

# Labour Standards in **Football** Manufacturing Industry

**A Case Study of a Nike Vendor in Sialkot, Pakistan**

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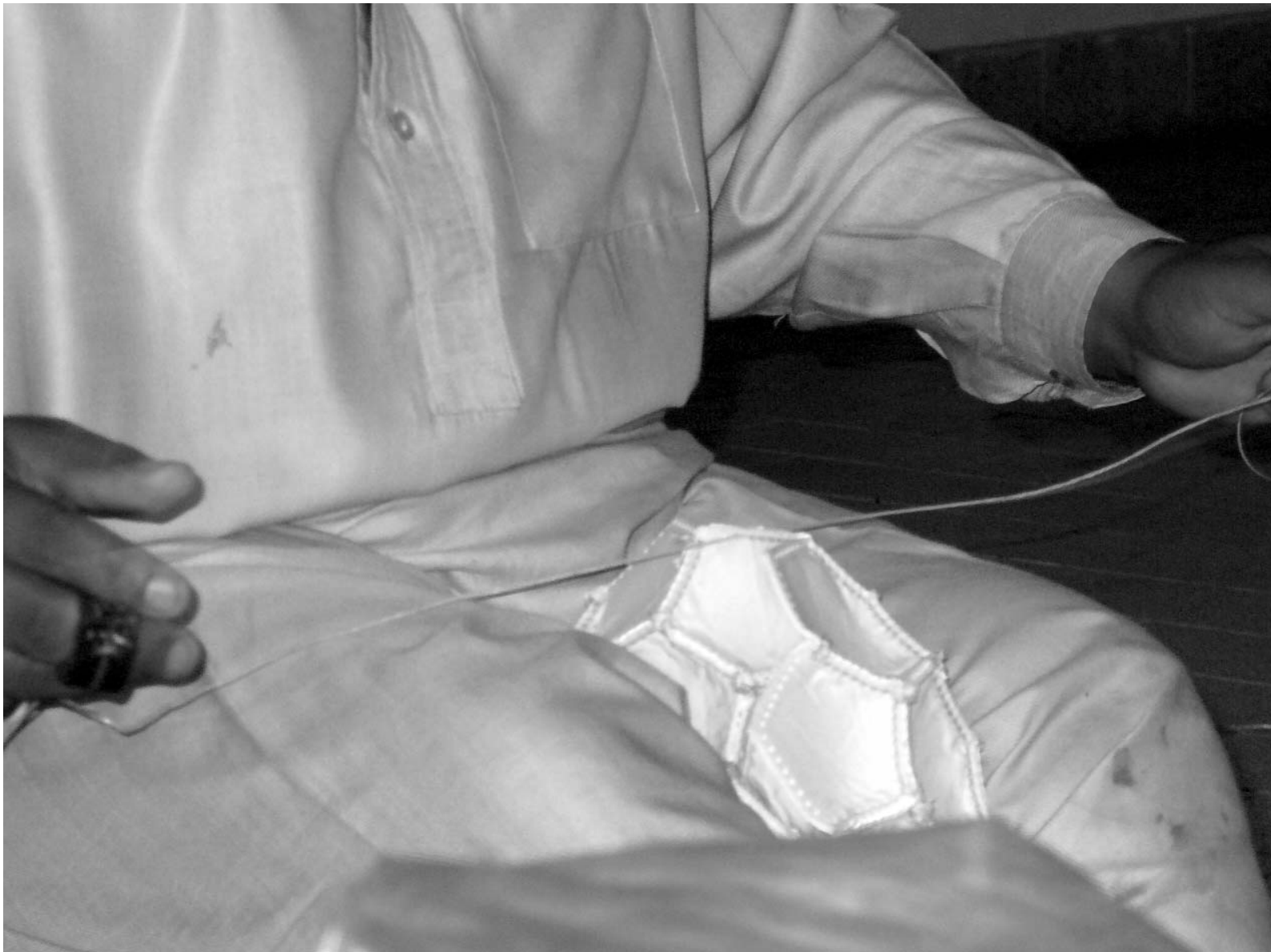
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*Karimul Akh-*



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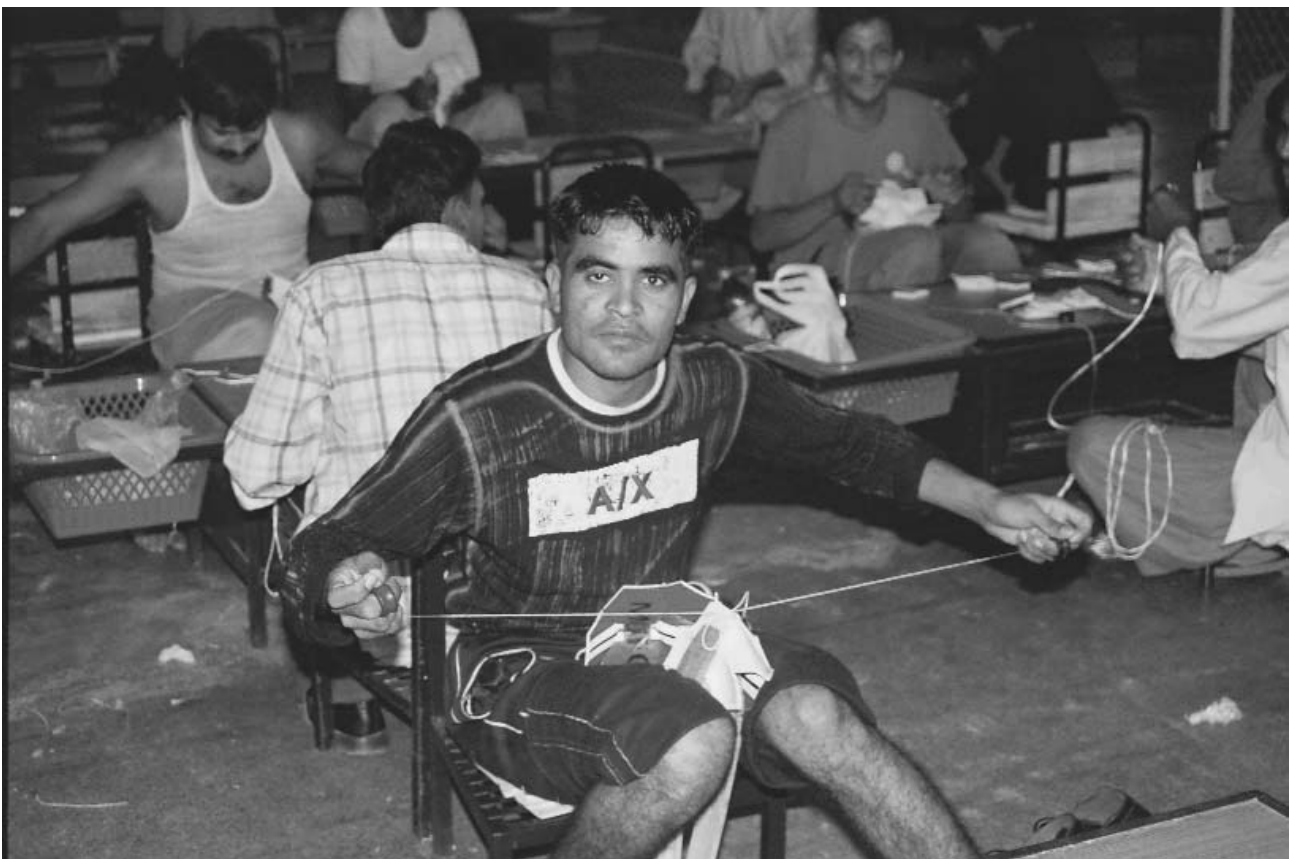
## 1. The Study: Introduction

**S**ialkot district is a hub of industrial clusters producing sports goods, leather goods and surgical instruments for local and foreign markets. Linked to an increasingly sophisticated global finance and marketing system, the Sialkot labour-intensive business model and production processes are still largely family-owned, cottage-based and informal, relying on a semi-literate, semi-skilled workforce operating in precarious conditions under weak state regulatory mechanisms.

Global business, pushed by the western media, civil society and the end-consumers on fulfilling its corporate social responsibility, singled out an element of the prevalent informal labour relations in 1996: the use of child labour in the football industry. The threat to local business led the Sialkot industrialists to sign the Atlanta Agreement in 1997 to rid the industry of child labour. Facilitated by the other three signatories the ILO, the UNICEF and the state body the subsequent

implementation of the Sialkot Project succeeded, by and large, in its focused mission: child free labour in football manufacturing. The other crucial terms and conditions denial of free association and collective bargaining, low wages, lack of social protection and occupational health and safety prevalent in the industry were overlooked by all stakeholders (local industrialists, state bodies, international organizations including the ILO, the civil society and the academicians who researched the issue).

It was after a decade of the Atlanta Agreement that the industry faced consequences of non-compliance of labor standards. In November 2006, the Nike Inc. cancelled its order of hand-stitched soccer balls to its contracting manufacturer, Saga Sports Private Limited, on charges of violation of labour standards, including allegation of child labour. One of the several large sports goods exporters in Sialkot, Saga Sports was supplying 15,000 to 25,000 balls per day to Nike



Inc. Saga Sports closure caused loss of job to 7,387 men and women workers. According to Nike Inc.: That decision was due to the factory's inaction on correcting significant labor compliance violations and a fundamental breach of trust with factory management. Among the violations was widespread, unauthorized outsourcing of Nike production inside homes in the surrounding area.<sup>1</sup>

By December of 2006 Nike had decided to withdraw from Saga Sports, although the phased withdrawal was not completed until March 2007. With the decision to withdraw, a Request for Proposals was drawn up and advertised in the Pakistan business media seeking new suppliers of hand-stitched soccer balls that could work with Nike to develop and to maintain production within a social environment that complied fully with the company's code of conduct. On 15th February 2007, Nike issued a public letter to stakeholders in which it stated, "Nike is committed to placing soccer ball production back in Pakistan with a new manufacturer operating a new business model that strongly supports workers' rights." With the letter Nike issued a tender, seeking business proposals. After extensive appraisal of technical and social compliance aspects of the responding factories by Nike, a new supply contract was initiated with the Silver Star Group. The agreement included workers' training in labour rights and the company's code of conduct.

During this period, the Nike Inc. also mediated through Just Solutions Network, a European NGO, to support an action research project in Sialkot implemented by Pakistan Institute of Labour Education & Research (PILER) during April to March 2008. The component of legal support to the retrenched workers, however, has continued in 2009. Simultaneously, a programme of labour education in the new supply factory was also initiated by Nike Inc., mediated through Just Solutions Network and implemented by

### 1.1 Objectives

The project aimed to explore the ex-Saga workers' life and past/current work situation, the production processes in place, particularly the concept and the reality of 'work centres' or 'monitorable stitching centres' and probed the extent of non-compliance of

labour standards in football manufacturing focusing on Saga Sports. The project also sought to sensitize a number of the identified ex-Saga workers on labour standards, national labour legislation and code of conduct. Legal aid was provided to those among retrenched workers who could claim entitlements from Saga Sports. The sacked workers were assisted to relocate in the new supply chain.

The project attempted to facilitate emergence of a multi-stakeholders (manufacturers-employers, workers, state officials, trade union bodies, civil society representatives) consensus on a framework leading to some sort of institutional mechanism for corporate social responsibility and labour standards compliance and monitoring in Sialkot.

### 1.2 Methodology





The objectives of the action research pertaining to inquiry of the problem and support to the affected workers and the specific condition of the participants (workforce in transition) necessitated a blend of tools. Collaborative inquiry with main research participants (the sacked workers) yielded information and insights through one-to-one interaction and questionnaire filling, focus group discussions, informal meetings and labour education interactive workshops. Meetings and broad-based consultations with other stakeholders representatives of ex-Saga Union, local trade union federation, state officials (Employees Old-age Benefit Institution, Punjab Employees Social Security Institution, Provincial Labour Department, Local Government), members of Sialkot Chamber of Commerce and Industry, ILO and Independent Monitoring Association on Child Labour (IMAC) officials facilitated understanding of the larger perspective and shed light in to the dynamics of variant roles

of the key stakeholders.

### 1.3 Data collection process

At the time Nike Inc. announced its intention to pull out in November 2006, the Saga Sports employed a workforce of 7,637 of whom 5,257 were piece-rate workers residing in more than 400 rural settlements dispersed in three tehsils of the district (Sialkot, Pasrur, Daska) spread over 3,016 kilometres and converging to work at the Saga-operated twelve (12) large official stitching centers located in the semi-rural settlements of the district.<sup>2</sup>

By the time the support project began in April 2007 (one month after the last Nike orders had been fulfilled), all of Saga Sports' 5,257 piece-rate contract workers had already lost work. The 2,380 permanent employees were retrenched in phases. Only about 250 employees were reported to be working at the Saga Sports main factory producing leather gloves in late December 2007 when the field work came to end.<sup>3</sup>

The detailed list of the Saga Sports' contract workers/permanent employees and the Saga Work Centers were used for mapping. Initial visits to the 12 villages were made and the PILER field teams talked to the local people about the closed Saga Work Center located in that particular village and enquired about the ex-stitchers who came from the surrounding villages.

In the second stage, two teams, comprising one male and one female investigator each, visited 4 to 7 villages surrounding each Saga Work Center to locate the listed retrenched workers by name and address. The questionnaire was tested in the first round of information collection and revised.

Initial group discussions with ex-Saga workers were organized in those villages where the work centers were located. The discussions took place in the traditional village community meeting space locally called *dera* or *chaupaal*. Selection of the villages for discussions was made in view of the number of the identified and available workers (15-25 workers). Focus group discussions were held with the assistance of proactive ex-Saga workers who showed willingness to



mobilize and gather ex-Saga workers. By the time the project wound up its field work in December 2007, the team had interacted with a total of 2,484 ex-Saga workers, scattered in 250 villages.

Unstructured interviews and one-to-one meetings were held with other stakeholders-representatives of Ministry of Labour, Sialkot Chamber of Commerce and Industry, Pakistan Workers' Federation, Matrix Sourcing, Independent Monitoring Association on Child Labour and Community Development Centre.

