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Switching or staying? Exploring the dynamics and impacts of job switching in a wage setting cartel in Ethiopia

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ABSTRACT

The study examines the drivers of job switching and its effects on wages, and evaluates the effectiveness of a wage cartel in mediating job switching, thereby showing the paradox of switching, wage outcomes and cartel aims, in the context of Ethiopia's light manufacturing. Main drivers of job switching are found to be social network density, experience, and initial skill grading status. Job switching leads to lower earnings compared to staying, as workers hopped in a wage cartel environment with limited wage variation. This wage effect is associated with the loss of seniority with the job change and the way the wage cartel system works. However, job switchers continue to change jobs, suggesting the firm's cartel-based wage setting does not prevent labour turnover, but limits wage gains from job switching.

1. Introduction

Labour mobility[1] and its role in job matching, wage growth, business cycle and investment has been at the centre of labour economics and human resource management debates for decades. Questions of workers mobility, wage dynamics and labour control systems are also central to interdisciplinary labour regime literature. Nevertheless, the job mobility and its implications for decent work development, career and life trajectories is under-explored in low and middle-income countries (Brehm et al., 2023).

The mainstream labour economics literature has focused on different labour market conditions' impact on job switching and the effects of the latter on wages and efficiency in labour allocation, but the link between labour turnover and wage growth remains inconclusive (Sonu et al., 2020, Autor et al., 2023, Hahn et al., 2017; Haltiwanger et al., 2018; Staunton et al., 2018). The complexity of wage dynamics in instances of job transitions suggests that specific labour market configurations affect this dynamic and theory-driven generalizations are problematic (Fitzenberger et al. 2015, Jolivet et al. 2006). Other relevant labour management literature touches on separate questions like job matching (Greve & Fujiwara-Greve, 2003; Jovanovic, 1979; Miller, 1984), job mismatch and job switching (Guvenen et al., 2020), job commitment and turnover in relation to investment models (Farrell & Rusbult, 1981; Pierce & Geyer, 1991), and career development theories (Super & Jordaan, 1973). Meanwhile, in the interdisciplinary labour regime literature job switching effects on wages are highly contingent on the prevailing labour regime, labour control mechanisms, and the capacity of employers to offer higher wages in a fiercely competitive environment (Baglioni et al., 2022). This implicitly suggest the possible co-existence of job-switching and continuously precarious working conditions with no significant wage improvements, as our article shows for this case study in Ethiopia. This puzzle also calls for a better understanding of drivers of job switching in different labour market conditions.

The specific nature of labour relations in a given global industry matters. For example, the literature on labour turnover in the context of garment industries tends to focus on a combination of a harsh work environment and low and differential wages as the primary competitive driver, where employers are squeezed by buyers operating in global production networks (Anner 2020). It is against this background that this study examines the drivers of job switching and the relationship between job switching and wages in labour intensive manufacturing firms that adopt a de facto wage-cartel system, where the labour regime

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[1] Throughout this manuscript 'job hopping', 'job switching', 'job mobility' and 'job transition' are used interchangeably to refer to frequent worker mobility within a similar industry. And, the conceptual construct considered in this study focuses on voluntary inter-firm job switching within similar industries that are clustered in the same industrial park (IP).

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is generally unregulated, lacking minimum wage standards, and experiencing limited collective bargaining despite evidence of labour conflict (Oya & Schaefer, 2021). The study also examines an interesting puzzle: why do workers keep switching jobs despite the similarity in the overall remuneration across firms? Can firms be successful to retain more productive workers with their low wage's collusion strategy (wage cartel)? These are some of the important policy relevant issues that are raised in the study to explore the potential paradox of limited wage effects and the persistence of job switching within a bounded labour market space.

The main findings are that job switching is driven by a combination of factors, including monetary and non-monetary features of jobs, despite the frequent consideration of wage improvements as a major motivation among workers. The results also show that social network[2] density, previous experience, and initial skill grading status are associated with higher probability of job switching. Job switchers' earnings are paradoxically lower than those of stayers. We posit that this could be due to the context of a de facto 'wage cartel' setting, resulting in limited wage variation and pressures to disincentivise job switching among firms in the same industrial park. Therefore, by switching to a new firm within the park, switchers lose the seniority they could have built through 'loyalty' and start from scratch, as companies are reluctant to offer higher salaries to newcomers on whom they have relatively limited evidence of higher productivity or skill. Despite this penalty, switchers continue to switch jobs, suggesting a negligible effect that the cartel-based wage setting has on reducing job switching and labour turnover. It also implies that, despite wages being often reported as a primary reason for job switching, job switchers are driven by other motivations.

The remainder of the article is organized as follows. Section 2 engages with the relevant literature and discusses the theoretical framework for this article. Section 3 provides context on the labour market situation in Ethiopia's new industrial parks. Section 4 discuss data sources and the empirical strategy employed in the data analysis. Section 5 presents the empirical findings, i.e. the main characteristics of the sample and the different segments of the workforce, the determinants of job switching, and the effect of job switching on wages. The final section summarizes and presents concluding remarks.

2. Literature review: key theoretical and empirical insights

The labour economics literature tends to focus on the consequences of job switching for employers and the individual choice dynamics driving workers to switch jobs. Job switching has administrative costs, sunk costs related to training, loss of knowledge and expertise for employers (Steenackers & Guerry, 2016; Tziner & Birati, 1996). Job switchers can benefit as the transition might bring an opportunity to fulfil their career development need and increase job satisfaction (Campion & McClelland, 1991). However, it might also create dissatisfaction for job switchers, or make them experience undesirable work conditions as a result of the change (Van Dam, 2005). There are several anticipated downsides of job switching. First, if workers leave early without having deep understanding of the nature the job, they may lose a scarce opportunity to establish a rewarding and satisfying career path. Second, those who quit may do so without having other employment opportunities lined up. Third, quitting may also deprive workers with important skills that can be acquired through on-the-job learning. Last, workers with high turnover may not have a reliable job network or references that could help them in search for better jobs.

In an ideal competitive labour market, firms attract and retain skilled workers by paying competitive wages, but labour markets are seldom fully competitive. This intuition may be valid when the prime pushing factor for job switching is low wage and when other pulling factors are similar across competing firms. There is some evidence that wage growth reduces the likelihood of jobs switching (Bartel & Borjas, 1981; Munasinghe, 2000; Topel & Ward, 1992). In turn, wage growth occurs through both job mobility and on-the-job training for fixed-term workers', whereas for permanent workers' wage growth happens mostly through job mobility (Amuedo-Dorantes & Serrano-Padial, 2007). Theoretically, wages are assumed to grow with job switching because employers tend to compensate better to retain skilled workers. However, under less competitive scenarios, like a wage cartel-setting (whether driven by firms or trade unions) wages are suppressed (Bauducco & Janiak, 2016; Kim, 2004) and outputs and employment are reduced (Symeonidis, 2008; Siebert 1997). Besides, more productive firms may poach best performer workers bidding the collusive wage and adding a small increment (Mukherjee & Vasconcelos, 2012), indicating inconclusive impact between job switching and wage interaction in cartel-settings.

