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Foreign Direct Investment as Development: A Human Rights-Based Critique of the Structural Misalignment between FDI Promotion and Labour Rights Protection in Ethiopia

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Abstract

Since the mid-2010s Ethiopia has pursued export-oriented industrialisation through state-built industrial parks, treating foreign direct investment (FDI) as a principal vehicle for realising the right to development. This article asks whether a strategy that markets low labour costs to transnational investors can be reconciled with the labour-rights guarantees that the Ethiopian state is bound to secure. Using doctrinal and documentary analysis, and drawing on a human rights-based approach (HRBA) to development and the UN 'Protect, Respect and Remedy' framework, it argues that the strategy exhibits a structural misalignment in three registers. The first is normative: a gap between arts 41, 42, 43 and 89(8) of the FDRE Constitution and the continued absence, on the published sources consulted, of the private-sector Wage Board contemplated by art 55(2) of Labour Proclamation No 1156/2019. The second is institutional: limited evidence of functioning workplace representation and of inspection capacity proportionate to the industrial-park workforce. The third is transnational: external pressure from the EU Corporate Sustainability Due Diligence Directive, as amended in 2026, and from US trade-preference conditionality is currently attenuated. The article concludes that FDI-led development is difficult to reconcile with art 43 of the Constitution, or with Sen's capability conception of development, for as long as a living wage and freedom of association remain unsecured. It proposes tripartite reforms addressed to the state, transnational corporations and trade unions, and sets out the evidentiary limits of its analysis, which rests on secondary and documentary sources rather than primary fieldwork.

Keywords: *Foreign direct investment; labour rights; right to development; UN Guiding Principles on Business and Human Rights; Ethiopia; industrial parks; living wage; human rights due diligence.*

1. Overview of the FDI–Development Paradox and the Human Rights-Based Approach

Foreign direct investment occupies a paradoxical position in the development strategies of low-income states. Host governments, international financial institutions and much of the economics literature promote it as a vector for capital formation, technology transfer and employment creation, and therefore as an instrument for realising the right to development (RTD) of the populations of capital-importing states.[1] Yet a substantial body of empirical and normative scholarship suggests that the features that make a jurisdiction attractive to mobile capital, namely weak labour standards, constrained collective bargaining and low statutory wage floors, are often the features that most directly compromise the labour rights of the workers whom the investment is said to benefit.[2] The empirical record is contested, and the literature does not support a simple claim that FDI always depresses labour standards. The paradox is better stated conditionally: an instrument of development that, absent a corrective normative architecture, may secure growth at the expense of the people who are supposed to be development's principal subjects.[3]

Ethiopia since the mid-2010s illustrates this tension. Facing a persistent foreign-exchange constraint and the need to create employment for a young population, successive governments adopted an export-oriented strategy centred on state-built industrial parks, of which Hawassa Industrial Park, opened in 2016–17 as an anchor project of the second Growth and Transformation Plan, is the emblematic case.[4] The strategy has been explicit in its reliance on labour-cost competitiveness: government and investment-promotion materials have repeatedly presented abundant, trainable and low-cost labour as one of the country's comparative advantages over rival apparel-sourcing destinations.[5] The most widely cited independent study of the sector reported that base wages in the Hawassa garment factories were, at the time of its research, among the lowest paid to garment workers in any major producing country.[6]

This article examines the legal consequences of that strategy. Its research question is narrow but consequential: can a development strategy that is constitutionally required to serve the right to development of Ethiopians, and that is simultaneously premised on low wage costs and on the enclave containment of freedom of association, be reconciled with Ethiopia's own constitutional

[1]Peter Nunnenkamp, 'To What Extent Can Foreign Direct Investment Help Achieve International Development Goals?' (2004) 27 The World Economy 657 660–63.

[2]Shannon Lindsey Blanton and Robert G Blanton, 'Human Rights and Foreign Direct Investment: A Two-Stage Analysis' (2006) 45 Business & Society 464 464, 466–69; David Kucera, 'Core Labour Standards and Foreign Direct Investment' (2002) 141 International Labour Review 31 33–35.

[3]Declaration on the Right to Development (adopted 4 December 1986) UNGA Res 41/128 (DRD) Preamble and art 2(1).

[4]National Planning Commission, Federal Democratic Republic of Ethiopia, *Growth and Transformation Plan II (2015/16–2019/20)* (May 2016) (GTP II) 14, 41–44.

[5]Paul M Barrett and Dorothée Baumann-Pauly, *Made in Ethiopia: Challenges in the Garment Industry's New Frontier* (NYU Stern Center for Business and Human Rights 2019) 9–11, 18–19.

[6]Barrett and Baumann-Pauly (n 5) 3, 22–25.

and international labour-rights obligations? The central argument is that, as currently configured, it cannot. This is not because FDI and labour rights are inherently incompatible, but because Ethiopia has not yet completed the regulatory and institutional architecture that comparative and international practice suggests is needed to reconcile them. The article uses the term 'structural misalignment' for the resulting condition: a state that is at once the guarantor of labour rights under Chapter Three of the Constitution and the active promoter of low labour cost as an investment incentive.