#### 1.4 Constraints

**A**ccess to the sacked workers in identified villages turned out to be a difficult and time consuming process as many workers by that time had either already found stitching work, or were actively looking for work outside the village, or had taken up menial, odd jobs to feed the families and were not available during the days. It was after some time that the word of the teams' persistent visits spread around and the workers took time out to meet the field teams. Not all the sacked workers could be located in view of time and resource constraints. Apparently some of them

joined the ever growing 'foot loose'<sup>14</sup> labour ever moving from one district/town to other in search of daily wage, low-skilled, manual labour or any low-paid work.

Saga Sports management refused to meet the team when approached on several occasions. Understandably they neither had time, nor desire to brief the team on the failure of a company once ranked as the most successful in Sialkot. The study, thus, does not contain any version of Saga Sports own perspective on the issue. The Saga Sports workers' union also kept a cordial distance with the PILER team though a couple of its representatives participated in some of the workshops and seminars.

Sialkot's industrialists, specially the major football manufacturers, were suspicious and distrustful of the PILER intervention, particularly in the beginning when they competed for the contract by the Nike Inc. Later, however, they participated in the consultations and seminars held by PILER and granted interviews to the PILER team members. ■

## 2. The Context: Football Manufacturing in Sialkot

**H**and-made leather and wooden sports goods production in Sialkot dates back to late nineteenth century when locally crafted sports goods were made to order for the ruling British. Cottage-based, export-oriented industry survived the exchange of population—departure of Hindu trading community, and induction of Muslim peasants and craftsmen—in 1947. The industry, comprising small, family-owned enterprises, received state support during the 1960s and saw the emergence of medium sized firms employing labour who came from the surrounding villages to the city-based units.

Today the inflatable ball is the core product of Pakistan's sports goods industry. Sialkot supplies 22 per cent of total world exports<sup>5</sup>, through a network of 3,229 village-level sourcing or cottage enterprises

and informal labour.<sup>6</sup> In 2005 the sports goods industry contributed US\$ 318.8 million to the national exchequer.<sup>7</sup>

### 2.1 Decentralization: Cutting Labour Costs

**I**nformalisation of labour in Sialkot began in the 1970s when the state policies, apparently promising a better deal for labour, led to growing demands for improved terms and conditions including the right to unionize and collective bargaining in major industrial cities. In a bid to forestall its repercussions, the Sialkot entrepreneurs instead of devising strategies to maintain efficient, productive and well-integrated labour, took the easy way out cutting labor costs through decentralizing the production. The rudimentary automated processes of football manufacturing (panel cutting, screen-printing, quality control) were



kept at the city-based units and the labour-intensive panel-stitching was sub-contracted out to the village-based workforce.

A development that coincided with and augmented informalisation of labour related to technology. Till 1970s the pieces of football, made of leather, demanded strength and a high level of skill for stitching and only men did it. Football manufacturing underwent expansion in the 1980s when synthetic material totally replaced the leather. Synthetic panels, much lighter than leather, could now be sewn together by women and children as well.

Another decisive factor that led to the expansion of employment of semi-skilled, under-paid, piece rate rural workers in late 1980s onward was the transformation of global economy and the international capital movements towards labour-intensive, unregulated labour markets. As a production site, Sialkot, with its promise of much lower production cost of sports goods 9 to 10 percent as measured by the final price paid by the consumer<sup>8</sup> attracted a number of multi-national brand companies (i.e. Nike, Adidas, Puma, Reebok). Within two decades, production of footballs in Sialkot had increased eight hundred fold: from 5.2 million footballs in 1980-81 the number shot up to 40-43 million in 2000-01. The number of sub-contracted workers increased from 5000-7000 in 1980-81 to 54,000 workers in 2000-01. A downward trend in production is noticeable since then, indicating a wave of transformation linked to technological changes and globalization. In 2003-04, the number of balls produced annually fell to 33-35 million and the number of workers taking this occupation declined to 41,000 - 44,000.<sup>9</sup>

## 2.2 Technology: Writing on the Walls

The evolution of football making from pig's bladder (1800) to vulcanized rubber (1836) to inflatable rubber bladders (1862) to mass production (1888) was accelerated with the induction of synthetic material (1960s). In the 1980s synthetic leather had totally replaced hard leather. After several improvements based on material development, traditional ball construction reached its limits. In 2000 a new ball production technique, thermal bonding, was developed to ensure consistent quality and perform-

ance from one ball to the next. The technique resulted in the first automated, thermal bonded, seamless Teamgeist Berlin match ball used in the FIFA World Cup (July 2006). The design and technology was perfected by Adidas, Germany, and balls were produced by the brand's suppliers in China and Thailand.

Since then there is no turning back. Machine-made balls were used in the 2008 Beijing Olympics Games and the 2010 and 2014 FIFA World Cup would use the seamless balls. Romanticizing the dexterously crafted hand-made football and the centuries old heritage of human stitching skills notwithstanding, the era of manual craftsmanship seems to be ending. Nike, however, is of the view that there will always be a niche for hand-stitched balls hence it decided to continue production from Sialkot.

Viewed in the historical context, mechanization and automation always win out in the end. Resistance to change is a natural human reaction yet the momentum of technological change carries in its force the complex dynamics of social, economic, historical and cultural factors that eventually over ride all resistance and push communities to change and adapt. The speed of adaptation to technological change varies, though.

Addressing technology has never been a priority for the Sialkot sports goods industry and is indicative of an inward-looking, narrow approach rather than an open, receptive-to-change strategy. Lack of timely and adequate response to changes in technology has cost dearly in the recent past: the technology shift from wood-based material to aluminum-based alloys and then to graphite and other synthetic materials in the production of hockey sticks and badminton, squash and tennis rackets wiped out this component almost entirely from Sialkot in early 1990s. The process of change has accelerated with the advancement in nanotechnology: since 2005 carbon nano-tubes are being used in the production of hockey sticks and sports rackets.

The stakeholders' consultation facilitated by the Sialkot Chamber of Commerce and Industry in January 2007 revealed reluctance on the part of the

manufacturers to read the writings on the wall: they seemed to be avoiding a full-throated debate on the issue, though the second generation industrialists acknowledged the impending impact of technological transformation on the Sialkot industry.

Similarly, in the subsequent consultation called by the Ministry of Labour, facilitated by the ILO-Pakistan, in February 2007 that led to the document titled Sialkot Initiative 2007 technology did not figure as a key issue.

### **2.3 Labour Standards in Football Industry: Exclusion and Oversight**

**R**ight to work and earn a decent living under conditions of freedom and dignity is granted under the Constitution of Pakistan in its Article 3 and Article 37c<sup>10</sup>, and though national labour legislation has turned increasingly restrictive and exclusionary over the years, particularly with respect to the workers' right to unionize and bargain collectively, various statutes (i.e. Factories Act, Minimum Wages Ordinance) contain provisions to safeguard some of the basic standards. As the crucial monitoring mechanism, labour inspection by state bodies, has almost ceased to exist since the Punjab Industrial Policy 2003 (putting a stop to inspection in the province) and Labour Inspection Policy 2006 (diluting inspection and advocating self-reporting) came into effect, violations have become a norm, more so in small and medium-sized establishments. Football industry in Sialkot is no exception.

The existing laws contain provisions for contract labour. These provisions, however, are violated by employers due to a lacunae: section 2 (f) (iv) of the West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance 1968 declares the 'establishment of a contractor' as an independent establishment, thus making it easier for both principal employer as well as contractor to escape law. The contract system keeps the owner indemnified against non-observance of labour laws.

Subcontracted workers in Sialkot football industry, removed from the regulated environs of formal work sites and largely excluded from protective legislation,

are a part of the bulk of informal workforce (72.6 per cent) in the country. Low wages, lack of social protection and lack of representational security characterize their work conditions. Unorganized and dispersed in surrounding villages, with low literacy level and little or no access to information on labour rights and legislative mechanisms, football stitchers are vulnerable to both local and global forces.

The regular workers employed at the main factories that lined the Daska Road leading to the city, fare hardly any better. Placed at the lower end of production hierarchy, these workers are largely deprived of entitlements due to non-issuance of employment contract by the manufacturer and bypassing of applicable rules and regulations.

### **2.4 The Atlanta Agreement 1997 and Sialkot Initiative 2007**

**T**he Atlanta Agreement, and the subsequent project to eliminate child labour from football industry, was termed successful. The success, though, was limited. Three reasons can be cited for its limitations. Firstly, it did not embrace the full range of labour standards but focused on child labour as if child labour exists in a vacuum. Secondly, though a tripartite arrangement it excluded workers' representation. The issue of child labour was not just linked to children who stitched footballs, but involved adult workers who made a conscious choice to put their children to wage labour. Thirdly, the Agreement came about in response to external stimuli. The threat to brand image perceived by international companies played a crucial role. The business community in Sialkot was pushed by the global stakeholders to remove the stigma from the produce. These included the International Federation of Football Association (FIFA), World Federation of Sports Goods Industry (WFSGI), the International Confederation of Free Trade Unions (ICFTU), the International Labour Organization (ILO) and the leading football manufacturers such as Nike, Adidas, Reebok, Mitre (UK).

The Sialkot Initiative 2007, that followed a tripartite workshop jointly organized, in December 2007, by the Government of Pakistan and the ILO after Nike's cancellation of the contract, suffers from similar and a few additional drawbacks (i.e. over-emphasis on



monitoring and the role of IMAC), including its lack of a holistic approach. The Initiative 2007, till today, remains a document.

## 2.5 ILO Labour Conventions: Ratification and Reality

Pakistan is a signatory to the UN Universal Declaration of Human Rights 1948 that recognizes the right to work, to freely choose employment and to have just and favourable working conditions, and to the 1998 ILO Declaration on Fundamental Principles and Rights at Work that pledges to 'promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity'.

Pakistan has ratified all the eight core ILO conventions that codify the four most basic human rights related to the world of work the right to organize and engage in collective bargaining, the right to equality at work, the abolition of child labour and the abolition of forced labour.

Signing and ratification of international covenants and standards put only a moral binding on the government: practically it has little or no impact on the ground. The ILO supervisory bodies (i.e. Committee of Experts on the Application of Conventions and Recommendations) continue to urge the government to amend legislation to ensure core labour rights to all workers.<sup>11</sup> In Sialkot, the emphasis has been on the abolition of child labour and that too mainly in the football industry while other critical labour rights violations have been sidelined by all stakeholders.

## 2.6 Globalization and Corporate Social Responsibility: The New Paradigm

Global transformation is leading to greater interlinking and interdependence of economies, reshaping labour relations in the process. Expansion of international trade and international capital movements is impacting societies in unprecedented ways. Economic growth, generation of wealth and new development opportunities are benefiting the countries that have a competitive advantage in certain areas. In Asian countries, competitive advantage is low production cost due to low labour cost and this in

turn is leading to greater informalization of labour. Contractual, home-based work relations are becoming a norm, replacing long-term employment relations. The workforce stands unorganized, fragmented and dispersed in various smaller locations and unconnected spaces. The impact of labour unions the world over is much reduced.

The labour movement in Pakistan is weak, fragmented and beset with a myriad of problems emanating from social milieu and political culture and economy at large. The workforce is largely uneducated. Around 90 per cent of the workforce is unorganised hence unaffected by labour movement. In the miniscule formal sector, rate of unionisation is very low. The existing unions are divided along ethnic and sectarian lines, have undemocratic culture and lack committed and enlightened leadership. An important drawback of the labour movement is its lack of acknowledgement of women's role in productive economy and induction of women workers in its rank and file. All



said and done, despite its many weaknesses, labour movement has struggled throughout against repressive measures and legislation.

Competitive advantage is driving manufacturers and employers to further cut labour cost and local powerful stakeholders manufacturers, industrialists, state bodies deliberately sideline national laws and international standards. Pro-industrialist policies and unconditional heavy subsidies to industries in Pakistan have not translated in to better bargain and better conditions for workers. Weak labour regulation and poor implementation of labour standards in countries where MNCs are shifting production, like in Pakistan, have created a vacuum and compelled MNCs to address labour compliance issues in the subcontracted production places in response to increasing pressure from consumers in their home countries.

The business environment in the 21st century has evolved under the forces of globalisation, supply



chain complexity, existence of consumer and human rights pressure groups, and the presence of fierce competition across the globe. In this environment, it is imperative for a successful and profitable MNC to have a positive corporate image. The corporate brand name must be free from any and all negative connotations.

To achieve this goal, one of the tools employed by the MNCs is the development and stipulation of codes of conduct for constituent members of their supply chain who may be operating in any of the numerous countries of the world. The MNCs are developing codes of conduct in compliance with international labour standards codified in the ILO conventions. Many ratifying countries, though commit themselves to bring legislation within the parameters drawn by the ILO standards, fail to do so.

Development of codes is a sensitive and difficult task especially in countries where the state and local governments are lax in implementing existing laws. It is also possible that the levels set by the state laws may be deemed to be not high enough for the requirements of the MNCs. In some cases the state laws may be deficient and may not be addressing an issue, which is of concern to the MNC. Hence the need for development of their own private codes of conduct for the constituent members of the supply chain. In case where the codes and the existing national legislation differ, the provision that gives high level of protection to workers apply in the company's code of conduct.

The company's codes of conduct is a voluntary commitment by the MNC, though usually the company's motives either strategic, defensive or altruistic are strong enough to compel the company to honour and push for implementation of its code of conduct. The mode of implementation is mostly dependant on moral obligation on the part of the constituent member, or the local vendor, in the supply chain. The ultimate lever remains in the hand of the MNC: that it can take its business relationship elsewhere if the local vendor is not implementing the code and the MNC wants the code to be implemented.

Consumer and media pressure for fair trade is leading to an increasing number of codes produced after con-

sultation and negotiation with stakeholders including trade unions. The Nike Code of Conduct, for instance, was produced after input from the International Textile, Garment and Leather Workers' Federation (ITGLWF).

However, due to the overwhelming informal nature of economy in developing countries and lack of legal coverage to informal workers even when the codes are implemented, the benefits tend to remain limited to permanent and regular workers and 'contract workers experience little change' in their working conditions.<sup>12</sup> Nike's provision for formal, custom-built work centres in Sialkot was supposed to address compliance issues related to informal work place. Though the vendor (Saga Sports) did provide formal, custom-built centre, it failed to abide by the code and kept more than 90 per cent of its work in the informal category which ultimately brought cancellation of the contract by Nike.