While wage often plays the leading role for job switching (Munasinghe, 2000), workers also switch jobs in search of better matching jobs both to their skills, career preferences, and work environment considerations. Several empirical studies from mainstream labour economics and human resource management traditions explore different determinants of job mobility, job switching and job transition in different country and sector contexts. These include: financial need and self-esteem (Schwab et al., 1987), and overall job satisfaction (Akerlof et al., 1988). Job satisfaction and tenure, often positively associated with productivity, are found to significantly and negatively correlate with job switching (Carroll & Poehl, 2007; Farber, 1999). More recent studies by Hom et al. (2017) and Lee et al. (2017) show that, apart from job satisfaction, availability of alternative job opportunities, shocks, and social networks are determinants of turnover. By and large, most of this literature focuses on high-income-country (HIC) contexts. Once we extend the analysis to other country, workforce and sector contexts, the picture therefore becomes more complicated.

Distinguishing predictors of job stability and instability of less skilled workers, for example, Holzer & LaLonde (1999) revealed that cognitive skills, experience and tenure, starting wages, occupation status, and nature of industry are drivers of job stability while fertility history and marital status are found to be correlated with job instability of female workers. French et al. (2007) indicated that workers' preferences, if they are able to choose, depend on workers' own circumstances, in terms of reproductive needs or future career plans. For example, Holzer & LaLonde (1999) argue that a lack of childcare facilities are a determining factor for working mothers to switch their jobs to a job where such facilities are provided. Furthermore, Hancock (2021) shows that unrealistic wage expectations, poor working conditions, and difficulties of balancing domestic and factory responsibilities are some of the reasons for frequent job quitters. In sum, different studies within this tradition suggest that, besides wages, a range of contingent factors may induce workers to switch jobs, and these depend on individual workers' circumstances, as well as specific sector and job features and other broader contextual factors. These and other empirical studies therefore present a picture of *combined* drivers, whereby some workers switch jobs seeking more satisfying job in terms of working conditions, while others switch jobs looking for both better wages and working conditions (Deutscher, 2019).

A central question for this investigation is why workers choose to switch jobs within the same industry and even to make this a frequent occurrence, in a context where firms collude to keep wages low. Therefore, the study focuses on a more specific context where the range of relevant variables may be more limited. What incentivizes workers to switch jobs for similar or less paying jobs? What factors other than wages drive workers to job hop? Another question is how job-switching affects workers and firms and the latter's responses to labour turnover. If skills can be easily transferred across companies and jobs, there may be a benefit for both switchers and receiving firms. Firms in similar industries tend to value common skill sets that are essential to the production

[2] Social network refers to friendship networks density that job seekers had with the IP workers prior to taking the IP jobs.

process (Neal, 1995), and may compete for workers who accumulated relevant skills to the context of occupational switchers (Munasinghe, 2000). There is some evidence that workers with enough skill and experience who switch jobs within the same industry are more likely to benefit from increased wages than if they switched to a different industry where they are more likely to lose wages (Neal, 1995). This assumes their prior experience within the same industry is rewarded by new employers. Job switching also indirectly increased the bargaining power of stayers to demand higher wages (Deutscher, 2019; Staunton et al., 2018). Indeed, using US labour data Hahn et al. (2017) indicate that the effect of job switching on wages is higher for the stayers than for the switchers, which might be counter intuitive given the pursuit of higher wages driving job switchers. One question for our analysis is whether apparel firms that are operating with small margins in highly competitive global production networks (Anner 2020) might be prepared to offer higher wages to reduce labour turnover driven by job-switching in a new host country where initial productivity levels are low. The study will thus also attempt to elucidate the impact of job switching on wages.

Unrealistic assumptions tend to weaken the analytical value of theoretical hypotheses based on limited understanding of real labour processes in concrete industries. A strand of literature that can help shed light on questions of labour mobility from a political economy perspective, whether on drivers or consequences for workers and firms, are studies applying labour process theory (Burawoy, 1985; Thompson, 1989; Smith 2006) and labour regime frameworks (Taylor & Rioux, 2018). Generally, labour mobility and the frequent act of job switching can be interpreted within this framework as a manifestation of workers' resistance to exploitative working conditions, but it may also reflect a wider set of context-specific factors associated with the particularities of the labour regime in place, and the surrounding social and economic context. More broadly, Hirschman's framework of exit-voice-loyalty (Hirschman 1972) provides a useful lens to interpret different strategies by workers in such contexts, whether they opt to stay in the same firm and gain from seniority (loyalty), fight within the firm for better conditions through collective action (voice), or switch employer (exit). The concept of labour regime also helps us explore interconnections between factors inside and outside the factory affecting workers' employment, conditions and their responses, including national and local labour market dynamics, sector hiring patterns, sector-specific labour control mechanisms, national labour institutions and other contextual variables (Oya & Schaefer, 2021). This is particularly useful in light of the peculiarities of the wage setting and labour sourcing systems operating in Hawassa industrial park (Ehiopia), focus of this article.

In the context of labour process theory, labour mobility (or job switching) can be seen as a manifestation of what Smith (2006, 390) calls 'labour indeterminacy', i.e. that labour power, i.e. the capacity to work over a given period of time or 'what the employer hires and the worker exchanges', is indeterminate for two main reasons: (a) the amount of worker's effort is subject to bargaining at the shop floor level; (b) workers' ability to leave the job. The second source of indeterminacy is our focus here. Although workers' exit is a form of resistance, different from 'voice' (e.g. strikes), but potentially disrupting as well, its drivers and effects are contingent on the specific labour regime in place. For example, in low-wage classic labour regimes such as those in the global apparel industry, high labour turnover associated with job switching can become an instrument of labour control when managers tolerate it, if it leads to the most productive workers remaining in the job (Smith, 2006, Anner, 2019, 2020). In some cases, it may even be a strategy to reduce workers' potential for collective action, especially when companies do not make concessions to workers in response to their leaving (Hardy & Hauge, 2019; Oya & Schaefer, 2021). Therefore, particularly exploitative regimes in these industries may indeed induce such behaviour among workers as a way of disciplining labour, although persistent turnover can eventually affect the rhythm of production and become a weapon of resistance among workers.

Sector characteristics and their labour regime configurations may contribute to the incidence of job switching. For example, high labour mobility may be instrumental to sectors characterized by highly individualized and autonomous labour regimes where the labour force can flow and move at a speed never seen before, as in the case of 'platform work' (e.g. digitally based food deliveries), which leads to a self-reproducing dynamic of job-switching (Sun & Chen, 2021). Job switching may also be unsurprisingly common in sectors with highly exploitative labour regimes, low barriers to entry and highly insecure jobs (i.e. 'easy come and easy go'), as in call centres (James & Vira, 2012) or the construction industry (Forde & Mackenzie, 2004; Lerche et al., 2017). There are also labour regimes characterised by mechanisms that prevent job-switching and stabilise the workforce. For example, in the case of China's dormitory labour regimes or Southeast Asia migrant industrial workers, job-switching was discouraged through contractual arrangements that tied workers to accommodation and essentials, or to specific employers for specific time periods, while job-switching networks involving different migrant members of a family acted as 'stabilizers' of the workforce once they reached their final factory destination where their main broker was employed (Pun & Smith, 2007). Some of these studies also address the question of the consequences of job-switching for workers, linking job-switching to continuous labour market precarity (Butler & Hammer, 2019), perpetuation of low wages, job insecurity and negatively affecting solidarity building at the workplace (Pun & Smith, 2007; Sun et al. 2019; Baglioni et al. 2022).