The analytical framework combines two bodies of doctrine. The first is the HRBA to development, which treats development not merely as an economic-growth metric but as a process that must itself comply with, and be assessed against, human rights standards, with the human person as its central subject.[7] Amartya Sen's capability conception of development as freedom supplies the underlying normative justification: development that expands aggregate output while contracting the substantive freedoms of the workers who produce it, including the freedom to organise and the freedom from want, is, on Sen's account, growth without development.[8] The second is the business and human rights framework associated with John Ruggie, the 'Protect, Respect and Remedy' framework and its operationalisation in the UN Guiding Principles on Business and Human Rights (UNGPs), endorsed by the Human Rights Council in 2011.[9] The tripartite architecture of the UNGPs, comprising the state duty to protect, the corporate responsibility to respect and access to remedy, supplies the grid onto which the Ethiopian case is mapped in Sections 2 and 3.[10]

Methodology and scope*:* The study is doctrinal and documentary. It analyses the constitutional text, primary legislation, ratified treaties, the interpretive output of treaty bodies and the ILO, and secondary material comprising the NYU Stern Center for Business and Human Rights study of the Ethiopian garment sector, ILO publications, unpublished Ethiopian postgraduate thesis and press reports. It involves no interviews, surveys or other primary data collection. Its claims about industrial-park practice are therefore claims about what the available documentary record indicates, not findings of original empirical research, and several of its factual propositions (notably on wage levels and the status of the Wage Board) are time-sensitive. Sources were last checked in October 2026. Section 5 sets out the resulting limitations.

The article proceeds as follows. Section 2 sets out the normative framework, tracing the relationship between Ethiopia's international labour-rights obligations, the FDRE Constitution and Labour

[7]DRD (n 3) art 2(1); Office of the UN High Commissioner for Human Rights, *Frequently Asked Questions on a Human Rights-Based Approach to Development Cooperation* (UN 2006) HR/PUB/06/8 (OHCHR, FAQ on HRBA) 1–5.
[8]Amartya Sen, *Development as Freedom* (OUP 1999) 3, 35–38.
[9]UN Human Rights Council, *Protect, Respect and Remedy: A Framework for Business and Human Rights* (7 April 2008) UN Doc A/HRC/8/5 (Ruggie, Framework Report) para 6; UN Human Rights Council, *Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework* (21 March 2011) UN Doc A/HRC/17/31, endorsed by UNHRC Res 17/4 (16 June 2011) (UNGPs) General Principles.
[10]UNGPs (n 9) Principles 1, 11, 25.

Proclamation No 1156/2019, with particular attention to the Wage Board contemplated by art 55(2). Section 3 turns from norms to practice, examining industrial-park governance, the position of trade unions and the living-wage deficit, and situating the Ethiopian case within the transnational pressures created by EU due-diligence regulation and US trade-preference conditionality. Section 4 proposes a tripartite policy framework addressed to the state, to transnational corporations and buyers, and to trade unions. Section 5 explains the limitations of the study and Section 6 concludes.

2. The Normative Frameworks: Reconciling International Obligations with Domestic Law

2.1. Labour rights as human rights: the international baseline

It is sometimes objected that labour rights are a distinct and lesser category of entitlement, arising from contract and collective bargaining rather than from personhood.[11] Whatever its force as a matter of theory, that objection does not describe the positive instruments Ethiopia has accepted. The Universal Declaration of Human Rights recognises the right to work, to just and favourable remuneration ensuring an existence worthy of human dignity, and to form and join trade unions.[12] The International Covenant on Economic, Social and Cultural Rights (ICESCR), to which Ethiopia acceded in 1993, translates these into treaty obligations under art 7 (just and favourable conditions of work, including fair wages and a decent living) and art 8 (the right to form and join trade unions).[13]

The Committee on Economic, Social and Cultural Rights (CESCR) has clarified in General Comment No 23 that the art 7 entitlement to fair wages is not satisfied merely by a wage agreed between unequal bargaining parties; it requires a wage sufficient to afford workers and their families a decent living.[14] General Comment No 24 addresses state obligations in the context of business activities and confirms that the duty to protect extends to preventing infringement of Covenant rights by business entities.[15] The reading advanced in this article is an inference from those texts rather than a proposition stated in them: a strategy of attracting investment by holding wage costs below a decent-living level sits uneasily with the duty to protect and with the wage standard in General Comment No 23. At the ILO level, the Declaration of Philadelphia commits member states to policies ensuring a minimum living wage to all employed and in need of such

[11] Virginia Mantouvalou, 'Are Labour Rights Human Rights?' (2012) 3 European Labour Law Journal 151 151–54.

[12] Universal Declaration of Human Rights (adopted 10 December 1948) UNGA Res 217 A(III) (UDHR) art 23.

[13] International Covenant on Economic, Social and Cultural Rights (adopted 16 December 1966, entered into force 3 January 1976) 993 UNTS 3 (ICESCR) arts 7–8; UN Treaty Collection, 'Status of Treaties' <https://treaties.un.org> accessed 28 September 2026.

[14] UN Committee on Economic, Social and Cultural Rights, *General Comment No 23 (2016) on the Right to Just and Favourable Conditions of Work (Article 7 of the Covenant)* (27 April 2016) UN Doc E/C.12/GC/23 (CESCR, General Comment No 23) para 7.

[15] UN Committee on Economic, Social and Cultural Rights, *General Comment No 24 (2017) on State Obligations under the International Covenant on Economic, Social and Cultural Rights in the Context of Business Activities* (10 August 2017) UN Doc E/C.12/GC/24 (CESCR, General Comment No 24) paras 5, 13.

protection, and the 1998 Declaration on Fundamental Principles and Rights at Work (as amended in 2022) treats freedom of association and the effective recognition of the right to collective bargaining as principles that bind all members by virtue of membership alone.[16] Ethiopia has also ratified both ILO Conventions 87 and 98, so the tension explored in this article concerns live treaty obligations as well as soft law.[17]

The African regional system points the same way. Ethiopia is party to the African Charter on Human and Peoples' Rights, art 22 of which guarantees the right to economic, social and cultural development, and the African Commission has treated that right as justiciable in the *Endorois* decision, albeit in the context of an indigenous community's land rights rather than labour.[18] The premise adopted here is accordingly that labour rights, including the right to fair remuneration and the right to organise, are human rights under the instruments Ethiopia has accepted, and that a strategy which trades them away for capital inflows raises a human rights concern and not merely an economic trade-off.