A recent MIT study indicates that codes of conduct produce results only in those countries that have better implementation of national labour laws and are found to be linked to 'the ability of the labour inspectorate to enforce labour laws and standards in the country'.<sup>13</sup>

A PILER study of the Karachi garment factories supplying to the US and the European brands (i.e. Wal-Mart, C&A, Disney, Karstadt Quelle, la Blanche Porte) revealed non-compliance of labour standards despite existence of the codes of conduct of respective brands and the SA8000 accreditation of each factory.<sup>14</sup> Another PILER study on small and medium-sized enterprises indicated that most enterprises do not comply with labour laws and are averse to collective bargaining.<sup>15</sup>

## 2.7 State Regulatory Mechanisms

The Ministry of Labour, Manpower and Overseas Pakistanis is responsible for labour and employment policy formulation, legislation, administration and implementation. Labor and employment are the subjects listed under the concurrent legislative list and the provincial governments are also mandated to formulate policies on their own.

Punjab Industrial Policy 2003 eliminated inspection of industries/workplaces by labour inspectors in violation of ILO Convention 81 ratified by Pakistan. The inspection was replaced by a self-declaration system for units having 50 or more workers. This also lapsed in June 2005 after completion of the 2-year period as the government did not notify its extension. The Labour Department, the Punjab Employees Social Security Institution, and the Employees Old-age Benefit Institution, however, remain restricted from conducting inspections of the industrial units.

In 2006 the government came up with Labour Inspection Policy and physical labour inspection was done away with in other provinces as well. The procedures to replace physical inspection as spelled out in the policy document were vague and did not materialize. The Labour Inspection Policy 2006 was approved by the federal ministry and the document shared with stakeholders in Feb 2008. The Policy now envisages setting up a National Labour Inspectorate and Provincial Labour Inspectorates to serve as focal points for all labour inspection functions in the provinces, including that of Social Security Institutions and the EOBI. At the moment the policy remains on paper.

## 2.8 Focus on Child Labour vs Core Labour Standards: The Missing Link

Child labour has shown an increasing trend in Pakistan. The total number of children aged 10-14 years, engaged in a wide range of paid activities, rose from 2.12 million in 2003-04 to 3.06 million in 2005-06.<sup>16</sup> Currently labour force participation rate in this age group is 13.65 percent.<sup>17</sup> The increase in child labour is linked to informalisation and the expanding low-paid, unprotected, home-based work that does not generate decent income and compel adults to supplement the household income through child labour. Another key factor is lack of compulsory, adequate schooling facilities. Over 6.4 million children are reported to be out of school in Pakistan and available to the segmented labour market.<sup>18</sup>

Though not included in the list of 39 hazardous occupations for children<sup>19</sup>, child labour in the football industry of Sialkot has been the focus of heightened global and national concern, academic debate and



contesting viewpoints of a wide array of stakeholders consumers and media groups in the US and Europe, international human and labour rights organisations, global business partners, national civil society, industrialists, state bodies and academicians. While the western media pressure after the 1994 World Cup and the 1996 ban imposed by the FIFA on the use of child labour in soccer ball production left the state and the local industry with no choice but to rid itself of child labour, some academicians critiqued the consequences of the undertaking done 'on the bidding of the West'.<sup>20</sup>

What did not come under scrutiny were the widespread violations of labour rights in the football industry and the crucial link between these violations and child labour: low adult wages, informal labour relations and lack of social protection that compel vulnerable families to supplement household income through child labour. Child labour occurs in an environment in which there is a reasonably high demand for labour and a low degree of labour empowerment.<sup>21</sup> Low level of labour empowerment in Sialkot and its mix with a 'fierce entrepreneurial spirit'<sup>22</sup> and weak state regulatory mechanisms were overlooked both by academicians and the project planners. Nike Inc. accepted after a decade (in 2007) that core labour standards were not addressed in contract manufacturing of soccer balls:

'Based on the outcomes of the FIFA meeting held in November 2006, and our own findings, it is our belief that any revised agreement needs to address how one ensures adherence to core labour standards not just the issue of child labour'.<sup>23</sup>

Worth mentioning is the prevalence of child labour in another equally important, export-oriented sector-Sialkot's 100-year old surgical instruments industry. Local stakeholders' low-intensity delayed action and the absence of global stakeholders' concerns throw up questions on exclusive focus on child labour in football industry. Unlike football stitching, cottage-based surgical instruments manufacturing involves extremely hazardous processes. Yet it was in 2004 that the ILO-IPEC started its project to combat child labour in this sector.<sup>24</sup>

Child labour in the surgical instruments industry (present since decades) went unnoticed by the global business because the end buyers are faceless institutions private hospitals, state health services dealing with dull and drab and unmentionable routine of sickness, ageing and death, unlike consumers, individual players and professional teams, associated with the glamorous world of sports that celebrates life, youth and fitness.

## 2.9 Prioritization of Issues in the Global Supply Chain

When a US media report first exposed child labour in Sialkot football manufacturing in 1995, it galvanized the entire western media, human rights organizations and the US legislators. The result was the Foul Ball Campaign launched by the International Labour Rights Forum. Sialkot city became the site of investigation against violations of child rights by global stakeholders. The campaign led to adoption of the Code of Labour Practice for all manufacturers by the International Federation of Football Associations (FIFA) in 1996, and the signing of the Atlanta Agreement by the Sialkot Chamber of Commerce and Industry, the ILO, the UNICEF and Save the Children Fund UK in February 1997. Subsequently, a monitoring system was put in place, children were phased out from the football industry and the stakeholders saw to it that the footballs produced in Sialkot were labeled 'child labour free'.

In contrast to the uproar and subsequent action of the mid 1990s to address the issue of child labour, the Nike cancellation of the contract on non-compliance of labour standards, leading to massive lay-off in Sialkot in 2007, did not stir the global media and neither lead to any campaign by global stakeholders.

## 2.10 Macro policies and livelihood options in Sialkot District

Sialkot district, a hub of labour-intensive industrial clusters, comprises largely a population (73.8 per cent) officially defined as rural.<sup>25</sup> The district is one of the most fertile lands fed by Chenab River, Degh Nullah and Aik Nullah (flowing from the Jammu Hills) and the Marala Ravi Link Canal. The main crops are wheat, rice and maize. Change in land tenure pat-

tern, since the last four decades, has led to a decline in tenancy and an increase in the number of small owner-cultivated farms. Rising number of small owner-cultivated farms, though, has not led to increase in productivity and crop production growth has remained stagnant.

In Sialkot district too fragmentation of farms is increasing and the cultivated farm area declining. In the district, the percentage of farms under 12.5 acres increased from 91 percent in 1990 to 95 per cent in 2000.<sup>26</sup> Another characteristic of the district is the growth of peri-urban areas around Sialkot city. This growth is manifest in a higher rate of fragmentation of agricultural land and land use change in settlements adjoining the city.

Almost 50 per cent of the households in the district are described officially as agricultural households, depending on agriculture and livestock.<sup>27</sup> The ambiguity of official definition of 'rural population' is manifest in significant difference within official data: in population census (1998) 73.8 per cent of Sialkot population is termed rural; in the 2000 agricultural census 50 per cent is labelled 'agricultural households'.

This study, however, indicates a different picture: for the majority of the respondents, football stitching was the main source of income. High prices of agricultural inputs, low acreage and weather uncertainties have greatly reduced income from land. In addition, small farmers, due to low holding capacity are compelled to market their produce soon after harvest at low price and purchase food requirements at high prices. Government policies have favoured large farmers through subsidies in water and agriculture. Large farmers have benefited from credit schemes and cheaper access to mechanization.

Unprofitable farming is pushing many households to sell their small landholdings as indicated by several case studies of workers during this research. Landlessness and low return on agriculture have compelled households to depend mainly on wage work in the manufacturing sector sports goods, leather goods and surgical instrument in Sialkot.

## 2.11 The Industrialist's Mindset

The study shows an informal, non-professional management style operating in Sialkot where industrial firms are owned and managed by immediate family members and blood relatives with a minimum of professional staff at the managerial level.

'A typical management system of a company consists of two tiers: the first comprises of the owner/entrepreneur (top management) and the second operational staff. There is no link between the two tiers, i.e. middle management is either weak or non-existent'.<sup>28</sup>

The firms subcontract out work at piece-rate to distant, under-privileged, low-skilled, less-educated, rural workforce. The relationship between the employer and the worker in this case is much worse than the classic unequal industrialist-worker relationship. The owner-industrialist often tends to adopt the role of a patron-sustainer of the 'poor unemployed people'. This is sustained through nepotism and informal procedures of hiring and firing, lack of implementation of labour standards and services rule, and selective-sporadic display of 'benevolence' instead of adhering to institutionalized mechanisms to ensure access to entitlements and established facilities.

The local industrialists looked down upon workers, or *kammis*, with scorn and disapproval and use derogatory words and stereotypes—*jahil*, *nashaie*, *kaahil* (ignorant, addicts, lazy).<sup>29</sup> The industrialist believes that the workers are poor because of their own doings: 'they don't work hard'. The industrialist thinks he has to make the best out of a semi-skilled, semi-literate workforce who stands no chance for an improvement. 'Because that's the way they are'. The industrialist seems to hold as deterministic a world view as held by workers about their own situation.

Interaction with manufacturers indicated a number of misconceptions or untested assumptions about workers. Generally held perceptions among the manufacturers included unwillingness on the part of the workers to come and work in the city. 'They cling to their villages, like frogs in the well', 'They want work at their door steps', etc.

In focus group discussions the workers talked of the



constraints. The daily commute to the city incurs transport and food cost and unless the wages are above Rs. 5,000 per month, the workers find it uneconomical to work in the city. Many villages are about 30 to 50 km away from the city. With link roads in terrible shape, commuting time increases twofold. 'Besides, how can we get a better paid job in the city? We have no education and no other skill.'<sup>30</sup>

Many local manufacturers are in possession of the SA8000 certification, which according to a source 'is being sold in the city on *thela* (hawking cart) by accrediting companies for Rs. 200,000 each'.

Several of the manufacturers believe they take care of the workers' rights and it is the workers who are out to exploit them and sabotage their businesses.

'We care a lot about our workers. We know if we give them due rights they will cooperate with us otherwise they give us a real hard time. For example, during peak production days they can put us in trouble through non-cooperation. You don't know the excuses workers come up with for poor performance, absenteeism and for not achieving the targets.'

According to one of the leading manufacturers, work-

ers in the registered main factories get due rights. The contractual labour, working from home, or in private sheds, are not entitled to any rights and as such, states the manufacturer, there is no question of labour laws violation. The manufacturers who do accept that workers are not getting a fair deal, think enhanced labour cost would impact their businesses adversely.

'Your business will collapse if you increase labour cost beyond a certain point. You don't know how sharp the MNCs are. It's a cut-throat world out there. They want the best of the product at the cheapest cost. And there are so many countries with even cheaper labour than Pakistan. How do you expect Sialkot industrialists to survive in this scenario?'

**A**ccording to the local manufacturers, the industry has already squeezed its margin of profits to avoid child labour and is losing its competitive edge to China where labour is much cheaper. The industrialist <sup>19</sup> cannot pay the same benefits to piece-rate, contract workers as to the salaried, permanent worker'.<sup>31</sup> The older generation of industrialists, in control of their businesses currently, seemed to be quite out of sync with changing global scenario. The second generation-owners' sons and male kins-qualified in business management, has yet to take charge. Most of these young men are working under the tutelage of their fathers.

## 2.12 Cost of Labour Compliance: View from Above

**T**he argument that labour compliance is a costly affair and hampers growth of small and medium-sized enterprises does not just reflect a (narrow) vision upheld by Sialkot manufacturers, it is an off-shoot of macro policy analysis and advice of international financial donors (IMF, World Bank, Asian Development Bank). <sup>19</sup>The Banks hold that the imposition of typical labour standards can hamper poverty reduction in Pakistan'.<sup>32</sup> However, neither official data nor field assessments support the argument that labour compliance is a serious constraint in the growth of MSEs.<sup>33</sup>

A similar simplistic analysis funded by the European Union of the constraints faced by Sialkot entrepreneurs, implying a justification for lack of labour compliance, is attributed to the small size of the enterprises:

'Their small size puts a lot of constraints on the companies themselves and adds insufficiencies to the sector's overall dynamics as well. These firms only focus on "me too" products, mostly compete on prices, try to grab other companies' customers (usually by offering lower prices), don't invest anything on R&D, provide very little, if any, customer after-sales support and at times create a bad image for the country'.<sup>34</sup> ■

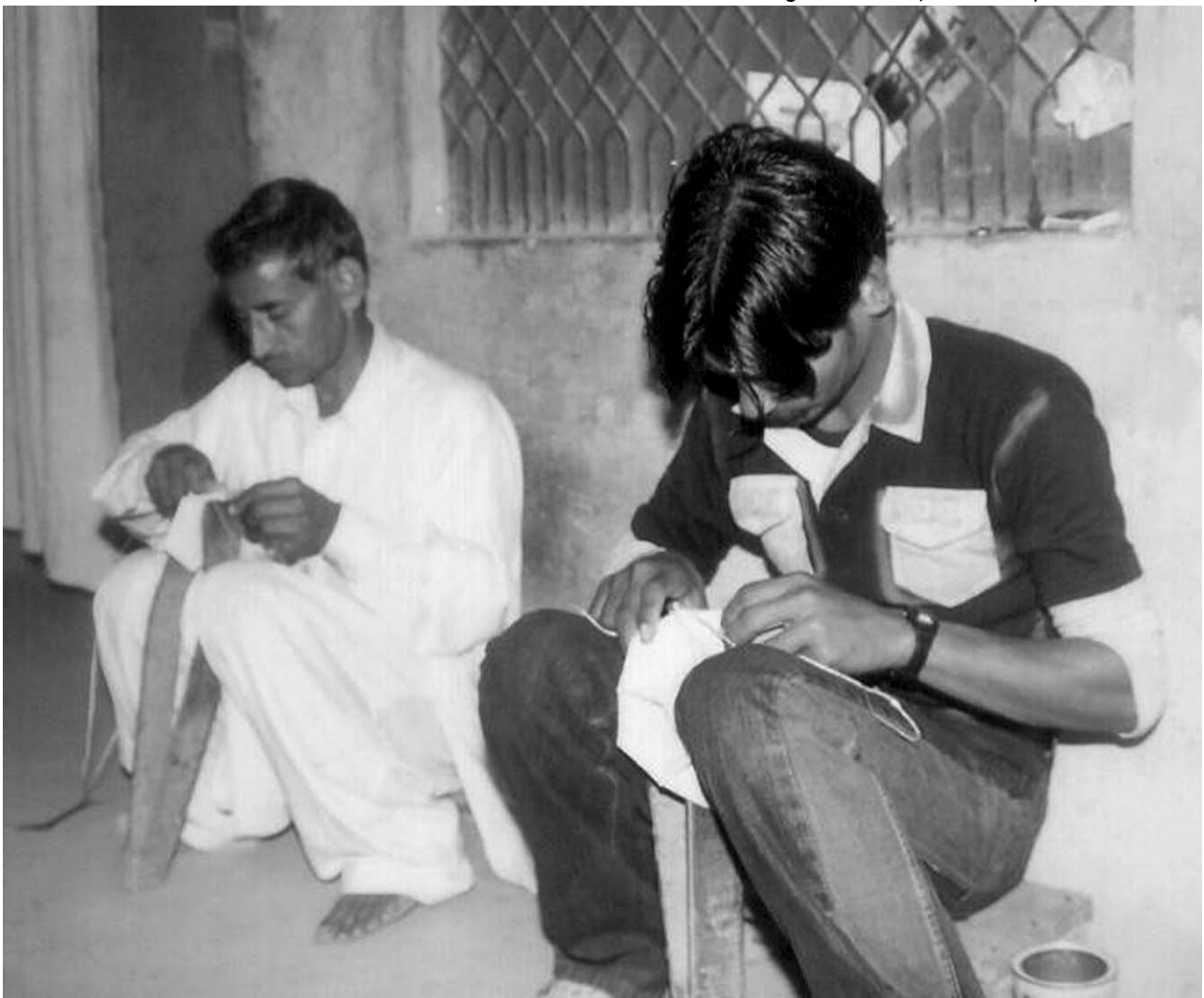
## 3. The Field: Production Process and the Work Place