This study considers these insights from different traditions of work on labour relations and explores various drivers that we deem particularly important in the context of Hawassa apparel industrial park (IP hereafter) in Ethiopia, such as the role of different skill sets, labour market information, social networks, and skill grading policy in affecting job switching and staying. Although the focus is on individual worker attributes and their work experiences, we contextualise these drivers within the labour regime operating in this particular setting. This contextualisation is important because most of the labour economics literature on this subject focuses on high-income country labour markets and on worker's individual choice.

3. Study contexts

After successfully attracting anchor investments to its new industrial hubs, Ethiopia began experiencing new and growing labour market challenges including a labour demand–supply mismatch and labour shortages in some IPs (Hardy & Hauge 2019; Butler & Hammer, 2019). Efforts to modernize the labour market and respond to the supply and demand challenges included the development of a comprehensive electronic labour market information database (eLabour) system in 2018. The Hawassa IP, our study area which became operational in late 2017, was the first IP to benefit from this initiative.

During the period of investigation there were 22 operational apparel, textile, and accessory manufacturing companies in Hawassa IP employing over 35,000 workers. The eLabour system captures workers' real time voluntary and involuntary job transition histories and random allocation to employer firm. Workers are randomly allocated to employer firms after receiving preliminary training, through a 'funnel' system controlled by the Ethiopian Investment Commission. Companies in the IP cannot directly choose to employ job seekers but they can announce vacancies with required profiles and skills, which the internal labour allocation system responds by selecting and allocating random candidates. So, for example, company X requests five sewing machine operators with a certain grade and the Hawassa IP management allocates five workers with those characteristics from their existing pool. Once a worker leaves the firm, she will need to leave the park and re-apply through the internal grading and sourcing system, joining the queue to find a new job in an unknown company at the park. It is therefore not an open hiring market. This is a crucial aspect of this

system which affects the outcomes of job switching. In such a system, the chance of a mismatch at the first allocation can be high. Mismatched workers often tend to switch jobs. Understanding the causes of mismatches that result in high frequency of job switching among low-skilled and relatively educated young workers within similar industries has very important policy relevance both for managers and labour regulatory agencies. It allows managers to have better understanding of the determinants of job-switching and provides a vital lesson to firms that are operating in similar economic zones across Africa. Moreover, in such a labour sourcing system, the notion of worker's 'choice' is questionable. Workers can of course choose to leave a company in the park, but they cannot choose the next employer as this is randomly assigned to them.[3] This adds to the uncertainty of the outcomes from the job switch and questions common assumptions about job switching in competitive labour markets.

Random allocation of workers to factories in Hawassa IP is one factor that affects job switching. Firms' competition over skilled workers can also trigger job switching behaviour among workers, potentially leading to higher wages. However, apparel firms that are operating in a global production network (GPN) are doubly 'squeezed' by major global buyers to reduce unit labour costs (Oya and Schaefer, 2021), to respond quicker to market signals and to meet sudden changes to order specifications (Anner, 2019). This further drives firms to implement harsher labour regimes with mechanisms of tight labour control and repressed wages (Anner, 2019, 2020; Oya and Schaefer, 2021). This challenges the widely accepted assumption that integration of suppliers within GPNs fosters decent work conditions (Selwyn, 2017). Besides, countries pursuing export-oriented growth strategies through the outsourcing of highly competitive GPNs may get stuck in low-wage paths unless effective collective action and a pro-active diversification and upgrading strategy is in place (Milberg & Winkler, 2013). In such scenarios job switching may not lead to sustained improvements in wages and may reproduce the harsh labour regime.

The squeeze faced by apparel firms linked to GPNs means a primary concern is to keep starting wages as low as possible, especially if productivity levels are comparatively low, and therefore avoid unnecessary wage competition for workers. Without a cost reduction strategy, the survival of these firms in such a cut-throat competitive environment would be a daunting task so long as they remain linked to GPNs. To ensure their own survival and competitiveness, firms in this industry resort to strategies to squeeze wages, press workers to meet more daily targets, extend overtime commitment during peak production seasons, adopt non-standard employment arrangement to cut costs, drastically adjust workers allocation needs, and resist the presence of unions and collective bargaining (Anner, 2019). In Hawassa IP firms adopted a 'wage setting cartel' to avoid unnecessary wage competition among themselves for workers with similar requisite skills (Oya and Schaefer, 2021). This was facilitated by the labour sourcing 'funnel' system described above, which normally prevents firms from 'poaching' workers from other firms in the same park. Almost all firms have similar starting wages, though they differ slightly in terms of overall incentive packages, determined by efficiency and quality achievements, tenure, and other individual and company factors. Despite the similarity in the overall remuneration packages of all Hawassa firms, about 40 % of workers have voluntarily switched jobs at least once. Some switched as high as 10 times while others stayed in the same firm that they initially started working at.

[3] There are some exceptions to this, notably when workers manage to circumvent the system. For example, an HR manager leaving his previous employer on bad terms may join a new employer within the industrial park, and secretly persuade high performer workers of his previous employer to switch their job to the new company. These secretly switching workers are not observed in the system at first. However, during the quarterly data verification period carried out in all firms, those secretly switched workers will be detected and registered in the system. These group of workers are systematically different from the random job switchers, the focus of our study. Their inclusion would introduce unnecessary bias, so we excluded them from our sampling frame.

4. Methods

4.1. Data

The worker survey, main source of evidence for the article, was carried out in Hawassa IP, which is among the pioneer industrial parks (IP) in Ethiopia. About 22 firms were operating inside the Hawassa IP. Of which 19 firms are apparel manufacturing suppliers and the rest are textile and accessory manufacturers. Non-apparel firms are removed from our sample frame as our focus is on apparel manufacturing firms. The eLabour system captured workers history who were prior to the eLabour system implementation in 2018, but for this study only new workers are considered who were registered after the implementation of the eLabour system for our sample population.[4] The system tracks each worker's origin of migration and frequency of job-to-job transition within the IP and the period in which they were not working in IP firms.

We applied a proportional stratified random sampling technique to determine our sample size. We stratified the population by firm occupation, and job switching status. We then randomly selected a subsample proportional to each stratum. Our total sample size was 1400, but with 2 % non-response rate. Accordingly, the actual survey was conducted on 1373 workers between November 2020 to February 2021. The survey has detailed information on several worker attributes: workers' socioeconomic and demographics characteristics, skill scores – cognitive, non-cognitive and garment skills, wages, job satisfaction, skill grading, occupational status, job switching and non-switching status, as well as labour market information.

Cognitive skills were measured through tested literacy – ability to read words and sentences as well as comprehension of short paragraphs – and numeracy tests – performing basic mathematical operations, size and volume measurement, cost calculation, analytical and complex information processing. Additional questions were included to measure workers' analytical skill and capacity to process possible information displayed in the factory, such as notices, advertisements, letters, and company rules. Scores were calculated by assigning one point for each correct answer and then standardized. Our measurements of non-cognitive skills were constructed based on a short version of personality trait measures that included the Big 5, Grit, decision making, and hostile bias. The Big 5 taxonomy consists of conscientiousness, openness to experience, neuroticism, agreeableness, and extroversion. All items used 5-point Likert-type response options, ranging from fully agree to fully disagree. Moreover, our survey has comprehensive measures for multidimensional basic theoretical garment skills.