2.2 The FDRE Constitution: a layered but under-enforced architecture

The FDRE Constitution provides on its face a dense architecture for the protection of labour rights and their link to development, though the density of the text has not translated into enforcement. Four provisions are central. First, art 9(4) provides that international agreements ratified by Ethiopia are an integral part of the law of the land, a monist clause that gives the ICESCR and the ILO conventions cited above formal domestic legal force without implementing legislation.[19] Second, art 13(2) requires the fundamental rights and freedoms in Chapter Three to be interpreted in conformity with the UDHR and the international human rights instruments Ethiopia has adopted.[20] Read together, arts 9(4) and 13(2) make CESCR General Comments 23 and 24, although not themselves binding treaty text, relevant interpretive authority for the constitutional labour-rights guarantees that follow.

Third, art 42, the rights of labour provision, guarantees factory and service workers, among others, the right to form associations to improve their conditions of employment and economic well-being,

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[16] Constitution of the International Labour Organization (adopted 1919), including the Declaration concerning the Aims and Purposes of the International Labour Organisation (Declaration of Philadelphia) (1944) (ILO Constitution) Declaration of Philadelphia, art III(d); ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up (adopted 1998, amended 2022) (ILO Declaration) para 2.

[17] Freedom of Association and Protection of the Right to Organise Convention (ILO Convention No 87) (adopted 9 July 1948, entered into force 4 July 1950) 68 UNTS 17 (ILO Convention 87); Right to Organise and Collective Bargaining Convention (ILO Convention No 98) (adopted 1 July 1949, entered into force 18 July 1951) 96 UNTS 257 (ILO Convention 98); ILO, 'NORMLEX: Ratifications for Ethiopia' <https://normlex.ilo.org> accessed 28 September 2026.

[18] African Charter on Human and Peoples' Rights (adopted 27 June 1981, entered into force 21 October 1986) 1520 UNTS 217 (African Charter) art 22; *Centre for Minority Rights Development (Kenya) and Minority Rights Group International on behalf of Endorois Welfare Council v Kenya* (2009) AHRLR 75 (ACHPR 2009) (*Endorois*).

[19] Constitution of the Federal Democratic Republic of Ethiopia 1995 (Proclamation No 1/1995, Federal Negarit Gazeta 1st Year No 1) (FDRE Constitution) art 9(4).

[20] FDRE Constitution (n 19) art 13(2).

including the right to form trade unions and bargain collectively and the right to express grievances, including by strike; it further guarantees the right to reasonable limitation of working hours, rest, leisure, periodic paid leave, remuneration for public holidays and a healthy and safe work environment.[21] Article 41, the general economic and social rights provision, adds the right to engage freely in economic activity and a state obligation to pursue policies that expand job opportunities for the unemployed and the poor.[22] Article 43 supplies the RTD anchor: the peoples of Ethiopia have the right to improved living standards and sustainable development; international agreements and relations concluded or conducted by the state must protect and ensure Ethiopia's right to sustainable development (art 43(3)); and the basic aim of development activities is to enhance citizens' capacity for development and to meet their basic needs (art 43(4)).[23] Fourth, art 89(8), among the economic objectives in Chapter Ten, directs that:

> 'Government shall endeavour to protect and promote the health, welfare and living standards of the working population of the country.' — FDRE Constitution art 89(8).[24]

Article 89(8) is housed among the policy objectives of Chapter Ten rather than the justiciable rights of Chapter Three, and its legal force is accordingly weaker. It nonetheless supplies a clear textual orientation against reliance on low labour cost as an instrument of competition.

The structural misalignment in this article's title can now be stated with constitutional precision. Article 43(4) requires development activities to meet citizens' basic needs; art 89(8) directs the state to promote the living standards of workers; and art 42 guarantees the right to organise, including for the purpose of negotiating conditions of employment. Yet the state's investment-promotion practice, documented in Section 3, has presented low labour cost as a comparative advantage and has operated an enclave regime in industrial parks in which, on the sources consulted, the art 42 right is rarely exercised in practice. The point is not the absence of a constitutional norm but the tension between norms: two strands of constitutionally mandated state policy, investment promotion and worker welfare, pursued in a manner that makes their joint fulfilment difficult without a change in strategy. Two caveats apply. Constitutional interpretation in Ethiopia is vested in the House of the Federation rather than the ordinary courts, which limits judicial enforcement of these provisions.[25] And whether the strategy actually breaches the Constitution, as opposed to straining it, depends on contested questions about the content of 'basic needs' and 'living standards' that this article addresses only at the level of argument.

[21] FDRE Constitution (n 19) art 42(1)–(2).
[22] FDRE Constitution (n 19) art 41(1), (6).
[23] FDRE Constitution (n 19) art 43(1), (3)–(4).
[24] FDRE Constitution (n 19) art 89(8).
[25] FDRE Constitution (n 19) arts 62(1), 83.