In terms of development Sialkot ranks as the third least deprived district on the national scale trailing behind only Karachi and Lahore.<sup>35</sup> Known for its thriving small and medium-size entrepreneurial culture and its contribution to the national exchequer, Sialkot has also received fame for its Airport and the Dry Port built and run by the private sector and its exporters' voluntary contribution (0.3 per cent of their export invoice amount) to the Sialkot Development Fund.<sup>36</sup> The Sialkot exporters have had the distinction of having made an effort to rid the football industry of child labour through signing the Atlanta Agreement a decade ago. Sialkot industry is dominated by the presence of foreign brands, voluntarily

committed to ethical business practices in contracting factories through respective codes of conduct. All these facts conjure up images of a labour force in Sialkot as the one receiving a fair share of benefits of global supply chain production. There is a disconnect, however, between these assumptions and the lives of the workers as lived by them.

### 3.1 Switch from Home to 'Centre': Changing Labels

Hand-stitched football manufacturing is a labour intensive process employing a large number of informal piece rate workforce. Football production has low and high seasons (World Cup/other match-





es/promotional campaigns by foreign brands) depending on orders from the foreign brand companies. The contracting football manufacturer, with a production base/factory in the city to undertake initial and end processes (screen printing, panel cutting, hole-making, quality checking and packing) subcontracts the manual stitching of the panels to individual subcontractors called 'makers' in local parlance. The 'maker', himself a village-based worker albeit relatively better-positioned and mobile identifies stitchers in need of work in his own village and the surrounding areas.

Before engaging the stitchers, the 'maker' raises money either through accessing credit or selling his own meager assets to clear the first hurdle to his own earning: 'advance' cash demanded by individual workers. This 'advance' is given on the basis of the order (number of footballs to be supplied) and the capacity of the worker to stitch a certain number of balls besides the stated need of the stitcher (i.e. medical treatment, daughter's wedding). The advance varies from Rs. 2,500 to Rs. 15,000. With cash in hand to be paid to stitchers, the maker takes the work football panels to be sewn together to the stitchers' doorsteps and later deliver back the stitched footballs to the production base. The maker charges a commission (Rs. 3 per ball) from the manufacturer for this service.

Prior to the signing of the Atlanta Agreement in 1997, football stitching was carried out by men, women and children in their respective homes in the surrounding villages. The Sialkot Project that followed the Atlanta Agreement undertook to phase out child labour through a monitoring mechanism involving voluntary participation of the manufacturers.

'Under the project, the participating manufacturers were required to transfer their work from houses to (a) place, which could be monitored by the ILO-IPEC. For setting up such a center, the basic criteria agreed with the SCCI was that wherever minimum of 5 stitchers male or female or both could sit together and the respective manufacturer placed a small sign board outside that should be treated as a center.<sup>137</sup>

The condition of 5 stitchers was later modified to 3

stitchers per center in case of women.<sup>38</sup> This transfer of work from houses to 'monitorable place' meant leaving one's own abode and working in a similar house in the same village or a nearby village. The women continued to work in their own houses as each household comprising an extended family system often has more than three female members.

### 3.2 The 'Monitorable Stitching Centres'

The 'Monitorable Stitching Centres' declared as such by the ILO-IPEC and later by IMAC are thus mostly modest abodes of the villagers, dingy shops or private sheds located in rural areas. Outside the shops or sheds, one can catch glimpse of small rusty signboards indicating simply: Stitching Centre. At times the signboard also displays the name of manufacturer in smaller font size. Common village houses-turned-centres generally do not have any signboard. The large houses or *haveli*, often owned by the absentee landlords, or other influential persons, are adorned by the names of the owners who rent these premises to the manufacturers. The large houses, with several rooms and covered verandahs, accommodate 50 to 150 stitchers. Inside these 'centers' the IMAC certificate in English and the manufacturer notices in Urdu, are found glued to the walls.

The 'Stitching Centers' are mandated to have basic facilities i.e. electricity fixtures, safe drinking water, toilets. As only a wooden, short-legged stool, with or without back support, is required for each stitcher to sit on, plus a wooden tool, called *khancha*, to be pressed against the two knees to aid stitching, not even a room in the house is required to be exclusively allocated to this activity. The stools are stacked after work in a corner of the room, or shoved under bed. We found stitchers working in the courtyard under the neem tree shade indicating inadequacy of physical environs or congestion in the rooms.

The ILO-IPEC monitoring of these home or informal work places labeled as 'stitching centers' was handed over to the Independent Monitoring Association for Child Labour (IMAC) in 2002. The only issue for monitoring was child labour.<sup>39</sup> Later in 2003 the monitoring of basic infrastructure (adequate space, sitting arrangement, lighting, ventilation, hygiene, safe drinking water, toilet) was brought in, but this condi-

tion was waived for '3-women centers'.<sup>40</sup>

In 2007, the IMAC 12-member field team was monitoring more than 2,500 football stitching centers for 87 manufacturers. The ILO-IPEC monitoring entailed random physical visits of the center to ascertain child labour if any, and filling up of a form with basic facts about the center (i.e. number of workers, amount of work done, wages paid).

"The 2-member ILO-IPEC team was accompanied by a representative of the manufacturer. We used to question his inclusion in the team but apparently there were pressures from the manufacturers. There was no direct institutional complaint mechanism. The workers' complaints were not conveyed to the management. The monitoring teams gave the gathered (basic) information to the coordinator who presented it in the SCCI scheduled meetings attended by Atlanta Agreement signatories. If any violation on child labour issue was found, the management was issued notice immediately."<sup>41</sup>

The monitoring process thus excluded core labour rights other than child labour, and the exclusion was not by default but by choice. The ILO field team members did not ask any question relating to core labour rights and neither gave any information on the ILO core conventions or workers' constitutional rights.

"If all the information is given, you raise the (workers') expectations which you cannot fulfill. Workers should be handled carefully, they should not be provoked (to demanding their rights)".<sup>42</sup>

It is probable that the instructions on withholding information on core labour rights were not given to the field members explicitly. Yet the team members imbibed the ethos of the ILO work objectives in Sialkot as it filtered down from the top. The objective was 'focus on child labour' and field team members made the tunnel vision part of their work ethos.

The fact that ILO-IMAC monitoring was critiqued in the inner circle all way long by major stakeholders did not bring about a change:

<sup>19</sup>.the brands would have preferred IMAC to be

closed they thought it was useless and un-reformable. In the end, they agreed to support IMAC's continued existence. The reasons were: it would embarrass the ILO to state publicly their view on IMAC, and because the SCCI are familiar with IMAC and cannot handle change.<sup>143</sup>

This refutes the assumption that flaws in project design surface later. The fact is: often the flaws are apparent at the planning stage but due to vested interests the stake-holders maintain a tacit silence for a considerably long period.

### 3.3 Saga Sports Custom-built Work Centres: Introduction of a New Concept

Saga Sports Pvt. Ltd. was the first local vendor in Sialkot that constructed, maintained and operated 12 large, formal workplaces in rural areas exclusively for football stitching, primarily to meet the Nike's requirement for a child labour-free production.<sup>44</sup> The centres were managed by the main factory, located at Daska Road, Sialkot city, where all production processes (panel cutting, screen-printing, repair, packaging, quality control) except stitching, were undertaken.

One of the 12 centres, the Machralla Centre, was exclusively for women, while two other centers had separate halls and toilet facilities for women. The remaining centres were all-male centres. The Saga Sports' work centres' capacity ranged from 350 to 650 workers. The centers collectively drew 4,537 workers from approximately 350 surrounding villages spread over 3,016 km area. In addition, Saga Sports unofficially outsourced work to 50 'mini-centres' neither owned nor operated by Saga Sports.<sup>45</sup> These mini-centres were closed down in June 2006 when Saga Sports received the first complaint from Nike.<sup>46</sup>

The Saga Sports work centers, custom-built on larger premises, comprised spacious halls, storage areas and basic facilities (ventilation, lighting, toilets, drinking water, canteen, clinic, fair price shop, baby care centre, open space and plantation). The centers with official paraphernalia and protocol registration of workers, timings, supervision, pick-and-drop and lunch facilities provided a formal work place to an informal labour. Formalization of the workplace,

however, did not lead to formalisation of work relations. The workers remained piece-rate contract workers. Unlike houses-turned-centres, the custom-built formal centers eliminated child labour within these premises and its incidences got reduced to occasional cheating (reporting incorrect age) through forged birth certificate.

The Saga Sports work centers introduced the concept of work outside home for both men and women home-based workers. There was initial resistance from the communities towards this restructuring of work place as it caused loss of flexibility (of timing) and freedom (from supervision) of working at home. The resistance of men towards their own employment in the centers subsided soon as the Saga centers had many attractive features. But male resistance against women working at the centers continued for a long time.

### 3.4 Saga Management: 'Benevolent' Employer

Saga's owner, late Mr. Sufi Khursheed who had signed the Atlanta Agreement 1997 on behalf of the Sialkot Chamber of Commerce and Industry had a patron-father image among the workers. All of the ex-Saga workers contacted and talked to during the study, remembered him as a man of kind disposition and generosity. The workers, due to their ignorance of the existing state social security facilities considered the amount of Rs. 50,000 or less that Mr. Sufi gave on death/disability of worker as a personal benevolent gesture rather than a worker's entitlement stipulated by the state under the Workers' Welfare Fund Act.

One of his qualities as recollected by the workers was his accessibility and intermingling with workers, a quality prized in modern corporate culture as well. Of the surveyed workers, 91 per cent reported the behaviour and the attitude of the 'employer' at the workplace as good towards them. Apparently for them the term 'employer' referred to the owner as many workers recounted taking his or her personal or official problem to him and he would solve it. Thus it seems, the entire system depended on role of the 'Patron'.

As the system lacked professional management, appropriate channels and lines of communication for conflict resolution and smooth industrial relations, the



edifice collapsed with the death of Mr. Sufi Khursheed, the 'Patron'. Many stories told by the workers indicate that the relations between supervisors and the workers at the centre deteriorated rapidly thereafter. Several workers narrated incidences of harassment and abusive tactics by the management personnel at the Saga work centres.

The benevolent role of the owner was very much in line with the dominant social stratification and hierarchy based on *zaat*, *beraderi*, occupation and accumulated wealth and the family-based entrepreneurial employer-craftsmen relations that have evolved historically in Sialkot. The entire supply chain is characterized with the same familial-kinship model. At the top is the ultimate 'Patron' or owner of the factory/establishment. Power then filters down to a couple of managers who are either sons or close relatives of the





owner, who subcontract orders to 'makers', the next in line of 'patrons'. The 'maker' obliges his own kith and kin and neighbours though here the stitcher, whom the maker awards work, exercises some power to negotiate 'advance'. This 'empowerment' of the stitcher has come about solely due to the 'seasonal' and contractual nature of the work itself: the contracting brand wants a specific number of balls at specific date and unless the balls are sewn by stitchers on time, the ultimate loser is the local manufacturer. The loser next in line is the 'maker' who earns commission per ball stitched. The stitcher has very little at stake to begin with: his or her loss is minimum since s/he is getting less than the minimum wage and nothing else. As the other limited livelihood options available to the worker are similarly low-paid, switching to menial work, casual labour, or surgical instruments making is not hard as the case studies in the following section

demonstrate. The stitcher is part of a foot-loose, floating labour and has learned to eke out a living anyway.

### 3.5 Occupational Health and Safety

The main process in the production of inflatable balls stitching of panels by hand -is done while squatting on a low stool, with a wooden *khancha* pressed between the knees. The *khancha* is used to secure leather panels and give freedom of movement to arms. The stool, used at home or small stitching centres, is made of wood and often has no back support. In Saga stitching centres stools were provided with back support. However, the act of stitching is such that most of the time the worker has to bend his head and crouch a bit forward for better grip and firmness of the stitch. The back support, if it is there, can be used only sparsely while taking a rest or changing the posture. Even when the stool is padded, or is made of rope string or synthetic material for flexibility, sitting on such a stool for long hours is a physically tiring act and may give back ache, pain in the legs and hard sensation to the bums. Stitching done for longer duration can also tire the eyes.

Another process, making equidistant holes in the panel for the threaded needle to go through, can be done through a simple machine or a cast dye. However, at many places the workers have to do it manually through pressing the marked dots with the thick needle. Utmost care is needed to make holes manually as slight deviation from the mark may cause injury to the fingers.

The lamination and cleaning of synthetic leather, the initial production processes, involve use of chemicals, particularly bonding, or gluing, solution. This solution can lead to addiction if inhaled frequently. In the cottage units, no safety masks are provided to the workers in this section. Incidences of addiction to bonding solution were mentioned by workers during field investigation.