The data primarily came from the survey that the Mastercard Foundation Ethiopia supported through the BRIDGES programme in 2020 and 2021 and was complemented with qualitative research conducted as part of the IDCEA project in 2018 and 2021 (Oya and Schaefer, 2021), when firm-level issues of turnover, labour mobility, labour control mechanisms and wages were discussed in semi-structured and open interviews with senior managers of ten firms in Hawassa IP as well as a selection of workers with different characteristics, in terms of job experience, switching factory jobs, gender, age and other individual attributes. This qualitative research builds on a broader qualitative research project which included semi-structured interviews with firm managers (90), workers (50) and trade union representatives (9), key informant interviews with government officials (30) and NGOs (3) and

[4] This is because new workers' job-hopping information can be tracked from their entry period. For workers who existed prior to the system their job-hopping information is difficult to construct.

International Agencies (8). Interviews with workers also included a life history component to explore their employment histories. These interviews took place in different phases, while scoping before quantitative surveys and as a follow-up to other quantitative surveys between 2018 and 2021. This paper draws from a *subset* of these interviews, i.e. primarily those with managers, workers, union officials and government officials with a presence and experience in Hawassa Industrial Park. Among several other questions, issues of turnover, labour control mechanisms, wage-setting, job aspirations and job satisfaction drivers (e.g. wages) were themes explored in many of these interviews, especially with workers and company managers.

4.2. Estimation methods

The study employed the Zero Inflated Negative Binomial (ZINB) regression to understand workers job switching decision process, and Endogenous Switching Regression (ESR) combined with matching techniques as quasi-experiment impact evaluation models to measure the effect of job switching on wages.

4.2.1. Zero inflated negative binomial regression

Fig. 1 portrays the count data nature of the outcome variable, job switching. The data distribution shows a large spike of zero values, and the zero value indicates workers decision to stay.

The most suitable counts data model to capture the large spike of zero values in the outcome variable would be the Zero Inflated Negative Binomial (ZINB). The ZINB model provides flexibility and accommodates an over-dispersion coming from both excess zeros and heterogeneity in the Poisson component (Feng, 2021), and Vuong test carried out to check the appropriateness of ZINB.

4.2.2. Endogenous switching regression and matching techniques

There are a range of quasi-experimental impact evaluation techniques that can fit to cross-sectional observational data. Matching is the most common quasi-experimental technique that replicates experimental benchmarks if applied appropriately (Dehejia, 2005). It provides a consistent estimate when unobservable characteristics do not affect treatment assignment (McKenzie et al., 2010; Heckman & Robb, 1985). Otherwise, it might overstate the estimated value, like regress-based estimators (McKenzie et al., 2010). In this study context potential self-selection to switch jobs due to unobservable individual traits such as motivation is a critical concern, making matching techniques less preferred.

An estimation technique that explicitly considers both observable and unobservable characteristics would enable to minimize the overstated estimation value. Common estimators that consider unobservable traits such as self-selection and endogeneity problem are selection models – Heckman Selection and Instrumental Variable (IV) (Woodridge, 2002), and Endogenous Switching Regression (ESR) models (Maddala, 1983). While others prescribe one estimator over the other, both IV and Heckman selection estimators assume that outcome functions only differ by intercept effect (Clougherty et al., 2016), which is the main shortcoming of both methods. An endogenous switching regressions approach overcomes these shortcomings by relaxing the counterfactual group construction framework used in matching estimators (Clougherty et al., 2016; Lokshin & Sajaia, 2004; Maddala, 1983). The ESR model addresses unobserved factor challenges, such as motivation, by taking selection bias into account when estimating the impact of job switching. Thus, this study used the ESR model combined with matching techniques to show the robustness of the results. For more details, see supplementary Technical Appendix.

5. Results and discussion

5.1. Descriptive analysis

In our sample 57% of the workers are job switchers and the rest are stayers. About 21 % of the workers had some prior experience in the garment sector before joining the IP job. The average age of workers in the sample is 21 with 2 years of experience working since they joined the IP. On average, workers had 10th Grade schooling certificates when they started their job in the IP and in the subsequent two years most workers upgraded their schooling and on average reached 12th grade. This is an essentially female workforce, as almost 100 % of our sample respondents are women. About 87 % of workers were operators in their occupational status, 10 % in quality control, and 3 % respectively from line supervisor and team leader roles (See Table 1).

As part of the labour sourcing system in Hawassa, some workers are initially assessed for their skills based on assessment criteria that include dexterity test, motor skill coordination, aptitude test, basic numeracy, and literacy assessments irrespective of workers' education and skill level. Based on the outcome of the assessment, these workers are graded into various categories including for example sewers and quality controllers, and other categories, and allocated to potential employers, based on the employers' needs. In our sample 30 % of the workers were initially assessed and graded for their skill level. Out of these workers 23 % were graded in the sewer's skill category, 6 % in other categories while only 1 % were graded in the quality controller category.

Workers' job satisfaction perception shows that 79 % of them confirmed they liked their jobs, and 6 % had neutral feelings towards their jobs while the rest (15 %) of the workers responded that they did not like their jobs. Average monthly wage earnings when starting an IP job were ETB 842 and the figure grew on average by 57 % to ETB 1,316 within two years, confirming the pattern of low starting wages. Stayers current monthly wage earnings (ETB 1,414) are significantly higher compared to switchers (ETB 1,242). Fig. 2 plots the kernel density estimates of the distribution of current wages for switcher and non-switchers[5]. The wage distribution of the non-switchers is skewed to the right, whereas that of the switchers is skewed to the left. This indicates the clear wage difference between the switchers and non-switchers.

A simple comparison between switcher and stayer workers shows the presence of clear differences between the two groups. The switchers seem to have less experience working in Hawassa IP, a considerable proportion of them were graded for their initial skill as 'sewer', 'quality controller' and 'other' activities. The non-switchers had significantly higher current wage rates despite switchers having higher starting wages. Besides, stayers were relatively older in age, and had more work experience overall. Nevertheless, the two groups were similar in terms of skills score – practical garment, cognitive and soft skills – initial and current education status, and level of job satisfaction (see Table 1).