2.3 Labour Proclamation No 1156/2019 and the Wage Board

Ordinary labour legislation supplies the mechanism through which the constitutional living-standards guarantee was meant to be operationalised, and the non-operation of that mechanism is the clearest single illustration of the gap between constitutional text and enforceable right. Labour Proclamation No 1156/2019 replaced Proclamation No 377/2003 and provides for a Wage Board to revise minimum wages.[26] Article 55(2) provides:

> 'A Regulation of the Council of Ministers shall determine the powers and responsibilities of a Wage Board which shall comprise representatives of the Government, employees and trade unions together with other stakeholders that will periodically revise minimum wages based on studies which take into account the country's economic development, labour market and other considerations.' — Labour Proclamation art 55(2).[27]

On the sources consulted, the implementing Regulation needed to constitute a private-sector Wage Board had not been issued as of the latest reports available. Press coverage in late 2024 recorded the national trade union confederation's complaint that the Board had not been established five and a half years after the Proclamation, and that the government had conducted its own feasibility study of a minimum wage without the tripartite process the Proclamation contemplates; the same report noted that a wage board had been established for the civil service but not for the private sector.[28] The ILO has likewise described the position as one in which tripartite constituents are only beginning the conversation on wage-setting.[29] The practical result is a statutory provision that exists but is not operational: art 55(2) creates an obligation to establish a body, but supplies no self-executing wage floor. This is the kind of gap between law in the books and law in action that an HRBA is designed to expose, since its distinctive methodological contribution is to treat accountability and remedy as constitutive features of development rather than optional additions once growth targets are met.[30]

The vacuum is filled in practice by market-determined wage-setting. The Federal Civil Service Commission's revised scale raised the minimum salary for federal government employees to ETB 6,000 per month from September 2025, but that figure has no application to private employment, for which Ethiopia has no statutory wage floor.[31] Within the industrial parks, the NYU Stern study

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[26]Labour Proclamation No 1156/2019, Federal Negarit Gazeta 25th Year No 89 (Labour Proclamation) Preamble.

[27]Labour Proclamation (n 26) art 55(2).

[28]Temesgen Tegafaw, 'Gov't, Trade Union Confederation Again at Dead-End in Minimum Wage Saga' *The Reporter Ethiopia* (Addis Ababa, 23 November 2024) <https://www.thereporterethiopia.com/42717/> accessed 17 October 2026.

[29]ILO, 'Wage in Ethiopia: Starting the Conversations' <https://www.ilo.org/resource/news/wage-ethiopia-starting-conversations> accessed 28 September 2026.

[30]OHCHR, FAQ on HRBA (n 7) 3–4; UN Committee on Economic, Social and Cultural Rights, *General Comment No 3 (1990): The Nature of States Parties' Obligations (Article 2, Paragraph 1, of the Covenant)* UN Doc E/1991/23 (CESCR, General Comment No 3) para 1.

[31]'Ethiopia Raises Civil Servants' Salaries' *The Ethiopian Herald* (Addis Ababa, 19 August 2025) <https://allafrica.com/stories/202508190208.html> accessed 17 October 2026.

reported base pay of about US$26 per month at the time of its research,[32] and more recent press reporting quotes union leaders placing the earnings of a large share of workers at ETB 800–1,200 per month.[33] These figures are indicative rather than precise: the former predates the 2024 exchange-rate liberalisation and subsequent inflation, and the latter is a union representative's estimate rather than survey data (see Section 5). What they suggest is a deliberately incomplete legal architecture whose incompleteness has persisted for several years. Ethiopia has also not ratified ILO Convention 131, art 4 of which requires states parties to maintain machinery for minimum-wage fixing in consultation with employers' and workers' organisations; that Convention is cited here as a benchmark of international practice and not as a binding obligation.[34]

A further, conceptual, ambiguity compounds the institutional failure. Even once constituted, it is unclear from the statutory text whether the Wage Board's determinations would be binding minima or advisory recommendations, and the Proclamation does not define 'fair wage', 'living wage' or 'fair remuneration', terms that international instruments do not treat as synonyms.[35] In that interpretive vacuum, industrial-park employers and buyers may equate a living wage with the prevailing local market rate or treat non-wage allowances as a substitute for base pay, an equation that ILO methodological guidance on living-wage estimation and General Comment No 23 do not support.[36] Because severance pay and social-security entitlements are calculated by reference to the wage as defined and reported by the employer, definitional vagueness has effects beyond the monthly pay packet.[37]

2.4 Institutional design: who was meant to enforce, and why enforcement is thin

The Ethiopian Human Rights Commission, whose mandate was restated by Proclamation No 1224/2020, and the labour inspectorate of the Ministry of Labour and Skills are the two principal domestic institutions with formal competence to monitor the living-standards guarantee.[38] The author is employed by the Commission; this article is written in a personal academic capacity and does not state the Commission's position. On the sources consulted, neither institution has issued a systematic public finding on industrial-park wage adequacy, and inspection capacity, measured against a workforce that the literature places in the tens of thousands at Hawassa alone, is described

[32]Barrett and Baumann-Pauly (n 5) 3, 22.

[33]Tegafaw (n 28).

[34]Minimum Wage Fixing Convention (ILO Convention No 131) (adopted 22 June 1970, entered into force 29 April 1972) 825 UNTS 3 (ILO Convention 131) art 4; ILO, 'NORMLEX' (n 17).

[35]Rediet Sisay, 'Multinational Corporations' Obligation for the Right to Fair Wages: The Case of Industrial Parks in Ethiopia' (LLM thesis, Addis Ababa University College of Law and Governance Studies, June 2020) (unpublished) 45–52.

[36]Richard Anker, 'Estimating a Living Wage: A Methodological Review' (ILO Conditions of Work and Employment Series No 29, ILO 2011) 1, 7–9; CESCR, General Comment No 23 (n 14) para 7.

[37]Labour Proclamation (n 26) art 40.