One reason of predominance of young workers (15-30 years) can be linked to physical exertion and stamina required for foot ball stitching that cannot be undertaken for sustained period by older people. Foot ball stitching seems to have potential to accelerate or

trigger joint-related illnesses (i.e. arthritis).

### 3.6 Trade Unions in Sialkot

Historically, Sialkot manufacturing industry has been cottage-based, comprising informal work force scattered in rural settlements, hence there is no legacy of labour movement in the district comparable to unionization that existed in the public sector industrial establishments in big cities in the 1960s and 1970s. With the expansion of export-oriented manufacturing of sports goods and surgical instruments in the 1980s and subsequent increase in the workforce, a handful of trade unions did emerge in Sialkot.

According to national industrial relations law only one union in an establishment can have the status of collective bargaining agent if it wins the election through secret ballot. 'In effect, therefore, registered trade unions which fail to get elected and certified as the collective bargaining agent have no role in the prescribed procedure of industrial relations'. The law meant to curb multiplicity of unions, in effect has aided employers to install 'pro-management' union through corrupting the trade unionists and outlawing genuine representation of workers.

The implanting of 'pocket union'—as called in local parlance— is a national malaise and obstruct formation and operation of genuine trade unions. Contributing factors are a weak and fragmented labour movement and overbearing individual impulse for self interest versus values of cooperation, trust and collective interest.

Three trade union federations Pakistan Workers' Federation, All Mehnatkash Labour Federation and National Labour Federation are said to be operative in Sialkot, each claiming to have 10 to 12 local unions as members. A total of 62 trade unions in varied sectors sports goods, sports wear, leather, surgical instruments, banking, etc are registered with the District Officer Labour, Sialkot. Of these, only 25 unions hold the status of collective bargaining agent.<sup>48</sup>

Two trade unionists, Niaz Ahmad Naji, General Secretary All Mehnatkash Federation, and Sardar Rehmatullah, General Secretary, Saga Workers' Union, Saga (Pvt Ltd.) were listed members (representing workers) of the following committees of state institutions:<sup>49</sup>

- Dispute Resolution Committee, EOBI Sialkot,
- District Committee of Management Workers' Children Education Cess; District Scrutiny Committee for Marriage Grants, Death Grants and Talent Scholarships;
- District Allotment Committee for Allotment of Flats & Houses and Labour Colonies;
- School Management Committee of the Workers Welfare School, Punjab Workers' Welfare Board.

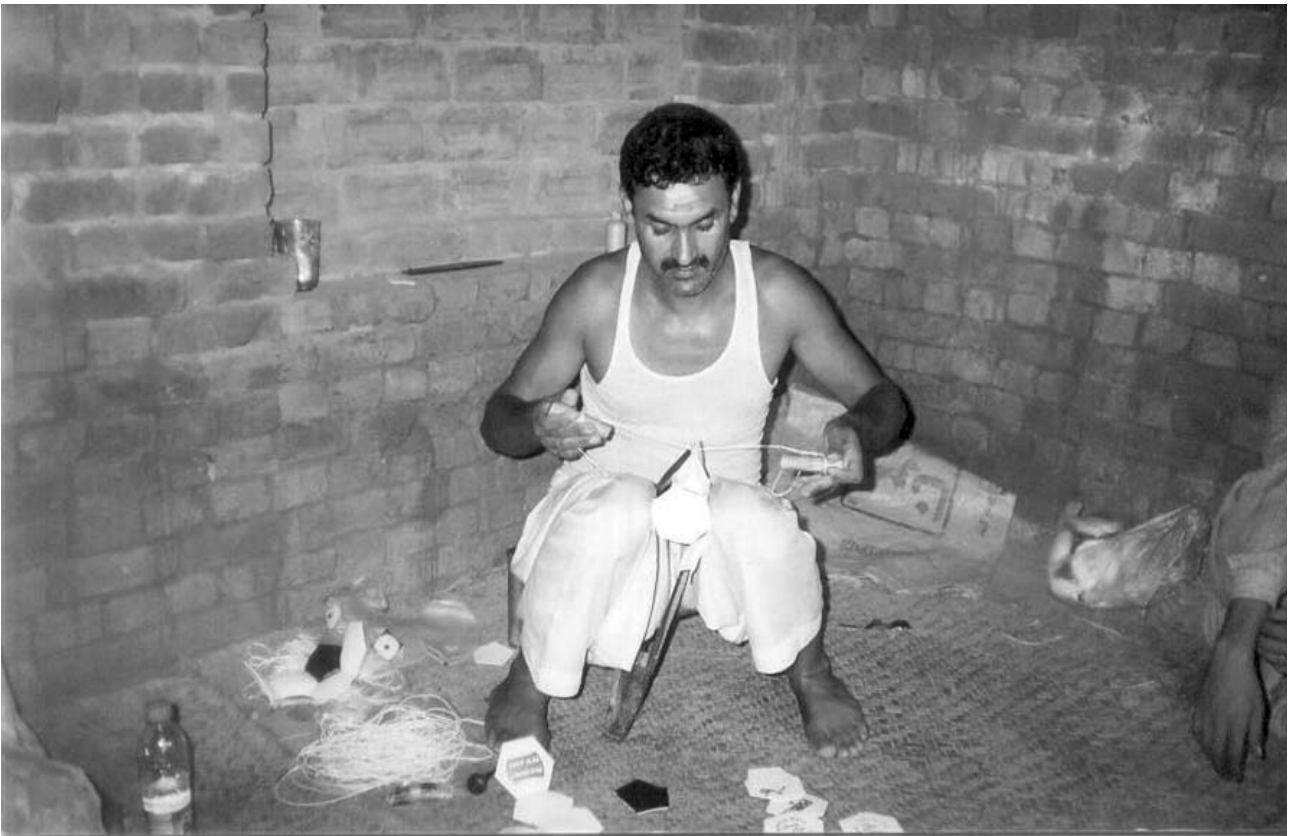
As indicated by the case study, no evidence of an effective role of trade unions, particularly of the Saga Workers Union, could be established in Sialkot. ■

## 4. The Workers: Life and Work Conditions

**F**or a better understanding of the life situation of workers in Sialkot district, it befits to start your journey from Cantonment area, subsequent to your disembarkment either at the Sialkot Airport or at Daewo Bus Station and lodging in a comfortable zone in the city. After crossing the barricaded archway on the 3-laned, two-corridor Kashmir Road, you course through a neat, wide asphalt, lined on one side for considerable length by the green Garrison Park and leafy bungalows on the other. Ahead, the roadsides have a row of big shops of local designers, a mall or two and the eateries. The Kashmir Road at the far end takes on a T-shape and here is the most striking feature of Sialkot. Lined by single-storey, swanky shops of international brands and food chains, the peaceful ambience of the street with wide footpaths on both

side evokes for a fleeting instant the images of the American suburbia.

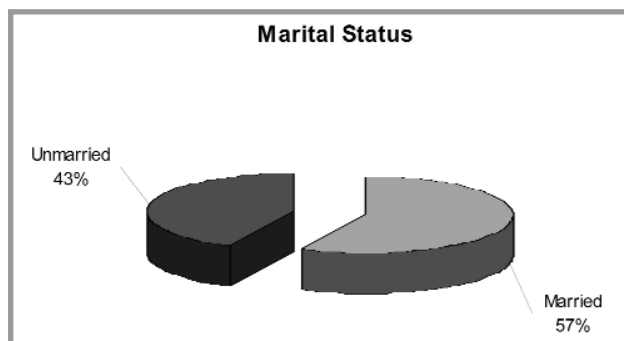
Besides the barracks, the officers' mess-turned-into-commercial Chowinda Meadows restaurant, the hospital and the army's other establishments, the Cantonment area comprises residential neighbourhoods inhabited by the army officers and the local elite. The area is serviced by the cantonment board and is equipped with requisite social and physical infrastructure underground sewerage, solid waste management, schools, parks, service shops, internet cafes. In the morning and afternoon one comes across army trucks plying as school buses ferrying children to and fro!



Once you leave the Cantonment, the contours of the real city start to emerge: traffic congestion, narrow roads cluttered with small shops and vendors. Many of the old adjoining residential neighbourhoods have narrow brick-paved lanes with open drains on both sides. The newly emerging settlements have small agricultural plots in between brick houses. As you move outside the city towards rural settlements, you find the link roads either under construction or in poor condition. None of the towns and settlements in the district has underground sewerage system. Most of the link roads leading to towns and rural settlements are lined with ribbons of development vending and services shops, hardware stores, warehouses and sheds flanked by lush green wheat fields and yellow blossoms of mustard, or rice paddies, that give a false sense of prosperity of the common dwellers of the district.

#### 4.1 Socio-economic Indicators

The settlements, large or small, have brick-paved lanes and open drains. The houses are of a mixed stock. The majority (79.4 per cent) of the ex-Saga workers lived in pucca (of reinforced concrete) dwellings and 48 per cent had two-room structures. Average family size was 6 to 7 members. A significant number, 30 per cent, did not have toilet facility at home while the number of workers who reported lack of access to safe drinking water supply was high (75.5 per cent). The overwhelming majority, 96.4 per cent, reported to be living in own house. The ownership of the living space serves as bulwark against economic hardships providing at least security of shelter.



The majority (90 per cent) had no source of income other than football stitching indicating almost total lack of alternative livelihoods (i.e. agribusiness, dairy

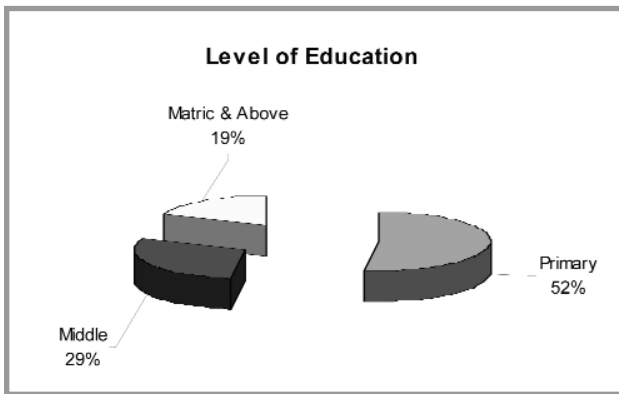
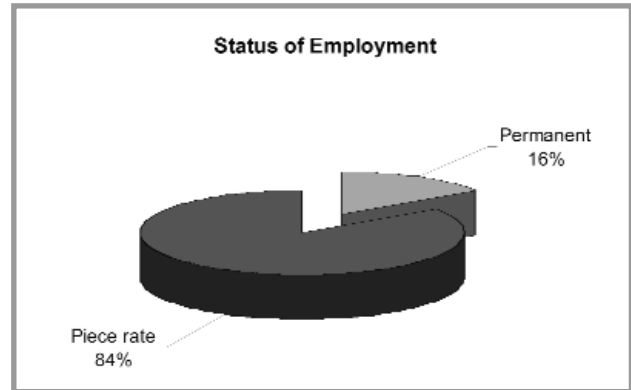
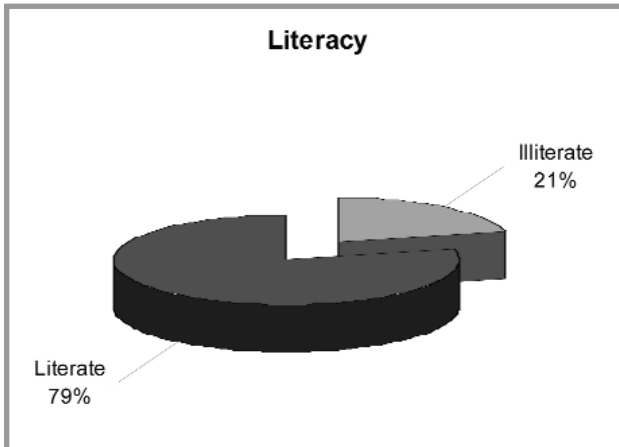
production, agricultural processing) in the largely rural/semi-urban Sialkot district. Some reported meager livestock, a couple of buffalos or goats. Just about 4 per cent workers were earning a little additional income through cultivation of their small piece of land.

'I have a 2-acre piece of land where I cultivate wheat, rice and some vegetables. But from land you get only two crops a year. I was getting just Rs. 10,000 from selling one crop. Two crops mean less than Rs. 2,000 per month. How can a family of seven survive on that income? I have been stitching football since the last 18 years, soon after I finished Matric. I worked in Saga for 6 years. I was getting Rs. 3,180 per month when I left Saga.'

*Mian Mohammad Riaz, Lalaywali, Kalowal*

The study indicates that football stitching is the only source of income for an overwhelming majority and even the households owning small pieces of land, football stitching is the main source of income. It refutes the notion held by policy makers and academicians that football stitching is a source of additional income for the households taken up largely by women and children to save money for special occasions. i.e. marriage of daughters.<sup>50</sup>

Majority (72.7 per cent) of the ex-Saga workers were young, 15-30 year-old, and male (74.5 per cent). The literacy rate, 79 per cent, was much higher than the average rate of 56 per cent literacy in the province of Punjab.<sup>51</sup> This indicates accessible primary education facilities in the district, a fact corroborated by the district's ranking as the third least deprived. But the level of literacy was low: 39 per cent had just 5 years of schooling; 22 per cent had studied up to 8 years while just 11 persons had passed 10th grade. The data correspond to the high drop-out rate in the country. The male workers cited lack of secondary school facilities, poor quality of education, irrelevant curricula in government schools and lack of prospects of employment in better paid occupations as the reasons while women simply said their parents could not afford secondary education.<sup>52</sup> None reported existence of technical education facilities with the exception of a few computer skills centres in large settlements.



legal identity as worker.

More than half of the workers had worked in Saga up to five years, while 41 per cent worked 6 to 10 years. This indicates the Saga Sport had a relatively stable work force, negating general perceptions among local vendors about stitchers' whimsicality and high turnover. If the workers are relatively satisfied, or think they have no better options, they prefer to stay with the employer. Saga Sports, aside its last years of mismanagement, was reputed as 'the best option available' company among the workers and their communities.

'Our village, of about 5000 population, has no middle level school for boys. The closest secondary school is five km away in Chaprar. There is no public transport so you have to walk 10 km everyday. Except a few, none of us could avail secondary schooling. Besides what quality of education do you get at a government school in a small place like this? So I got into stitching football after I finished primary school. I learned football stitching when I was 8 years old. But I want my son to have a different life. I plan to admit him in a private school. I want him to have good education'.