5.2. Determinants of job switching

The outcome variable is count data, frequency of job switching. The data indicates that more than half of our sample workers switched at least once, and approximately one third hopped between jobs more than once (Fig. 2). Table 2 presents estimation on the variant of count models. Columns 1 and 2 are not fit for a count data, with zero inflated values presented for mere comparison. The estimation of Zero Inflated Poisson (ZIP) under Column 3 is fit for zero inflated count data, but, compared to the ZINB, the latter gives robust estimation. For the interpretation of results, the bottom section of Column 4 is used (i.e. covariate for zero count). The results show that workers' networks, initial skill grading and work experience significantly determine workers' job switching

[5] Throughout the manuscript both terms "non-switchers" and "stayers" are used interchangeably

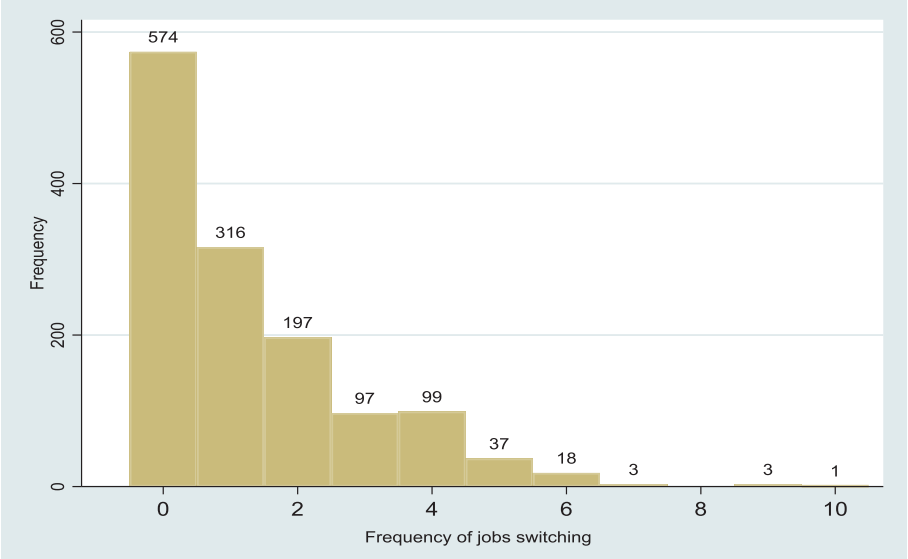

Fig. 1. Frequency of jobs switching.

tendency (Table 2). With experience again workers have an increased propensity to job switching due to low wages that do not match gained skills through experience. It is consistent with skill gaps observed at the initial stage for new workers. Low wages and lack of proper grievance handling mechanisms are also cited in the literature as key causes of frequent individual and collective strikes in Ethiopian industrial parks (Oya and Schaefer, 2021). Blattman and Dercon (2018) documented that a third of newly employed workers quit their job within the first month, and 77 % quit within a year because of low pay, exacerbated by the difficulty and pressures of the job, including effects on their health.

The reported reasons for job switching are therefore not solely associated with low wages, although that appears as the leading factor. More than 50 % declare non-wage reasons, including the difficult nature of the job, search for better work conditions, and work-school shift imbalances (Fig. 3). These issues are also inter-related, as we learned from qualitative interviews with workers. For example, complaints about low starting wages were amplified by the difficulties of adapting to the factory discipline and control mechanisms to which workers were not used to, including the expectation of overtime work. Thus, the relatively harsh factory discipline and conflictual relations with supervisors and managers also made the perception of low wages even more acute (see also Chu & Fafchamps, 2022). Low wages were also seen as a sign of lack of appreciation of workers' worth and were particularly concerning given the unexpected high cost of living for new migrant workers in Hawassa, especially due to the lack of affordable accommodation. In this regard, job switching acts as a form of exit and therefore indirect labour resistance as in Smith's (2006) double indeterminacy problem discussed above. Workers unaccustomed to a new harsh work environment may use 'exit' as the most effective option if 'voice' (and conflict) is constrained by the lack of effective collective action and active unions in Ethiopian industrial parks, particularly in the case of young women not yet mobilised by local unions. Whether refusing to work overtime (therefore bargaining over effort) or switching to another company, their decisions are part and parcel of the everyday (unorganised) struggle in the workplace, as suggested by the labour regime literature.

The analysis of drivers of job switching also throws some other interesting results with regards to factors such as worker's experience, job grading policy interventions, and job promotion patterns. The complex relationship between job-switching and work experience can be explained by the trajectory of garment workers in the IP, making labour turnover a not indefinite practice. Once these workers acquire more skills and receive improved compensation, and become accustomed to the strictures of factory work in global exporting firms, their tendency to switch jobs decreases notably. This is also something often echoed by factory managers, who see labour turnover problems with production workers as a temporary phenomenon and necessary transition in early stages of factory life. Conversely, as workers gain more abilities, knowledge, and experience in the business, they may request better wages from their employer, who might not be able to meet their requests. Consequently, these seasoned employees are then more likely to switch jobs frequently.

The other plausible explanation for the experience and job switching relationship is linked to sunk costs that firms incurred to train unskilled workers to meet the desired level of productivity. Firms pay low wages for unskilled workers to recover training costs until these workers capacity is improved and able to meet the required productivity targets and efficiency levels. The low pay is also related to the nature of the dominant labour regime of apparel firms that are operating within highly competitive GPNs. Firms that are linked to GPNs are compelled to reduce unit labour costs and repress wages or quickly improve efficiency in terms of SMV (standard minute value) for each production task (Oya and Schaefer, 2021), so it not surprising to find that these firms will protect the low labour cost advantage to survive in highly competitive business environments. This is especially the case in the early stages of investment, even when there is a moderate wage increase with experience gain. Many firms operating in Hawassa IP in the early stages of operations reported efficiency levels as low as 20 % compared to benchmarks of 85 % in Vietnam, for example, hence the reluctance to increase wages quickly. In the highly competitive business environment of garment companies, continuous wage increases tied to experience and productivity gains are often not considered feasible, as unit labour costs are continually compared to the next lowest-cost sourcing country (Anner, 2020). Workers who do not receive a significant income uplift as they get more experience and skills tend to 'protest' by either switching jobs or quitting the industry, in contrast with evidence from other different production contexts where experience has a significant (positive) impact on employment stability (Holzer & LaLonde, 1999; Carroll & Poehl, 2007).

An interesting and unexpected result is the negative effect of the job grading policy that was adopted in the IP between 2017 and 2020 on staying in the job (Table 2 column 4). The policy aimed to assess newly recruited workers' potential for skill acquisition in order to support skill-up interventions that firms have to adopt to facilitate employees'

Table 1
Descriptive statistics of job switcher and stayer.

	Stayer	Switcher	Total
VARIABLES	(n = 574)	(n = 771)	(n = 1,345)
Wage (initial)	816.70	861.46**	842.36
	(11.39)	(9.92)	(7.50)
Education (current)	12.06	11.91	11.97
	(0.11)	(0.09)	(0.07)
Education (initial)	10.08	10.11	10.09
	(0.07)	(0.04)	(0.07)
Experience	2.68***	1.59	2.05
	(0.05)	(0.04)	(0.03)
Age	21.49***	20.46	20.90
	(0.07)	(0.09)	(0.07)
Job Satisfaction (Ref = I don't like)			
Dummy I like my job (1 = yes)	0.79	0.78	0.79
	(0.02)	(0.01)	(0.01)
Dummy I've neutral feeling (1 = yes)	0.055	0.062	0.059
	(0.01)	(0.01)	(0.01)
Promotion (Ref = promoted)			
Dummy Not promoted	1.86	1.96***	1.92
	(0.01)	(0.01)	(0.01)
Skills			
Garment Skills	1.59	1.57	1.58
	(0.02)	(0.02)	(0.07)
Cognitive Skills	5.45	5.50	5.48
	(0.12)	(0.11)	(0.08)
Soft Skills	6.29	6.32	6.31
	(0.03)	(0.03)	(0.02)
Skill Grading before (Ref = ungraded)			
Dummy graded as other activity (1 = yes)	0.015	0.095***	0.059
	(0.004)	(0.010)	(0.070)
Dummy graded as quality control/ Packing/Cutting (1 = yes)	0.003	0.021***	0.013
	(0.002)	(0.005)	(0.003)
Dummy graded as Sewing (1 = yes)	0.056	0.349***	0.223
	(0.009)	(0.02)	(0.01)
Occupational Status			
Dummy Operator (1 = yes)	0.879	0.863	0.876
	(0.01)	(0.01)	(0.01)
Dummy Line Supervisor (1 = yes)	0.005	0.012*	0.009
	(0.003)	(0.004)	(0.003)
Dummy Team leader (1 = yes)	0.012	0.004	0.007
	(0.005)	(0.002)	(0.002)
Dummy Quality control (1 = yes)	0.099	0.104	0.102
	(0.008)	(0.011)	(0.008)
Social networks	1.76	3.01***	2.48
	(0.15)	(0.18)	(0.13)
Wage(current)	1414.91***	1242.42	1316.04
	(19.41)	(18.82)	(17.97)