[38]Ethiopian Human Rights Commission Establishment (Amendment) Proclamation No 1224/2020 (EHRC Proclamation); Labour Proclamation (n 26).

even in government-adjacent commentary as under-resourced.[39] It is plausible, though not demonstrated here, that this thinness is related to the normative conflict identified above: a state that treats labour-cost competitiveness as a pillar of industrial strategy has an incentive not to fund the inspectorate and wage-fixing apparatus that would erode it. What can be said with more confidence is that, in practice, protection of labour rights in the parks has come to depend disproportionately on external, buyer-driven compliance mechanisms rather than on the domestic constitutional and statutory architecture.

3. Practice in Ethiopian Industrial Parks: Cheap Labour as an Incentive, Weak Representation and the Living-Wage Deficit

3.1 Low labour cost as a marketed incentive

Section 2 set out the architecture that industrial-park labour practice is required to satisfy. This section examines that practice and situates it within the UNGPs' Protect–Respect–Remedy structure.[40] The parks, of which Hawassa, Bole Lemi, Mekelle, Kombolcha, Adama and Dire Dawa are the principal sites, were conceived and marketed as export-processing zones offering tax holidays, duty-free input importation and expedited land access alongside a labour force whose low cost was presented as a comparative advantage.[41] Government materials and independent studies converge on that characterisation: the parks competed for mobile apparel and light-manufacturing FDI principally, though not exclusively, on labour-cost differentials with established sourcing destinations such as Bangladesh, Vietnam and coastal China.[42]

The significance of low wages for the analysis lies in how they arose. If they are a residual market outcome that the state is working to correct, the principal human rights concern lies in corporate responsibility to respect (Pillar II) and in gaps in state capacity. If they are in material part the product of state promotion, the concern also engages the state's own conduct under Pillar I. Guiding Principle 1 requires states to protect against human rights abuse within their territory by business enterprises, and Guiding Principle 9 asks states to maintain adequate domestic policy space to meet their human rights obligations when pursuing business-related policy objectives, including through investment treaties and contracts.[43] The documentary record supports the second characterisation at the level of stated policy, since official materials present low labour cost as an asset. It does not, however, establish how far observed wage levels result from that policy as opposed to labour-market conditions, productivity, inflation and exchange-rate constraints. The claim of structural

[39]Barrett and Baumann-Pauly (n 5) 18–21.
[40]UNGPs (n 9) Principles 1, 11, 25.
[41]GTP II (n 4) 41–44.
[42]Barrett and Baumann-Pauly (n 5) 9–11; Christopher Blattman and Stefan Dercon, 'The Impacts of Industrial and Entrepreneurial Work on Income and Health: Experimental Evidence from Ethiopia' (2018) 10 American Economic Journal: Applied Economics 1 2–4.
[43]UNGPs (n 9) Principles 1, 9.

misalignment is therefore one about the orientation of state strategy and the incompleteness of the protective architecture, and not a causal finding that the state has set wages.

3.2 Weak representation and the enclave governance of industrial parks

Ethiopia has not adopted a separate labour-law regime for industrial parks. The Industrial Parks Proclamation applies the ordinary labour law to employment relations within parks, while allowing terms and conditions to be negotiated having regard to the particular features of parks, a qualification the Proclamation does not define.[44] The implementing Council of Ministers Regulation treats labour matters briefly and, so far as the text shows, does not establish a park-specific inspectorate, dispute-resolution mechanism or minimum-standards floor.[45]

The researchers on whom this article relies report that functioning trade unions are largely absent from most industrial parks and that, where unions exist nominally, they are often under-resourced and disconnected from any effective bargaining over wages.[46] That finding sits uneasily with art 42 of the Constitution and ILO Conventions 87 and 98.[47] The enclave character of park employment (geographically concentrated, dominated by a small number of large employers and staffed largely by young, first-generation industrial workers with high turnover, reported in sectoral studies at very high rates in some factories) compounds the formal gap, because workers with short tenure and few alternatives are structurally disadvantaged in exercising associational rights even where those rights are formally available.[48] In the absence of both the Wage Board and functioning workplace unions, wage determination tends to default to employer discretion, the outcome that critics of the Ethiopian model, including some scholars sympathetic to the parks on employment grounds, identify as its central labour-rights deficiency.[49]

3.3 Corporate human rights due diligence and the limits of voluntary compliance

Where domestic protective institutions are thin, the second UNGP pillar, the corporate responsibility to respect human rights exercised through due diligence, carries disproportionate practical weight.[50] Guiding Principle 17 requires enterprises to identify, prevent, mitigate and account for how they address adverse human rights impacts, including impacts linked to them through business relationships such as a supply chain running through a low-wage park.[51] The

[44]Industrial Parks Proclamation No 886/2015 (Industrial Parks Proclamation) art 28.

[45]Council of Ministers Regulation No 417/2017 (Industrial Parks) (Industrial Parks Regulation) art 8.

[46]Sisay (n 35) 60–66; Kidist Abayneh Abebe, 'The Role of Labour Regulation in Attracting Foreign Direct Investment: The Case of Export-Oriented Industries in Ethiopia' (LLD thesis, University of Pretoria 2019) 112–18.

[47]FDRE Constitution (n 19) art 42(1); ILO Convention 87 (n 17); ILO Convention 98 (n 17).

[48]Barrett and Baumann-Pauly (n 5) 18–21; 'Textile and Garment Sector Faces Policy Gaps, Urgent Calls for Minimum Wage Reform' *Capital Ethiopia* (Addis Ababa, 6 May 2025) <https://capitalethiopia.com/2025/05/06/textile-and-garment-sector-faces-policy-gaps-urgent-calls-for-minimum-wage-reform/> accessed 28 September 2026.