*Javed, Najwal*

#### 4.2 Employment Status and Work Conditions at Saga Sports

At the Saga Sports, an overwhelming majority 84.4 per cent worked on piece-rate and just 15.6 per cent were regular employees. Ninety-two per cent reported they were never given any appointment/contract letter: none of them were aware of the importance of this key document that establishes their

#### 4.3 Wage Structure and Facilities

At the time Saga Sports retrenched its workers in 2007, the majority (84 per cent) was being paid less than the minimum wage of Rs 4,600 per month fixed in August 2006 by the government under the Minimum Wage Ordinance. Twenty-four per cent reported a measly monthly income of up to Rs. 2,500 only. Twenty-two percent were getting between Rs. 2,500 to Rs. 3,500 and 38 per cent were paid up to Rs. 4,500.

The study reveals that Saga Sports was paying even less to its workers in earlier years. Sixty-eight (68) per cent of the workers reported a salary of up to Rs. 2,500 per month and 22 per cent were getting up to Rs. 3,500 at the time of joining the company several years ago when its owner Sufi Khursheed was alive. Though late Sufi Khursheed was revered by the workers and remembered as a kind-hearted employer, the fact remains that labour standards were grossly violated in his times as well. None of the workers were aware of the Minimum Wage Law and of the periodic raise in minimum wage by the state.



As the majority of workers were on piece-rate and without any contract letter, they were not registered with the state-run social security institutions (EOBI, SSI). Free transport, lunch and tea, basic medical help through once-a-week access to a doctor plus free medicines, and fair price shops at each work centre, however, provided some relief to the workers. These minimum facilities played a role in conferring a 'positive' image to Saga Sports among its workforce. Though nominal, these non-cash benefits translated in to a substantial chunk of monthly expenditure of the households.

Several of the permanent workers, who possessed relevant registration cards, reported access to medical facilities through social security hospital. None of the contract workers were provided medical support to prolonged illnesses (i.e. hepatitis, typhoid), injuries (not related to work place) and deaths. Many workers narrated incidences of illnesses that required a large sum (Rs. 10,000 to Rs. 75,000) for treatment raised personally either through loans from relatives or sale of meager family assets.

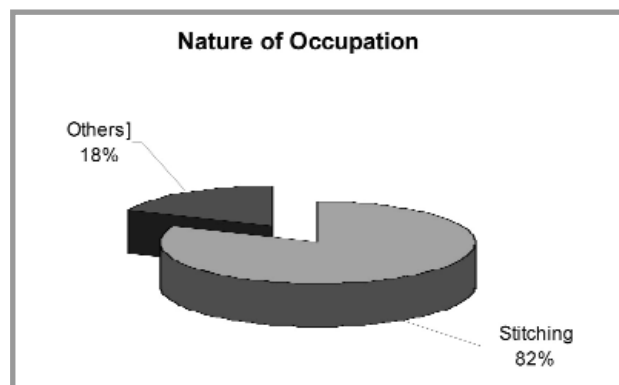
'My brother died of heart attack while at work at Saga. The management promised to give his family a sum of Rs. 200,000 but never gave the money.'

Ghulam Mustafa, Nowshera

Physical infrastructure at the Saga stitching work centres were reported by the workers to be adequate in terms of space, lighting and ventilation and toilet facilities, though according to several workers unhygienic conditions prevailed particularly in the toilet, kitchen and canteen areas. The stools were padded and the workers were provided panels with pre-done holes.

#### 4.4 Subcontracting through 'Makers'

The case studies, focus group discussions and field visits revealed that the traditional system of subcontracting and providing advanced payment to workers was widespread at Saga Sports despite the provision of the formal work centers that Saga built and operated to avoid downstream subcontracting and the system of advance payment or 'peshgi'. Saga Sports would pick out stitchers and offer them the subcontracting work as 'makers', (local term used for sub-



contractors in Sialkot). A 'maker' enters into an unwritten contract with the manufacturing company and its pivotal condition is the number of workers he undertakes to mobilize to complete an order (received by the manufacturer from an international brand company) on time. The maker gets commission per piece from the manufacturer/vendor and is responsible for delivery of the material (football panels) to the workers at his/her door step or at the stipulated work centre. He then collects the finished footballs and delivers the order back to the manufacturer.

The stitchers commit their labour to the 'maker' in lieu of advance payment. The maker pays the advance from his own resources. When Saga Sports collapsed, many 'makers' suffered losses as they could not recover any money from the retrenched stitchers simply because stitchers survive on a hand-to-mouth condition and have no assets. The 'makers' are found to be on the same socio-economic boat as are stitchers but with slight edge over other workers as they seem to have a capacity to access assets and to take risks. Socially upward-mobile, they have heightened motivation or drive to improve their lives and to succeed.

Several case studies indicate adverse impact of Saga's closure on the makers' life. Mohammad Ilyas started as a stitcher at Saga's Kotli Ameer Syed Centre. He approached the management to give him a loan to initiate his services as a maker. The management refused. Since Ilyas thought he could make more money as a 'maker', he sold his small piece of land as he did not have resources to buy agricultural inputs and make good use of the land. The money he received from the sale was extended as advance to 40-45 stitchers who produced 100 to 150 balls per

day. Rs. 3 per ball commission he received from Saga yielded a monthly salary between Rs.10,000 to Rs. 13,500, fourfold amount he used to receive as a worker. At the time of Saga's closure, he requested the management to facilitate repayment from the workers but the management refused. Ilyas lost the sum he had paid as advance to the workers when the center closed down.

Another maker, Munnawar Hussain, had borrowed money from relatives and raised a sum of Rs. 120,000 to give advance to the workers to undertake subcontract work for Saga Sports. He opened a mini-centre at his village Dolmanwali and mobilized 45 workers.

'In addition, I gave work to 20 women at their homes. So I had a total of 65 workers. I did not get any monthly salary from Saga but Rs. 3 commission per ball and I earned Rs. 10,000 per month this way. When Saga closed operation, the workers did not pay me back the money. When I asked them for repayment, they ask for work in lieu because they have no money, no assets. The factory owners ask me to collect at least 50 workers but the workers have lost trust in me after Saga's closure. I have no source of livelihood now. My brother, a mason on daily wages, is supporting me during this crisis.'

Munnawar Hussain

Similar stories were narrated by 'makers' at different Saga work centres. At the Narowal Centre, Khalid Munir told the team he had lent a sum of Rs 180,000 to the stitchers. At village Ahloo Lah Saga Sports had a registered sub centre for women. Adil, who worked as a maker lost his money and is currently surviving as a daily wage brick kiln worker.

Saga Sports exploited a number of workers-makers who had meager resources. As these makers were neither piece-rate contract stitchers, nor permanent employees, they had no legal identification or documents to claim any benefits whatsoever.

#### 4.5 Peshgi or Advance Payment System

In focus group discussions a few of the ex-Saga workers reported use of harsh tactics by the Saga management related to advance giving system in

place. The makers did suffer losses when Saga centres closed down, yet when the centres were operative, absence of those workers who had taken loans even for a few consecutive days led to extreme action by the management. The absentee workers were hunted down and taken forcibly back to respective work centres to stitch footballs in lieu of the amount they had taken in advance. A room was used to interrogate and threaten the workers. A participant said once he could not attend to work due to his mother's illness. He had earlier taken Rs. 4,000 as advance. The Saga supervisor landed at his home to reprimand him and take him back to the work centre. According to an ex-Saga worker the management had hired individuals specially for this purpose.<sup>53</sup>

Apparently, threats and abuse of workers for absenteeism occurred during the last days of Saga Sports operation and was limited to a couple of large work centres that had an empty room to undertake abusive treatment as reported by some workers. It indicates abuse of authority by the 'maker' in case he was given a supervisory role by the Saga management.

#### 4.6 Workplace Preference and Collective Resistance

Contrary to widely held perception among stakeholders in Sialkot (local industrialists, policy makers, researchers) the study reveals that an overwhelming majority (96.4 per cent) of workers does not prefer home-based work, but want to work in a formal, custom-built appropriate work place with adequate facilities and environment. This refutes the assumption that the rural workforce in Sialkot district prefer to stitch footballs at home because it is a light work and gives them flexibility to carry on their agricultural or agro-based economic activity, etc. The present study revealed that both women as well as men prefer to work in a formal, custom-built work area.

Preference for a formal custom-built work place is linked to i) better infrastructure and facilities; ii) opportunities for interaction with workers from other villages; iii) exposure and learning from immediate surroundings; and, iv) the possibility of collective resistance.

Many workers reported poor standards of hygiene at

the Saga centres, particularly 'the toilets were always in a bad shape', and recounted the brawls that would often break out among men on the use of cassette recorders and playing of music of one's choice while stitching footballs. Yet, they said they would have still preferred to continue working in the Saga-built centres rather than work from home.

The workers at the Kotli Saeed Ameer Centre had twice resorted to collective action against the management. This happened in early 2005. The reason was overloading of the vehicle operated by Saga to pick and drop workers from adjacent villages. Once the vehicle overturned and some of the workers were injured. Around 60-70 workers demanded better transport facilities and went on strike for two weeks. But the management did not respond and the workers returned to work.

#### 4.7 Monitoring Mechanism

Saga Sports was subjected to a monitoring mechanism comprising three types of audits undertaken by Nike: a basic environmental, safety and health audit, in place at Nike since 1997, called SHAPE (Safety, Health, Attitudes of Management, People Investment and Environment) performed by field-based local production staff; an in-depth management and working conditions audit (M-Audit, launched in 2002) conducted by Nike's in-house compliance specialists and periodic inspections by the Fair Labour Association (FLA).<sup>54</sup>

The Saga work centres were, however, were periodically monitored by the ILO-IMAC team. For M-Audit of Saga Sports, Nike India was made responsible but "due to travel restrictions (between India and Pakistan) Nike India team was not able to travel to Sialkot to conduct audit for many years."<sup>55</sup> Nike Inc. sent a third party audit firm RBI to audit Saga's main factory in April 2005 which reported a number of critical issues and Saga was rated at D on Nike's Compliance Rating system. Nike then shifted audit task from India to its Thailand office for better access to Sialkot and provided training to the Saga management on compliance. In November 2005, Nike team visited Saga to review verification with RBI and re-train entire Saga management on compliance intents and requirements. All critical issues were veri-

fied and closed per RBI's audit findings. Factory rating was adjusted to A.<sup>56</sup>

Nike did not have any compliance audit at Saga's stitching centers till August 2006.<sup>57</sup> The Nike's ESH audit conducted in April 2006 at Saga's main factory found serious non-compliance. In August 2006 Nike commissioned RBI and LIFT to monitor all stitching centres and found serious non-compliance.<sup>58</sup>

Regarding internal monitoring or Nike's SHAPE audit undertaken by local production staff, one of the ex-Saga workers who worked as supervisor at one of centres for seven years stated:

'The management had identified 26 workers in each of its centre for internal monitoring. A team of two members among this select group in turn made fortnightly visits to other centres to monitor physical infrastructure-lighting, ventilation, safe drinking water facility, electric fixtures, etc. The team was called 'SHAPE'. Usually the teams were assigned to make the visits during lunch or tea breaks. The team members were not allowed to probe into workers' issues or complaints related to management or supervisors' attitudes, wages, overtime, benefits, bonuses, etc.'

The ILO-IMAC team did visit the centres but workers were not allowed to talk to the team members. According to several workers:

'A local interpreter assigned by the management accompanied the team and misinterpreted the statements of the workers. At the time of the team's arrival, utmost care was taken about cleanliness of the workplace. The whole centre would be swept clean, repainted if needed, fresh towels would hang in toilets, etc.'

The complaint box did exist and the workers put in complaints but according to the workers the Saga management never opened the box or got back to the worker on the complaint. Some of the workers reported that the local ILO team would often chat with the management and go away without talking/listening to the workers.

'There was no cleanliness in the factory. Toilets were



in a very bad shape. But whenever an audit team visited the centre, the management would clean up the mess, put up a fresh paint and make every nook and corner look spic and span. Discipline was observed in the canteen and else where but as soon as the team departed, things would return to normal disorder. Whenever any NGO representative visited the factory, the manager would prepare 3 or 4 workers in advance to answer questions falsely. If a worker ever dared to speak up the truth in front of the team, he was abused and threatened by the management later.

Seerat Abbas, Kotli Saeed Ameer

The visits by an external team were mentioned by many ex-Saga workers. Some of the women who worked at Machralla centre narrated the visits:

'The management organised a function on the occasion at the Machralla Centre. We were asked to dress up. Factory identity badges were given to us to pin up which were later taken away. Some of the girls were asked to perform the traditional stick dance. One of us decorated the hands of the visiting lady, a foreigner, with mehndi (hena) and she was thrilled. The team asked us simple questions like are we married or single, how many children do we have, if we have any schooling, etc. We were told to answer questions related to work precisely as instructed by the management prior to the team visit'<sup>59</sup>

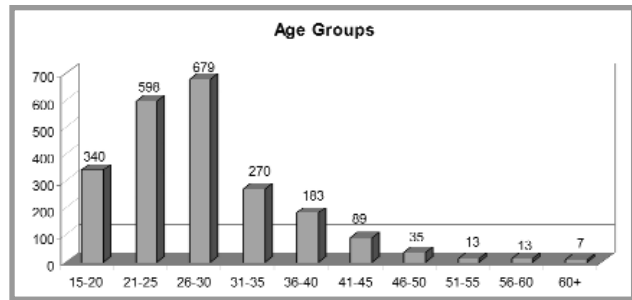
However, as Nike <sup>19</sup>did not have any compliance audit at Saga's stitching centres till August 2006,<sup>160</sup> it is likely that the workers were referring either to FLA or ILO or some other team visit.

The narratives of the workers, both men and women, about the visits indicate many lapses in monitoring, and by the time Nike started to audit the work centres directly in 2006, things had gone too far to remedy.

#### 4.8 Workers' Age and Child Labour

The majority 57.4 per cent of the workers were between 19 to 30 years of age, while 24.3 per cent were 31-45 years old.

At the time of hiring, as reported by several workers, Saga management checked the national identity cards (NICs) or birth certificates only from those who



looked younger. Submission of personal documents, including the NIC, was not required from the majority who were on contract. None of the respondents of the survey reported his/her age to be younger than 18 and according to the field team members they did not appear to be younger than 18 years. As some of these young respondents had worked for Saga for a few years, it is quite likely that they started work as children.<sup>61</sup>

Though none of the respondents indicated that children were actively involved in stitching, a few of the surveyed workers noted that children do <sup>19</sup>help elders in a few tasks such as waxing the thread. At times children are given an unfinished ball or two to stitch to completion. That's how the skill is transmitted to the younger generation'.