Standard errors are in parenthesis; *** p < 0.01, ** p < 0.05, * p < 0.1

transitions. It was developed based on various firms' internal skills grading standardization systems. The policy was not implemented always uniformly across all newly recruited workers, especially when there was a critical shortage of labour during high production seasons. Usually in this period companies bypass the eLabour system and recruit workers directly without letting workers undergo proper registration

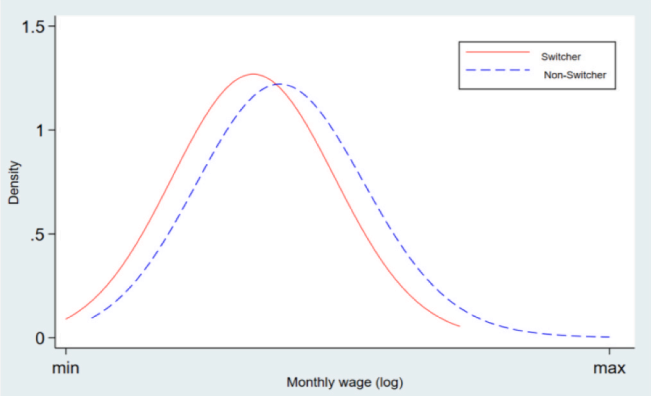

Fig. 2. Kernel density of switcher and non-switcher workers wage earnings.

and skills grading before joining companies. These recruited workers are brought to the registration centre only for their biometric data to be captured in the system once recruited, but not for grading purposes.

Directly recruited and skill-ungraded workers are less likely to switch jobs compared to randomly allocated and skill-graded ones. Two possible explanations to consider are: first, firms use the potential skills assessment results to define the new recruited workers' career path and wage level without considering workers' actual performance and learning capacity. Second, measurement inaccuracies may cause a discrepancy between the workers' actual skills as demonstrated on the job and the skills that were initially graded. The different skill assessment tools used during the skill grading stage are not fully reflective of real task performance at the factory floor. Workers who scored high in dexterity, basic arithmetic, and literacy abilities, for example, may not be good factory floor performers, whereas those who scored poorly in these proxy factors may be good performers at the factory floor. As a result, the mismatch may encourage employees to job switch in order to avoid the repercussions of their initial skill grading.

Lastly, lack of job promotion was found to increase the risk of job switching, unsurprisingly, as an additional source of grievance in a fluid job context, exacerbating labour power indeterminacy in such exploitative work settings. Getting promotion has two implications in the apparel industry – better wage and relieving from heavy duty work on the machines. However, as the industry is characterized by the labour-intensive nature of most tasks, most jobs are concentrated in the lower ranks. It is difficult to gain promotion once 'stuck' in these jobs, so it is not entirely surprising to see an increase in jobs switching for promotion purposes. Meanwhile, *ceteris paribus* workers' job satisfaction level, skills (basic theoretical garment, cognitive, and non-cognitive) and education level were not significant determinants of workers' jobs switching.[6]

5.3. Impact of job switching on wages

This section focuses on the implications of the decision to switch jobs on wage earnings. The simplest approach to examine the impact of job switching on wage earnings is to estimate using the ordinary least square regression (OLS) by controlling important explanatory variables. Job switching is a dummy variable that takes value of 1 if the worker switches jobs; 0 otherwise. Counterintuitively, the estimation result shows switchers earn less than counterpart stayers (Annex Table 1 Column 1). Switching jobs results in a 5 % drop in the overall earnings

[6] Even though attempt is made to overcome self-selection problem, we acknowledge that the selection problem is intractable in ATT. Partly because the ATT based on either propensity score matching or switching regression full relies on selection on observables. The best our estimation can show is correlations between the outcome and a range of predictors instead of implying full causality.

Table 2
Drivers of jobs switching.

Jobs switching (dep. var)	(1) Poisson	(2) NB	(3) ZIP	(4) ZINB
Covariates for positive counts				
(Intercept)	0.171	0.181	0.611**	0.583**
	(0.279)	(0.286)	(0.257)	(0.256)
Experience	−0.311***	−0.319***	−0.029	−0.035
	(0.048)	(0.056)	(0.037)	(0.037)
Networking density before joining IP	0.015***	0.014***	0.01*	0.01*
	(0.005)	(0.005)	(0.006)	(0.006)
Year of education	−0.002	−0.004	−0.003	−0.003
	(0.012)	(0.013)	(0.012)	(0.011)
Promotion (*ref = promoted*)				
Not promoted	0.408**	0.431**	0.026	0.021
	(0.19)	(0.189)	(0.181)	(0.185)
Grading (*ref = not graded*)				
Graded as other activity	0.845***	0.893***	0.446***	0.482***
	(0.097)	(0.101)	(0.091)	(0.091)
Graded as quality control/packing/ cutting	0.447**	0.485***	0.035	0.078
	(0.176)	(0.181)	(0.168)	(0.167)
Graded as sewer	0.598***	0.633***	0.166**	0.203***
	(0.068)	(0.07)	(0.064)	(0.064)
Skills				
Garment skills	0	0.004	−0.041	−0.044
	(0.031)	(0.033)	(0.031)	(0.031)
Cognitive skills	−0.032	−0.031	−0.038*	−0.037*
	(0.02)	(0.021)	(0.02)	(0.02)
Non-cognitive skills	−0.014	−0.009	−0.026*	−0.026*
	(0.016)	(0.017)	(0.015)	(0.015)
Starting Occupational position (*ref = operator*)				
Supervisor	−0.185	−0.23	0.012	0.011
	(0.184)	(0.2)	(0.189)	(0.186)
Team leader	−0.492	−0.57	−0.185	−0.2
	(0.52)	(0.479)	(0.628)	(0.615)
Quality controller	−0.241**	−0.258**	−0.279**	−0.287***
	(0.101)	(0.103)	(0.11)	(0.109)
Job satisfaction (*ref = I don't like my work*)				
I like my work	0	−0.008		
	(0.08)	(0.086)		
I've neutral feelings	0.159	0.228		
	(0.157)	(0.191)		
Log (alpha)		−0.958***		−2.273***
		(0.161)		(0.301)
Covariates for zero count				
(Intercept)			−1.401**	−1.625**
			(0.71)	(0.759)
Experience			1.089***	1.144***
			(0.166)	(0.181)
Networking density before joining IP			−0.031	−0.032
			(0.031)	(0.039)
Year of education			−0.002	0.003
			(0.04)	(0.043)
Promotion (*ref = promoted*)				
Not promoted			−1.062***	−1.119***
			(0.366)	(0.389)
Grading (*ref = not graded*)				
Graded as other activity			−4.051***	−4.288***
			(1.267)	(1.387)
Graded as quality control/packing/ cutting			−18.851***	−23.13***
			(3.016)	(1.656)
Graded as sewer			−28.712***	−28.817***
			(1.934)	(2.054)
Skills				
Garment skills			−0.155	−0.184
			(0.118)	(0.135)
Cognitive skills			−0.021	−0.021
			(0.064)	(0.069)
Non-cognitive skills			−0.076	−0.085
			(0.055)	(0.059)
Starting Occupational position (*ref = operator*)				
Supervisor			1.078	1.199*
			(0.663)	(0.687)
Team leader			0.858	0.828
			(1.231)	(1.169)
Quality controller			−0.117	−0.165
			(0.479)	(0.539)
Job satisfaction (*ref = I don't like my work*)				
I like my work			−0.143	−0.176
			(0.247)	(0.264)
I've neutral feelings			−0.614	−0.693
			(0.49)	(0.545)
Observations	1344	1344	1344	1344
Pseudo R^2	0.124	0.078	–	–