[49]Yirgalem Germu Berega, 'The Law and the Practice of Minimum Wage at Industrial Parks of Ethiopia' (LLM thesis, Addis Ababa University 2019) (unpublished) 30–35.

[50]UNGPs (n 9) Principles 15, 17.

[51]UNGPs (n 9) Principle 17.

OECD Guidelines and the OECD Due Diligence Guidance translate the same logic into a sector-neutral government-endorsed standard,[52] and the ILO Tripartite Declaration on Multinational Enterprises directs enterprises to observe standards of employment not less favourable than those of comparable employers in the host country, which is to be read against international labour standards and not only the local wage floor.[53]

In the Ethiopian case, the research reviewed indicates that voluntary due diligence has not closed the wage gap the domestic Wage Board was meant to address. The NYU Stern study found that international buyers, with limited exceptions, treated prevailing local wage rates as consistent with their supplier codes.[54] This accords with the broader literature on private labour-standards governance, which finds that voluntary codes without binding obligations or credible sanctions tend to perform better on easily audited dimensions such as building safety than on wages.[55] The Bangladesh Accord on Fire and Building Safety, a legally binding agreement adopted in response to the Rana Plaza collapse, is commonly cited as a contrast case, although it addressed building safety and not wage adequacy.[56] The Ethiopian experience is consistent with a proposition well established in the business-and-human-rights literature, that the corporate responsibility to respect is necessary but not sufficient for labour-rights protection in price-sensitive global supply chains.[57]

3.4 Transnational leverage: the EU CSDDD and the AGOA dynamic

Two external developments illustrate both the potential and the present limits of transnational leverage. The first is the EU Corporate Sustainability Due Diligence Directive, adopted in 2024, which imposed a mandatory due-diligence obligation on qualifying large EU and non-EU companies in respect of their chains of activities and, in principle, extends to adverse labour-rights impacts at the level of a third-country supplier such as an Ethiopian industrial-park manufacturer.[58] Its reach has since been narrowed. Directive (EU) 2026/470 ('Omnibus I'), approved by the Council on 24 February 2026, published in the Official Journal on 26 February 2026 and in force from 18 March 2026, raised the CSDDD's thresholds so that it applies to companies with more than 5,000 employees and net turnover above €1.5 billion (previously 1,000 employees and €450

[52]OECD, *OECD Guidelines for Multinational Enterprises on Responsible Business Conduct* (OECD Publishing 2023) (OECD Guidelines) ch IV; OECD, *OECD Due Diligence Guidance for Responsible Business Conduct* (OECD Publishing 2018) (OECD Guidance) 14–22.

[53]ILO, *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy* (5th edn, ILO 2017) (ILO MNE Declaration) paras 33–36.

[54]Barrett and Baumann-Pauly (n 5) 22–25.

[55]Richard M Locke, *The Promise and Limits of Private Power: Promoting Labor Standards in a Global Economy* (CUP 2013) 88–95.

[56]Accord on Fire and Building Safety in Bangladesh (13 May 2013); International Accord for Health and Safety in the Textile and Garment Industry (2021).

[57]John Gerard Ruggie, 'Business and Human Rights: The Evolving International Agenda' (2007) 101 AJIL 819 819, 835–38.

[58]Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 [2024] OJ L2024/1760 (CSDDD) arts 3(1)(g), 8.

million), removed the harmonised EU-wide civil liability regime, and moved the transposition deadline to 26 July 2028 and the date of application to 26 July 2029.[59] For Ethiopian suppliers, this means that the principal piece of binding transnational due-diligence legislation will begin to apply to their largest EU buyers in 2029 at the earliest, and that many mid-sized brands sourcing from Ethiopia may fall outside it altogether.

The second development is Ethiopia's status under the US African Growth and Opportunity Act. AGOA conditions preferential access on, among other criteria, a country's protection of internationally recognised worker rights, including freedom of association and acceptable conditions of work with respect to minimum wages.[60] Ethiopia's beneficiary status was terminated with effect from 1 January 2022 on human rights grounds linked to the Tigray conflict and not on labour-standards findings, and it had not been restored in the sources consulted.[61] The AGOA programme itself lapsed on 30 September 2025; Congress restored it retroactively to 31 December 2026 in the Consolidated Appropriations Act 2026, and in September 2026 extended it to 31 December 2028 in the Continuing Appropriations and Extensions Act 2027.[62] Neither measure restores Ethiopia's beneficiary designation, which remains a presidential determination reviewed annually.[63] The loss of AGOA access is widely reported to have contributed to the departure of some foreign apparel firms from the parks, although the magnitude of that effect is not established in the sources consulted.[64] The lesson for Ethiopian policy, developed in Section 4, is that both channels of external leverage are currently attenuated as applied to Ethiopia, the first by scope reduction and delay and the second by continued non-designation, so that domestic enforcement must carry the principal weight of closing the living-wage deficit in the medium term.

3.5 Synthesis

Three observations follow from this section. First, the documentary record indicates that low wages in the parks are, at least in part, an element of stated competitive strategy rather than only a residual

[59]Directive (EU) 2026/470 of the European Parliament and of the Council amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements [2026] OJ L2026/470 (Omnibus I Directive).

[60]African Growth and Opportunity Act, Trade and Development Act of 2000, Pub L No 106-200, tit I, 114 Stat 251 (AGOA); 19 USC § 3703 (AGOA eligibility requirements); 19 USC § 2467(4) (definition of 'internationally recognized worker rights').