Of the total 2,484 ex-Saga workers surveyed by the PILER team just six respondents reported their age as 15 years and eight as 16 years. Thirteen workers told their age was 17, while 75 said they were 18-year-old.

Age: No of 15 to 18-years old respondents		
Age	Frequency	Percentage
15 years	6	0.27
16	8	0.36
17	13	0.58
18	75	3.37

Though the number of workers under 18 years of age was insignificant at Saga Sports, child labour does exist in foot ball manufacturing: during several field visits, team members witnessed children stitching foot-balls at home for various local vendors.

'In Ganjianwali, we visited a house identified by an

ex-Saga worker in the village. We found several women and some children stitching footballs. We asked 14-year-old Bilal and 11-year-old Sumaira if they go to school. They do not. It could not be ascertained for which brand they were working'.

Field Report, 30 May 2007, Meherunnisa

Similarly, the team members saw children (11 to 14 years old) stitching footballs in Panj Grain Ghurnah and Uoncha Paharang villages.

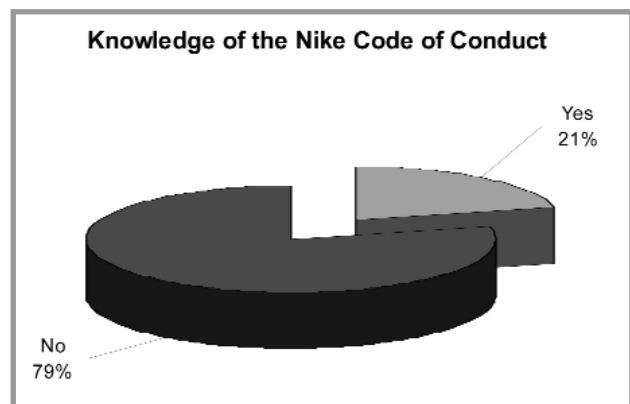
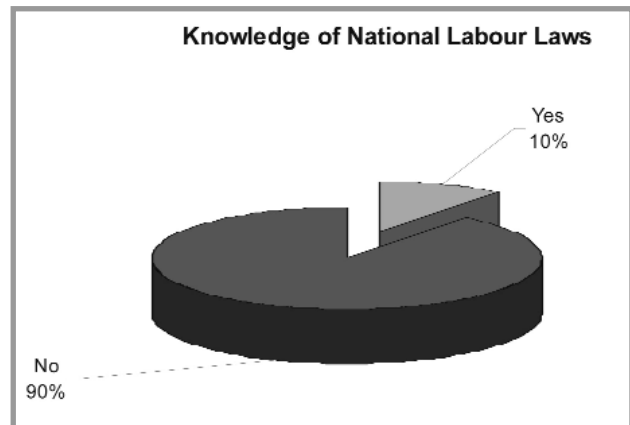
Overall assessment of the situation, based on the present study, does not indicate widespread child labour in football manufacturing. Local manufacturers producing for big brands in large work centres do not employ children. However, there are evidences of pockets of child labour. These are distant and poorer villages where footballs are stitched either at mini-centres or at homes. Ganjianwali appears to be one of these villages.

There is a need to investigate these pockets for social factors other than poverty and lack of schooling facilities. Ganjianwali has government primary schools for boys and girls and two private schools. The village has no government secondary school. The field team learned of the incidences of drug addiction in Ganjianwali as reported by some of the villagers. Another important factor revealed in the study (section 4.8) is adverse impact of Saga consolidation on children's schooling. The families where one or two members lost jobs were compelled to discontinue schooling of their children and put them to labour.

#### 4.9 Knowledge of the Nike Code of Conduct, ILO Conventions and National Labour Legislation

Of the surveyed workers only 21 per cent said they were told about the Nike Code of Conduct. The majority, 79 per cent, never heard of this word before. Saga Sports had employed only 15.5 per cent of its work force as permanent. The majority of its piece rate labour worked at the official stitching centres where the Nike Code of Conduct (in English and Urdu languages) was plastered on the walls.

Compared to awareness of the Nike Code of Conduct, relatively larger number of workers 31 per cent knew about the ILO conventions, particularly

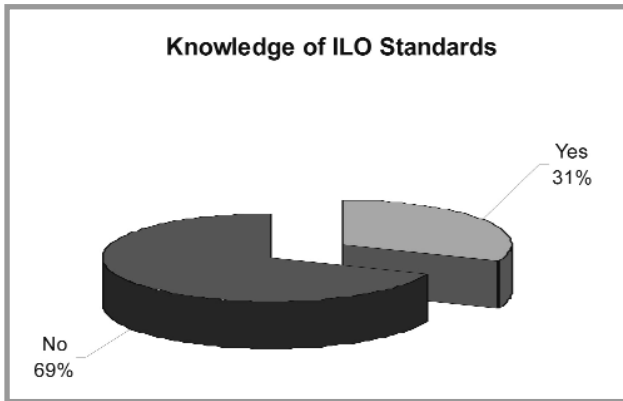


the one related to child labour. The workers' ignorance of the Code indicates irrelevance of the Code for all three immediate stakeholders the workers, the Nike Inc. and the local vendor. The Code was violated by the supplier as responses of the workers regarding work conditions indicate.

A better awareness of the ILO standards was due to the ILO-IPEC project (1997-2004) for elimination of child labour in the sports goods sector, including its social protection component and the still functional ILO-IMAC monitoring.

Awareness of national labour laws was poor among the ex-Saga workers: only 10 per cent knew that certain national laws provide safeguards to workers. None of these workers though were aware of the national minimum wage law.

Low level of awareness of national and international labour standards and the company's code of conduct among workers is mainly linked to lack of unionization and organization of workers. Low level of literacy among workers and lack of reading habits among



those few who have a certain level of schooling are other factors behind workers' ignorance.

#### 4.10 Unionisation in Saga Sports

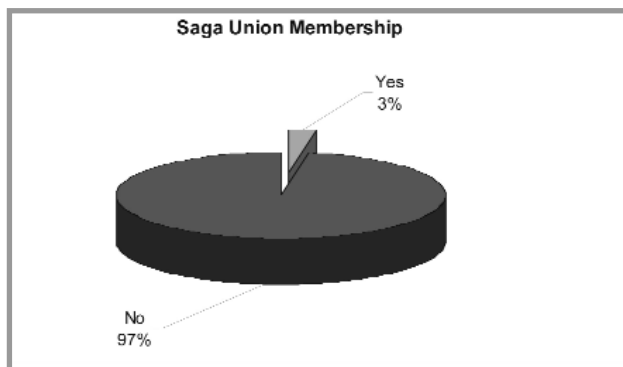
The survey revealed that only 2.6 per cent of ex-Saga workers were members of the registered Saga Trade Union. The overwhelming majority 97.4 per cent of workers was neither members of the union nor had ever heard of the existence of such a union.

The situation at Saga Sports city-based main factory was slightly better where only 15.1 per cent reported

Were you member of Saga Trade Union?		
Trade Union?	Frequency	Percentage
1 Yes	30	15.1
2 No	169	84.9
Total	199	100.0

to be members of the union. An ex-Saga worker employed at the main factory observed:

'About 300 of Saga workers were members of the union. No election ever took place. Mian Abdul



Shakoor remained president of the so-called union for ten years (1997-2007).<sup>62</sup>

'I was a member of the union. I contributed Rs. 20 per month to the union fund. I was not given union membership card. Elections were never held'.<sup>63</sup>

This fact was endorsed by Mian Abdul Shakoor himself 'there was no election. The office bearers were elected (nominated) unopposed'.<sup>64</sup> According to him the Saga Workers Union was formed and registered with the Labour Department in 2000.

Of his association-employment with Saga, he said 'I belong to the *beradari* of Sufi sahib and had served Sufi sahib as his political secretary when he fought and won the seat of the Member of Provincial Assembly in 1996'. Mian Abdul Shakoor joined Sufi Khursheed's company Saga Sports in 1999 as 'labour welfare officer' and 'used to facilitate the process of SHAPE set up by Nike'.<sup>65</sup>

The pronouncements validate that trade unionists themselves have not imbibed the true ethos and principles of trade unionism.

It appears that Saga Sports obstructed genuine representation of workers in violation of the national labour law, the ILO Conventions and the Nike standard on freedom of association and collective bargaining:

'Contractor must comply with all national and local laws and regulations concerning collective bargaining and free association. As allowed by local law, the contractor should ensure that employees have the right to join or refuse to join representative organizations or associations with respect to workplace issues'.<sup>166</sup>

That the union at Saga was pro-employer is borne out by the fact that the union and its selected representation disintegrated soon after and failed to provide any support to the workers to access legal dues and entitlements.

#### 4.11 Status of Workers employed at the Main Factory

Sport Sports had 1,841 24.1 per cent of its total workforce 'permanent' workers at its main factory.<sup>67</sup> In the survey, 15.50 per cent respondents marked themselves as 'permanent' against the categories of 'contract' and 'piece-rate' workers. A 'permanent' worker, as is understood, is the one whose terms of services are laid out in the employment contract given to him/her, is registered with the state welfare institutions (EOBI, SSI), employed for several years and provided with gratuity. The survey indicated this definition did not corroborate to work status of those who thought themselves 'permanent' as just 0.9 per cent had received employment letter, 0.4 per cent reported registration with social security institution and 3.3 per cent received gratuity when their services were terminated. The only aspect that tally with the definition of 'permanent' was the duration of work: 16.9 percent had work for Saga Sports for up to 11 years. It appears that majority of workers were not even aware that a permanent work status is linked to certain terms and conditions other than period of association with any one employer.

In the survey sample, 8.9 per cent workers were found to be employed at the main Saga Sports factory located at Daska Road, Sialkot City. Of these, 99 per cent had not received appointment letter and only 23 per cent accessed gratuity at the time of expulsion from service. Neither these city-based workers were better informed on labour rights: 60.8 per cent did not know of the Nike Code of Conduct; 68.8 per cent were unaware of the ILO Conventions and 81 per

### Monthly Income of all Saga workers at the time of expulsion

Income in Rupee	Percentage
Upto 2500	24.1
2501-3500	21.9
3501-4500	38.5
4501+	15.5
Total	100.0

### Monthly income of Main Saga Factory workers

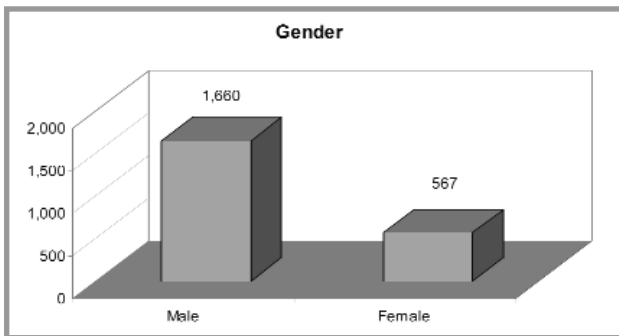
Income in Rupee	Percentage
1.00 Upto 2500	14.6
2.00 2501-3500	10.1
3.00 3501-4500	44.2
4.00 4501+	31.2
Total 100.0	100.0

cent had no knowledge of national labour laws. Socio-economic indicators of the workers employed at the main factory in the city were also not very different: 43.7 per cent had no access to safe drinking water and 10.6 per cent had no toilet facility at home.

A crucial difference, however, was in the per month salary they drew: while 75.4 per cent of the city-based workers earned more than Rs. 3500 per month, a much lower percentage of workers in the stitching centres earned this amount. ■

## 5. The Women Workers

Data indicate women comprised one-fourth (25.5 per cent) of the retrenched Saga workforce. This also corroborates to the Saga employees' list. Among females a higher proportion, 72 per cent, was of the age between 18 to 25 years compared to males (32 per cent). Majority of these young women were unmarried. Predominance of young women in football stitching indicates restricted mobility and limited options for girls who have to adhere to traditional norms and if they work for wages, it is done either at home or closer premises compared to young men who have greater mobility and options other than stitching at village-based work centers.



The survey indicates a greater number (51.5 per cent) of women had completed five years of schooling compared to about 35 per cent of men. This does not corroborate with Gender Parity Index of 0.76 that indicates disparity against girls at primary level in the country.<sup>68</sup> It can be explained if we consider football stitching a semi-skilled, low-paid work as not an attractive option for those boys who manage to access higher schooling, leaving the occupation to those not so fortunate young males. Girls, in contrast, have little options for wage work in rural milieu. Hence greater number of female stitchers who studied upto class five.

The number of men who continued schooling till 8th

### Education Level by Gender

Education Level	Gender (% of the total sample)	
	Male	Female
Illiterate	22.3	18.2
Under Primary (> grade 5)	4.2	4.1
Primary (up to grade 5)	34.7	51.5
Middle (grade 8)	24.5	13.8
Matric (grade 10)	11.4	10.1
Intermediate (grade 12)	2.1	2.1
Graduate (14 years of schooling)	0.4	0.2

grade was almost twice (25 per cent) as much as of females (14 per cent). Again it indicates restricted mobility of women. As field visits revealed many of the villages do not have secondary schools and boys have to commute to other larger centres for middle level schooling. It also indicates that even for male still more years of schooling, at least up to 14 years, is required to get in to more lucrative occupations.

### 5.1 Saga's Machralla Community Center

Saga Sports built its first exclusive custom-built stitching center for women at Machralla. Presently padlocked and under litigation, the centre is an elongated single-storey structure spread out in a large area. Adjacent to production halls are rows of facilities: baby care centre, fair price shop, medical unit, etc. The long verandah is lined with rows of fruit trees, shrubs and plants. At both ends are courtyards full of trees and foliage. The simple structure blends well with the rural setting and has a certain user-friendly coziness, a quality non-existent in the mill-of-the-run factories or work places. Wisely, the Saga Sports management did not label it a 'stitching centre' or 'factory'. It was given the acceptable and respectable title of the 'Women's Community Centre'.