Robust standard errors are in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

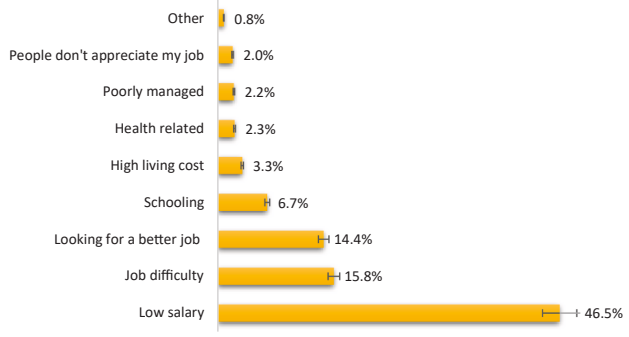

Fig. 3. Reasons for job switching within the HIP by frequency.

compared to staying that is significant at 5 %. The OLS model treats job switching decisions as an exogenous variable, which might be a source of bias, and does not detect when there is a structural difference between switchers and stayers wage earning functions. Both endogenous switching regression (ESR) and matching methods are used to overcome this shortcoming.

An interesting finding is the signs and significance of the covariance terms (i.e. ρ_S and ρ_{NS}) from the ESR, which illustrate the presence of self-selection, suggesting that job switcher choice may not have the same effect on wages had the stayer chosen to switch jobs. The significant and negative sign of ρ_{NS} in Table A1 indicates that workers who choose to stay earn higher wages when they stay in the same job than a random individual from the sample would have earned, and those who choose to switch jobs do no better or worse than a random individual (Lokshin & Sajaia, 2004).

To further probe the effect of switching on wages, considering self-selection issues, the estimates for the average treatments effect on the

Table 3
ATT effect using ESR, PSM and matching methods.

ESR	Mean Outcome Switchers	Stayers	ATT	t-Value
Return on wages per month (ETB)	1181.64 (5.21)	1387.57 (8.22)	−205.93*** (9.31)	−22.114
Matching methods	**Treatment**	**Control**	**ATT**	**Std. Err.**
Nearest neighbor	786	292	−173.87***	86.78
Radius	786	579	−178.96***	42.29
Kernel	786	579	−193.47***	34.76
Stratification	786	579	−193.01**	82.00
VARIABLES	Coeff.	LinearizedStd. Err	t	[95 % Conf. Interval]
Treat (1 = switching jobs)	−226.82***	67.67	−3.35	[-360, −94]
Cons.	1476.39***	64.22	22.99	[1351, 1602]

*** p < 0.01, ** p < 0.05, * p<0.1.

Table 4
Matching estimates on multiple covariates.

	Sample size	ATT	Std. Err.	Z value	95 % Conf. Interval
Abadie and Imbens (2006) nearest-neighbour matching on multiple covariates					
Single Nearest Neighbor Matching					
	Without bias-adjusted & without past wage				
Wage	1373	−120.3***	47.58	−2.53	[-214, −27]
Wage + benefit	1372	−169.7***	66.63	−2.55	[-300, −39]
Wage + benefit + food subsidy	1373	−176.5***	66.70	−2.65	[-307, −46]
	Bias adjusted				
Wage + benefit (with past wage)	1373	−214.5***	53.22	−4.03	[-319, −110]
Wage + benefit (without past wage)	1373	−171.5***	53.22	−3.22	[-276, −67]
	Not bias adjusted				
Wage + benefit (with past wage)	1373	−234.4***	48.33	−4.85	[-329, −139]
Wage + benefit (without past wage)	1373	−186.9***	48.33	−3.87	[-282, −92]
	Trimmed				
Wage + benefit (not bias-adjusted)	1074	−185.9***	80.21	−2.31	[-343, −28]

*** p < 0.01, ** p < 0.05, * p < 0.1.

treated (ATT) show the impact of job switching on wages (Table 3). The ATT estimates minimize the effect of selection bias that arise due to systematic differences between switchers and stayers.[7] Our finding reveals that job switching is actually linked with lower wages, defying the logic of moving jobs to earn higher wages. Job switchers on average are penalized ETB 205.93 per month, which is a 14 % drop in monthly earnings compared to what they would have earned if they had stayed (Table 3).

To ensure the robustness of the finding, common matching techniques – propensity score and balanced entropy, and bias-adjusted estimator – are used as suggested by Abadie & Imbens (2006). As opposed to propensity score matching, bias-adjusted matching estimator matches directly on the covariates rather than on the propensity-score, which is not needed on choice of logit or probit estimator as in PSM construction. This bias-adjusted estimator performs better compared to PSM. The biased-adjusted estimator relaxes the strict parametric assumptions of propensity score matching (McKenzie et al., 2010). Initial earnings history was controlled for to account for the dip in earnings that might happen prior to the labour market situation in a bias-adjusted nearest neighbor matching estimator (McKenzie et al., 2010). Table 4 presents both bias-adjusted and not bias-adjusted matching estimators with or without past earnings.

The findings from all these different matching estimation techniques seem to converge and confirm the ESR model result. The job switchers wage penalty on average ranges between ETB 120.3 per month to ETB 234.4 per month, which entails that switchers' monthly wage is lower (by 9 % to 16 %) than that of stayers. At first glance, the finding seems to contradict conventional wisdom from the job search and matching mainstream labour economics literature (Topel & Ward, 1992; Oreopoulos et al., 2006; Karahan et al., 2022). Based on the contextual evidence of our qualitative research and the context setting described in Section 3, two plausible interpretations of these results can be given.

First, the negative effect on wages reflects the impact of a de facto wage setting cartel that firms adopted to keep starting wages low, as a way to avoid competition over skilled workers (intra-park 'poaching'), and to survive in highly competitive GPNs. Second, although wage is often mentioned as key driver of switching in workers' surveys, workers switch jobs in search of better non-wage factors that are linked to working conditions, industrial relation conditions, and workplace environment, as discussed in earlier sections. These two points are elaborated below, informed by labour process theory and combined insights from Smith's (2006) labour indeterminacy and labour regimes analysis (Taylor & Rioux, 2018; Anner 2020; Oya and Schaefer 2021).