[61]AGOA.info, 'Ethiopia' <https://agoa.info/profiles/ethiopia.html> accessed 28 September 2026; Bunmi Bailey, '17 African Countries Remain in Limbo as US Extends AGOA to 2028' *Business Day* (Lagos, 15 January 2026) <https://businessday.ng/africa/article/17-african-countries-remain-in-limbo-as-us-extends-agoa-to-2028/> accessed 17 October 2026.

[62]Consolidated Appropriations Act 2026, Pub L No 119-75 (CAA 2026); Continuing Appropriations and Extensions Act 2027, HR 6500, 119th Cong (2026) (enacted September 2026) (CAEA 2027); 'U.S. Congress Clears AGOA Extension through 2028; Ethiopia's Return Remains Uncertain' *Addis Standard* (Addis Ababa, 2 September 2026) <https://addisstandard.com/u-s-congress-clears-agoa-extension-through-2028-ethiopias-return-remains-uncertain/> accessed 28 September 2026.

[63]Congressional Research Service, *African Growth and Opportunity Act (AGOA)* (In Focus IF10149, updated 17 February 2026).

[64]Bailey (n 61); 'U.S. Congress Clears AGOA Extension' *Addis Standard* (n 62).

market outcome, which engages the state's Pillar I duty with particular force, subject to the causal caveat in Section 3.1. Second, the domestic institutions designed to correct wage outcomes, namely the private-sector Wage Board, a well-resourced labour inspectorate and functioning workplace unions, have not, on the sources consulted, become operational, leaving wage determination to employer discretion. Third, the external mechanisms that might supplement the missing domestic architecture, corporate due diligence and trade-preference conditionality, are each, for different reasons, currently too weak or too remote to close the gap. The living-wage deficit is accordingly better understood as the product of a strategy in which each layer of the accountability architecture (constitutional, statutory, institutional, corporate and transnational) has so far failed to bind, than as a temporary implementation lag.

4. Towards a Tripartite Policy Framework

If the diagnosis in Sections 2 and 3 is broadly correct, the remedy cannot be confined to a single actor. This section proposes a tripartite framework addressed to the state, to transnational corporate investors and their buyers, and to trade unions and workers' organisations. The proposals are offered as reasoned recommendations and not as findings, and their feasibility has not been tested empirically.

4.1 The state

The most consequential and achievable reform is the operationalisation of the private-sector Wage Board contemplated by art 55(2). The implementing Regulation should be issued without further delay, and the Board's mandate should be framed so that its determinations operate as binding minima, with an internationally recognised living-wage methodology of the kind developed by the ILO as the reference point in place of the informal park market rate.[65] Comparative models exist: South Africa's National Minimum Wage Act established a National Minimum Wage Commission to advise on annual adjustments, and Bangladesh has repeatedly used a tripartite wage-board mechanism to revise garment-sector minimum wages, although both models have well-documented limits and neither can be transplanted unchanged.[66] Statutory clarification of 'fair wage', 'living wage' and 'fair remuneration' should accompany the Board's constitution.[67]

Second, the state should fund the labour inspectorate in proportion to the size of the industrial-park workforce and should resource and mandate the Ethiopian Human Rights Commission to conduct and publish periodic economic and social rights monitoring specific to the parks, consistent with its statutory mandate.[68] Third, the state should reconsider the practice of presenting low labour cost

[65] Anker (n 36) 7–9; Labour Proclamation (n 26) art 55(2).
[66] National Minimum Wage Act 9 of 2018 (South Africa); Bangladesh Labour Act 2006 (Act No XLII of 2006).
[67] Sisay (n 35) 45–52.
[68] EHRC Proclamation (n 38).

as an investment incentive in official promotion materials and should instead build its proposition on logistics, energy availability, market access and workforce productivity, a reorientation consistent with the duty to protect as elaborated in General Comment No 24.[69] Fourth, future investment agreements concluded under art 43(3) of the Constitution should preserve the state's regulatory space to raise labour standards, in line with Guiding Principle 9.[70]

4.2 Transnational corporations and international buyers

Enterprises operating in or sourcing from the parks should conduct due diligence consistent with Guiding Principle 17 that goes beyond accepting the prevailing local wage as code-compliant, and should benchmark supplier wages against an independently calculated living-wage estimate for the relevant locality.[71] Buyers with sufficient scale should consider adopting CSDDD-equivalent standards ahead of the deferred 2029 application date, both because reputational and downstream-regulatory risk may not await the transposition deadline and because, after the Omnibus I scope reduction, a meaningful share of buyers sourcing from Ethiopia may fall outside the Directive entirely, leaving voluntary adoption as the only route by which comparable discipline reaches their Ethiopian supply chains in the near term.[72] Buyers should also support, and not discourage, whether through managerial pressure or through sourcing decisions that penalise unionised suppliers, the functioning of workplace unions consistent with ILO Conventions 87 and 98, recognising worker representation as a due-diligence risk-mitigation mechanism and not merely a compliance cost.[73]

4.3 Trade unions and workers' organisations

Ethiopian union federations, including the Confederation of Ethiopian Trade Unions and relevant sectoral unions, should pursue capacity-building calibrated to the enclave conditions of park employment, with targeted organiser training, multilingual worker-rights education delivered within park compounds and formal engagement with the tripartite structure that art 55(2) contemplates for the Wage Board once constituted.[74] International labour solidarity, including ILO technical assistance of the kind reflected in the tripartite wage dialogue, and, where consistent with workers' interests, international framework agreements between global union federations and buyer brands, may supplement thin domestic institutional capacity.[75]

[69]CESCR, General Comment No 24 (n 15) para 13.
[70]FDRE Constitution (n 19) art 43(3); UNGPs (n 9) Principle 9.
[71]UNGPs (n 9) Principle 17; Anker (n 36) 7–9.
[72]Omnibus I Directive (n 59).
[73]ILO Convention 87 (n 17); ILO Convention 98 (n 17).
[74]'Policy Gaps' *Capital Ethiopia* (n 48); Labour Proclamation (n 26) art 55(2).
[75]ILO, 'Wage in Ethiopia' (n 29).

