists with experience in working with women and workers or vulnerable groups) to the workers at reduced costs.

9. Social and Environmental Standards

Factories can benefit from setting up structures to share knowledge and efforts to comply with social and environmental-related national laws and international standards. Although this guideline itself is a tool to provide a common base and guide for factories in IPs in regards to social standards and HR processes, the IP can further support factories by offering a centralised service that provides advice on how to apply regulations and standards to ensure compliance. The service can also perform audits to monitor implementation and make sure that all factories are on the right track. In case that factories are facing challenges in applying the certain standards or want to implement additional standards, they could also request assistance from the centralised service.

10. Monitoring of Centralised Services

Regardless of whether it is for transport, meals or any other of the services proposed, monitoring and evaluation schemes have to be developed to ensure the quality of the services and guarantee transparency. These schemes can be developed by an external consultant or NGO, hired by the tenant's association.

Moreover, in the case of hiring contractors, a competitive bidding process should be developed and followed. The bidding should, needless to say, observe the highest standards of ethics. In order to guarantee a fair and transparent bidding process, rules such as excluding all bidders with a history of corruption or fraudulent practices as well as those who have personal links with those preparing, checking the documents or making the selection should be in place. Contractors hired must have experience in offering the service and have with qualified personnel and financial capacity. Clear objectives have to be given to hired contractors and formal communication channels have to be established as well as regular instances for information exchange. Finally, calls for contractors should be done periodically (i.e. every 1 or 2 years) and the performance of the last contractor should be thoroughly evaluated.

11. Continuous Efforts Towards Shared Benefits

This annex presented only some of the services that could be centralised and shared by all factories in IPs. Naturally, it is also possible for factories to provide these social services individually. However, provided that well-defined standards are followed, offering these services jointly bring benefits that exceed those achieved by factories working separately. Some of these benefits include increased cost effectiveness, high standard levels of social benefits provided, and, overall, a good reputation of the IP within the community.

For this reason, it is highly encouraged that factories in IPs share knowledge and jointly address common needs, work together towards joint solutions and develop new ways of offering better services to their workers while saving costs. *The better the whole IP performs, the more competitive advantage it will have in attracting and retaining workforce and clients.*