A de facto 'wage cartel' as established in Hawassa IP, served the double purpose of (a) keeping unit labour costs under control in the early stages of operations of new investors in Ethiopia, amidst low efficiency levels and sunk training costs, and (b) preventing the intra-park 'poaching' of workers that would have happened if there was open competition for workers. Given the similar characteristics of workers and the lack of sufficient experience among the majority of them, most company managers reported that starting wages could not be high and wage increase expectations should be repressed, until efficiency levels were proven comparable to highly competitive apparel exporters in Asia.[8] Given the labour sourcing system and the fact that workers could not really 'choose' employers, switchers with prior experience in the same park are treated as new hires and brought 'back to the queue'. This makes switchers earn a wage that was similar to new hires, losing the usual gains accrued from staying in the same firm, including loyalty-based bonuses and wage increments tied to seniority. In short, the wage cartel setting system adopted acted as an effective wage restraint mechanism for job switchers, but still did not deter job switching. Labour turnover was somewhat reduced after some time, according to several company managers, but was certainly not eliminated.

The question is then why some workers would persist in switching despite not significantly improving their wages compared to those who stay without leaving the same factory job (as shown in other research, e.g. Blattman & Dercon, 2018). This suggests that other powerful reasons,

[7] As the descriptive data show, sampled workers were generally very similar across these attributes. The levels of job satisfaction were also generally high, which is at odds with evidence of grievances and conflict in the park as documented in other research and in our qualitative work in the park (Hardy & Hauge 2019; Oya & Schaefer, 2021). Responses to a general question on job satisfaction may not be robust enough to capture problems and reasons to switch jobs. Workers may be broadly satisfied with having a job in the park, compared to their previous livelihood, but still unhappy about various aspects of the working conditions.

[8] The evidence for this argument is derived primarily from systematic triangulation between the qualitative interviews with company managers, workers and trade union representatives.

combined with a lack of understanding of the wage cartel system in the park, drove workers to switch. We know from our qualitative interviews and other research (Hardy & Hauge, 2019; Lemma & Girma, 2019; Chu & Fafchamps, 2022; Gifawosen, 2019) that the work pressure, demanding production targets, overtime expectations, and conflictual relations between workers and supervisors/managers, can be strong drivers for job change, regardless of perceived wage differences. Moreover, various interviews with young women workers in Hawassa also suggested that for many of them having friends and a strong network in the same factory is a source of job satisfaction, and could in fact offset some of the negative aspects of factory work mentioned above. In fact, as noted above, switchers had less experience in Hawassa IP than stayers, suggesting that switching was also a way of finding their feet and trying different companies until they found their preferred work environment, where they would have a stronger network of friends and acquaintances. Thus, continuous switching in search of friends and people from their networks may also supersede wage considerations and make coping with the pressures of garment work easier, especially for young women in search of collective/network support. Job switching, as argued in some of the labour regime literature, appears as a form of workers' resistance to such problems, as well as a form of adaptation to the strictures of factory work discipline. Labour turnover then becomes disruptive for some firms or an instrument of labour control for others that are used to such outcome. As a result, the combination of a 'funnel' labour sourcing (HIPSTER project)[9] and a 'wage cartel' system de facto adopted might have contributed to wage restraint but did not prevent labour turnover, as initially expected.

6. Concluding remarks

This study attempts to shed light on the drivers of job switching and its impacts on wages. Previous studies have documented associations between job switching and subsequent wage changes for high skilled workers in a well-developed labour market. However, this study focuses on low skilled and low educated workers, most of them young women of rural origin, who are active in a low-income country labour market. This is an important policy issue in the current context of Ethiopia's manufacturing employment, since labour turnover appears as a key challenge affecting especially many newly established foreign-owned firms in industrial parks.

The estimates constitute compelling evidence on the drivers of job switching, and effects of job switching on wages. Furthermore, we explored the effectiveness of firms' wage setting cartels that were adopted to tackle job switching and improve firm competitiveness.

The findings suggest that job switching behaviour is driven by a combination of factors, with some standing out like the social networks density, their initial skill grading, and the degree of work experience, even if qualitative evidence suggests low wages remain an ongoing concern among most workers, and not only those who switch jobs. Perhaps surprisingly, we also find that job-switching does not lead to better earnings compared to staying in the same firm. Compared to stayers, switchers face a substantial wage penalty between ETB 120 and ETB 234 per month. A stayer's better earnings are related to better matching of their skills with expected work conditions, together with how the IP wage setting system works, which penalises workers leaving their jobs early. Lower earnings for job switching might be interpreted as being linked to asymmetric learning and unsuccessful matching, but also, and perhaps more importantly, explained by the nature of the labour regime adopted in this setting and the existence of labour control mechanisms. A de facto 'wage cartel' system operates, whereby starting wages for new hires are always low and wage variation across firms limited, regardless of previous experience in other firms and internal skill grading systems. When switchers leave their first jobs, they lose the seniority status they could have built through 'loyalty' (as reflected in stayers' higher salaries) and start from scratch as companies are reluctant to offer higher salaries to newcomers with no clear evidence of higher productivity. Many of the companies in Hawassa were new starters in Ethiopia, mindful of the need to keep wages low in their early operational stages to be able to cope with the profit squeeze and cut-throat business environment of the global apparel industry, and the low levels of time efficiency achieved in the first five years in Ethiopia. The fact that some workers insist on switching jobs despite such an uncertain pay-off in terms of wages, reflects the range of non-wage related factors that inform their decisions, including sources of job dissatisfaction, challenges of adapting to a new workplace system, and desire to work in friendlier workplaces with members of their social networks. This explanation, however, deserves further investigation, as it is important to understand the economic costs and opportunities of job switching.

The labour sourcing and wage setting cartel that firms adopt to keep starting wages low, increase competitiveness, and reduce the incentives to job switching does not seem to be an effective instrument, especially for reduction in labour turnover, although not all firms are equally concerned with high labour turnover in early stages. Addressing other reasons that push workers to switch jobs and allowing for more 'choice' among workers within the park, may contribute to stabilise the workforce and produce a more productivity-enhancing workplace environment. This calls for specific attention to the need for improving grievance redressing mechanisms through buyers' leverage and improving government labour inspection in order to drastically improve the existing work conditions, to realize the twin objectives of retaining skilled workforce and increasing firms' competitiveness. Moreover, it is equally important to set credible sector-level minimum wages to tackle the industry tendency to repress wages, which remains a major source of dissatisfaction among new factory workers.

CRediT authorship contribution statement

Fekadu Nigussie Deresse: Writing – review & editing, Writing – original draft, Conceptualization, Data curation, Formal analysis, Methodology. **Carlos Oya:** Writing – review & editing, Writing – original draft, Conceptualization. **Christian Samen Otchia:** Writing – review & editing, Formal analysis, Methodology.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Appendix A. Supplementary data

Supplementary data to this article can be found online at https://doi.org/10.1016/j.wdp.2025.100734.

Data availability

Data will be made available on request.

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[9] HIPSTER, a public–private partnership, stands for Hawassa IP sourcing, training and recruitment program.

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