5. Limitations and Directions for Further Research

The conclusions of this article should be read subject to the following limitations.

Method and evidence base. The study is doctrinal and desk-based. It contains no primary empirical data, and its statements about industrial-park practice rest on secondary sources: one detailed independent study, ILO material, unpublished postgraduate theses and press reports. Press reports and union statements are used as indications of conditions and not as measured data, and they have not been independently verified.

Dated and indicative wage evidence. The most detailed wage study relied upon (Barrett and Baumann-Pauly) reports conditions at the time of its 2018–19 research. Ethiopia's 2024 exchange-rate liberalisation and subsequent inflation make comparisons of nominal birr and US-dollar figures across periods unreliable. The wage figures cited are therefore indicative of order of magnitude and cannot support precise claims about current wage levels or about the gap between actual wages and any living-wage benchmark, which this article does not itself calculate.

Status of the Wage Board. The conclusion that a private-sector Wage Board has not been constituted is drawn from press, ILO and secondary sources current to late 2026 and was not confirmed by a search of the Federal Negarit Gazeta or by an official response. Developments after the sources' dates, including any Regulation recently adopted, would qualify the argument in Section 2.3 although they would not remove the historical gap it documents.

Causation. The article argues that low wage levels are connected to state strategy by reference to official promotion materials and the structure of the protective architecture. It does not demonstrate causation, and it does not exclude competing explanations such as labour-market conditions, low productivity, macroeconomic constraints, armed conflict or buyer pricing behaviour. Similarly, the connection between the loss of AGOA status and firms' departures is reported in the press but not established in the sources consulted.

Legal enforceability. The analysis treats the constitutional provisions primarily as norms against which state strategy can be assessed. It does not resolve the justiciability of art 89(8), the role of the House of the Federation in constitutional interpretation, or the extent to which Ethiopian courts apply ratified treaties directly, each of which would merit separate doctrinal and case-law study.

Scope and generalisability. The focus is the garment and light-manufacturing industrial parks, and above all Hawassa. Other sectors and park models, including agro-processing parks, privately developed or foreign-built parks and the non-park investment regime, may present different labour conditions, and the findings should not be extended to them without further evidence.

Normative stance. The HRBA is an explicitly normative lens. The article's critique follows from the standards it adopts and is not a neutral cost–benefit assessment of the industrial-park strategy,

whose employment, foreign-exchange and skills-transfer benefits are acknowledged in Section 6. Future research could usefully include worker and employer surveys in the parks, a systematic wage and living-cost study using post-2024 data, comparative analysis of wage-board experience in other low-income exporters, and a case-law study of the application of ratified labour conventions in Ethiopian courts.

Conclusion

This article has argued that Ethiopia's FDI-led development strategy, as implemented through its industrial parks, rests on a structural misalignment and not merely an implementation gap. The misalignment is structural because it does not arise from an absence of applicable norms: the FDRE Constitution, Labour Proclamation No 1156/2019 and Ethiopia's ratified ILO conventions provide a reasonably dense normative architecture. It arises from the orientation of state strategy, which has presented low labour cost as a competitive advantage while the art 55(2) Wage Board, the policy directive in art 89(8) and the associational rights in art 42 remain, on the sources consulted, largely unrealised in practice.

The HRBA supplies an appropriate lens for this conclusion because it rejects the premise, implicit in a purely growth-based account of FDI's developmental value, that aggregate gain can stand in for the wellbeing of the individuals who generate it.[76] On Sen's capability account, and on the terms of the Declaration on the Right to Development, development that expands output while contracting workers' freedom to associate, to bargain and to earn a wage sufficient for a dignified life is difficult to reconcile with the Declaration's premise that the human person is the central subject of development.[77] Ruggie's framework supplies the institutional lens by identifying which actor bears which obligation. On the evidence reviewed here, the state's protective duty appears to be the weakest link, more so than corporate due diligence, because the state has promoted the low-cost model as well as failing to temper it.[78]

None of this implies that FDI is inherently incompatible with the right to development, or that the industrial-park strategy has produced no benefits; the employment, foreign-exchange and skills-transfer gains documented in the literature are real, even if not costless.[79] The argument is narrower and, it is submitted, more constructive: FDI can serve the right to development in Ethiopia if the state completes the regulatory architecture, beginning with the long-pending private-sector Wage Board that its own Constitution and ratified obligations already point towards, and treats that completion as a precondition for the sustainable, rights-respecting development promised by art 43, not as a cost to competitiveness.

[76]Sen (n 8) 3, 35–38.
[77]DRD (n 3) art 2(1); Sen (n 8) 87–90.
[78]Ruggie, Framework Report (n 9) para 9; John Gerard Ruggie, *Just Business: Multinational Corporations and Human Rights* (WW Norton 2013).
[79]Blattman and Dercon (n 42) 2–4; OECD, *Foreign Direct Investment for Development: Maximising Benefits, Minimising Costs* (OECD 2002) 18–22.

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Declarations

Ethical Approval

This article does not contain any studies with human participants performed by any of the authors.

Informed Consent

This article does not contain any studies with human participants performed by any of the authors.

Data Availability

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