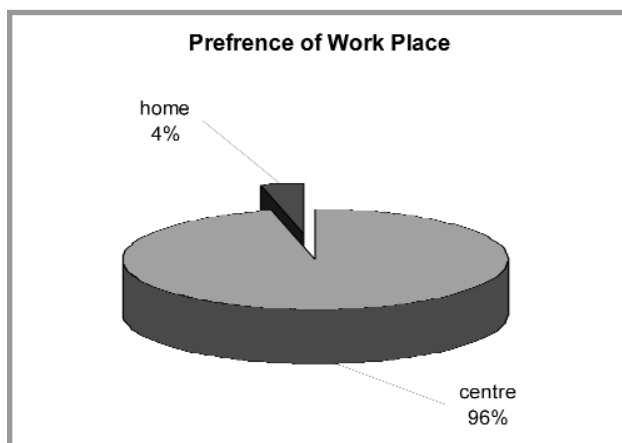
A formal workplace was a new concept in the rural

milieu of Sialkot where women's mobility is largely confined to the private sphere (home), and at best, extended up to the boundaries of the village. In rural Sialkot, as elsewhere in rural Punjab, women do not wear burqah but do observe rules of purdah where applicable. Though the women had been stitching football since 1980s, they did it within homes: leaving home or village for paid work was unthinkable. When the center opened in late 1990s, just four or five women joined it. 'When the girls started work at the centre, people talked and gossiped. But as more and more girls joined the centre, the gossiping died down'.

There was strong resistance among men of Machralla and the surrounding villages: men wanted women to stitch balls at home. In resisting the concept of work outside home, the rural, semi-literate men were joined by their urban, better-schooled and so-called 'liberal' male section of the Sialkot society. The underlying issue, as is usually the case in sexist society was the 'danger to morality' (of women). It was assumed that the centre would have *bura* (bad), or *khula* (open) *mahoul* (atmosphere).

## 5.2 Preference for Work Centres

Gradually, the resistance weakened as the women found the atmosphere at the center to their liking: 98 per cent women reported the overall atmosphere of the centre and the behaviour of the management as good, appropriate and respectful towards women. During the peak seasons, Machralla Centre had 450 to 500 women stitchers who came from different villages within a radius of 40 km through Saga-provided transport.



The focus group discussions endorsed the surveyed workers' overwhelming preference for a formal work place in contrast to home-based work. Young unmarried girls articulated their preference for work in a formal, larger work place like Machralla Center. The exclusive work place provides them an opportunity for social interaction, learning and information sharing and bonding with other women. It gives them the opportunity to get away from home chores. They can focus on work and produce more, compared to home-based work where distractions are many. Even married women with children and support system for childcare prefer to work at a formal place. Only those women who were forty plus and had no support system at home reported that they prefer to work from home instead of commuting to the Center.

Besides the large centre at Machralla, Saga Sports had established-through makers' collaboration- mini-





centres for women in different villages. These centres, as discussed earlier, were housed in rented premises. Women preferred even the mini-centres rather than their homes as workplace. For many women, aside interaction with other women, the sub-centres had basic facilities (i.e. toilet) their homes lacked. At the Seoki sub-centre 25-30 women stitched football. The centre closed down after a year.

'We were very happy when this centre opened. It was close to our houses. We liked working together. It was fun. It provided us a space to meet and talk, besides stitching football. Away from home, we used to forget our sorrows.'

Razia Abbas, Seoki.  
 (Field report Nadira Aziz, 24 May 2007)

The crystal-clear preference for a formal, collective work place refutes the common assumption, stereotypical notion and the generalization that women pre-



fer to engage in productive activities at home because they can combine productive work and reproductive/care work. Working collectively gives women a sense of empowerment that atomized, fragmented work places-homes-fail to provide.

### 5.3 Solidarity, Collective Resistance and Bargaining

**A**t the center, the women had developed a sense of solidarity and camaraderie. They helped each other in work. The participants reported that if a woman was unable to stitch a minimum of 3 balls, her friends would sometime throw in a stitched ball to the account of her friend in need.

In 2002, the women in Machralla center protested against low wages. One of the young women emerged as a leader, mobilized other women and a core team of 4-5 women emerged. The team talked to the management and asked for a higher rate per ball. The management declined and the women decided to strike: 350 women stopped working. The management tried to talk the women out of it. It sent its representative to the house of the woman who was leading the strike. She would be sacked, she was told. Her co-workers vowed to quit work in case their leader was fired. Such was the collective struggle that Saga management finally raised the wages of lighter ball from Rs. 27 to Rs. 30 and of the harder ball from Rs. 35 to Rs. 40.

The women also reported loan taking. However, none of them said they were threatened or abused because of it. One of the women said she had taken Rs.6,000 in advance to pay off the debt her father had taken from a money lender to buy a buffalo. The women remembered the Saga owner Mr. Sufi with respect and warmth as it was only when he was alive that the loans were given by the management. After his death the management stopped giving advance to the workers.

### 5.4 Gender and Access to Information

**F**ewer women workers than men at Saga Sports were aware of existing national labour laws, ILO conventions and the Nike Code of Conduct. Just 13 per cent of women knew about the Nike Code of

Conduct compared to 24 per cent men. Knowledge of the existence of national labour legislation was ever poorer: only 6 per cent women knew that laws exist to provide safeguards to workers. Most surprising was the poor level of awareness of ILO conventions among women: 18 per cent women had heard of ILO conventions compared to 36 per cent men. This also reflects negatively on the outreach of the ILO-IPEC projects and the IMAC monitoring undertaken in the last decade.

The poor level of information accessed by women is related as much to their own restricted mobility and limited human interaction as to the inferior status conferred on women by men who think women do not need information related to public domain and 'hard' issues (i.e. economic, legal). It indicates extra efforts are required to educate women on workers rights and labour compliance.

### 5.5 Gender and Wage Differential

Data reveals that at the time of expulsion from Saga Sports, women were getting lower wages than men. While a larger number of women, 37.9 per cent, received up to Rs. 2,500 per month, fewer

Monthly Income in Rs.	Gender	
	Male	Female
<b>Upto 2500</b>	<b>19.4%</b>	<b>37.9%</b>
<b>2501-3500</b>	<b>21.2%</b>	<b>24.0%</b>
<b>3501-4500</b>	<b>42.7%</b>	<b>26.3%</b>
<b>4501+</b>	<b>16.7%</b>	<b>11.8%</b>

men (19.4 per cent) earned this low salary. In contrast, 42.7 per cent of men earned between Rs. 3500 to Rs. 4500 per month while just 26.3 per cent women reported they were given that amount.

It could not be ascertained whether women were paid less wages for similar work, that is, different rate for the same ball, or they were given low quality, low-rate ball to stitch.<sup>69</sup> It is more likely that the management discriminated in terms of nature of work given to women: so-called lighter balls were given to women while balls for use in professional matches were sewn by men. ■



## 6. Post-Saga Employment Status

The study reveals that 47 per cent of the retrenched workers were able to secure work as football stitchers for different manufacturers within few months after retrenchment, that is, by the end of 2007. Forward Sports, Anwar Khawaja Establishment and Vision were the main local companies to induct a significant number of ex-Saga workers in to their stitching centres in different rural settlements. An insignificant number (2.2 per cent) was able to switch to another skilled occupation-stitching of clothes, gloves, track suits, and even lesser number (about one per cent) joined the surgical instrument manufacturing trade.

'I was a tailor before I joined Saga. Stitching clothes in the village doesn't bring much. I tried my luck in several places. Finally I got a job as football stitcher at the Saga's Kalowal center in 1999. When I got sacked I was getting Rs.4000 per month. Now I am back to stitching clothes at home and barely make Rs. 2000 per month.'

*Ghulam Abbas Bhatti, Lado Pindi Village*

A significant proportion 29 per cent drifted in to manual labour and odd jobs in the service sector (i.e. driver, guard, vendor, painter, sweeper, cycle repair).



A substantial number, 21 per cent of the retrenched workers, was found to be jobless and in search of work.

'I was getting Rs. 4600 per month at Saga Sports where I worked for 8 years. I am now without work since February 2007 and still searching for a job. I have four children. My family has run into great hardship. We are barely surviving on support from my father who makes some money through peeri faqeer'.

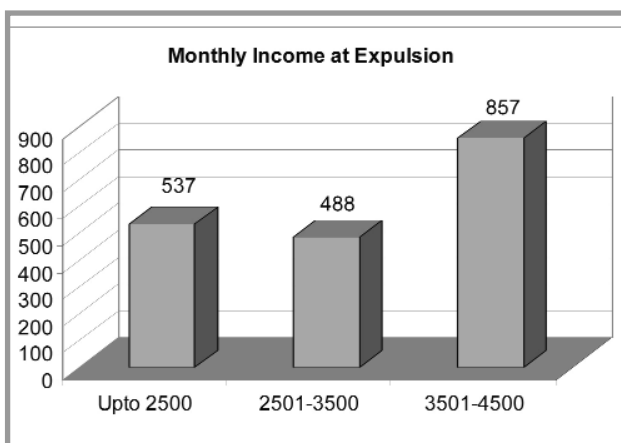
*Aslam, Jankay Cheema Village*

After Nike gave the contract to the new vendor, Silver Star Group of Companies, PILER research team facilitated induction of retrenched Saga workers in the new production line. Information of the new opportunity was disseminated through meetings in the villages and at the PILER office. By the end of 2009, approximately 1000 ex-Saga workers had been hired by the new vendor, constituting 50 per cent of its workforce at that time.

## 6.1 Impact of Closure

### 6.1.1 Economic Hardship for the Household

The data reveals a downward slide in the earnings of those workers who were able to secure work after the closure of Saga Sports. While the company was operational, 24 per cent of the workers earned up to Rs. 2500 per month. By the survey was conducted only



11.2 per cent workers are earning that much. The number of workers who previously earned a monthly income in the range of Rs. 2,500 to 3500 decreased from 30 per cent to 19 per cent. At Saga Sports a



good proportion, 39 per cent, workers earned a salary between Rs. 3500 to 4500. After closure, 24 per cent workers were earning that much.

Decrease in wages was due to workers' loss of access to export-oriented work. Stitching of foreign branded footballs pays more than that of lighter balls produced for domestic market. Even when the stitcher was getting the same rate as previously, or earning a higher wage, as reported by few, the worker was still in loss compared to his/her employment at Saga Sports because of the additional facilities the workers accessed at Saga. Free lunch and tea, transport to-and-fro, basic medicines, access to fair price shops (that sold food and household stuff at low rates) was a big support to the overall household expenses as narrated by many workers.



'I worked for five years in Saga at its Kalowal centre. I used to make between Rs. 3000 to Rs. 4000. But, you see, many facilities were absolutely free. I was provided with medicines. I was given lunch and tea thrice a day. I did not have to spend a penny on transport. A big advantage was the fair price shop where I could buy food stuff at low price that was deducted from my salary. I am married and have three children. So while working for Saga, I managed my household of 5 members rather smoothly. Now I am working as an assistant of a mason on daily wages. I hardly get 20 days of work at the rate of Rs. 300 per day. It comes to Rs. 6000 per month, more than what I made at Saga. But I am worse off now.'

*Mohammad Safdar, Kotli Loharan*

The other reason for lower income was irregularity of work. Medium-size enterprises, with stable minimum production, achieve big contracts off and on and likewise hire and fire piece-rate workers. Several workers reported erratic and brief access to piece-rate work available in the rural settlements through makers. A few who went to the city to hunt for jobs found daily commute to the city unaffordable with low wage and none of the benefits offered by the city-based units. Several cited rude and disrespectful attitude of immediate supervisor in addition to other constraints.

### 6.1.2 Impact on Children's Schooling

A number of retrenched workers who could not find alternative source of income or had to settle for lesser wages were compelled to take their children out of schools and put them to work in sectors where monitoring for child labour is not rigorous as in football stitching.

'I have five children of school-going age. When Saga closed I had to take my eldest 13-year-old son out of school and send him to a surgical instrument shop to earn some money. I could not afford schooling of my second 11-year-old son too. I have put him to learn and earn some money from glove stitching. I worked in Saga's Machralla centre for seven years and was making Rs. 2500 per month. The centre closed in May 2007. My husband also worked in Saga in earlier days but he developed pain in his arm and could no more stitch footballs'.

*Shazia Asif, Mitrial Khurd*

Some of the unemployed workers reported they had to shift their children from private schools (high fee and better quality) to low quality, low cost government schools.

'I got my children out of the private school and admitted them in government school after Saga closed down where I was earning Rs.4,000 per month. I couldn't afford private school fees for my four children. Though government school has no tuition fee, the teachers demand one or other kind of contribution, like Rs. 10 for TB Association Fund or Rs. 15 for Paper Fund.'

*Abid Ilahi, Rahang Khokhran*



The case studies and focus group discussions indicated absence of community involvement in upgrading of social infrastructure. Complaints of poor quality of education in government schools were voiced by many workers but none mentioned the existence of school management committee system as in place in some other districts in the country.

## 6.2 Entitlements and Claims

Contract workers are deprived of entitlements due to lack of documentary evidence and evasion on the part of the contractor. The majority of the entrenched Saga workers did not receive any benefits either from Saga itself (i.e. gratuity) or from state workers' welfare institutions (EOBI, PESSI).

Of the permanent workers, many were not registered with the Punjab Employees Social Security Institution (PESSI) and the Employees Old-Age Benefit Institution (EOBI) by the Saga management. Some of the workers were registered only with the PESSI and had social security cards. Very few workers were registered with both PESSI and EOBI and were in possession of the two registration cards.

Several workers reported that the Saga management took these cards back when partial settlement of their dues, mainly gratuity, was made to them after retrenchment. This was an illegal, immoral act, committed by Saga management as registration cards are required to claim benefits from respective state institutions. The employee registration card remains the same even when the employer changes.

Majority of the workers in possession of either one or the other faded, wrinkled cards were registered much later than their joining dates. This false entry reduced their tenure and thus the benefits. The workers who had joined Saga in early 1990s were issued these cards in 2000 or much later.

The annual accumulation of one month salary from the date of joining, or gratuity, is paid to workers by the employer at the end of service. According to labour laws, contract workers are also entitled to gratuity but are deprived of this entitlement through lack of documentary proof or evidence of employment. As the majority of ex-Saga workers were not provided with

the employment contract letter they could not have claimed any entitlements. Of the permanent workers, many were reportedly cheated by the management through falsification of their joining dates.

'I worked for 10 years in Saga. My gratuity amounted to Rs. 43,000 but I was paid only Rs. 19,000'.<sup>70</sup>  
*Nasreen, ex-supervisor, Saga Machralla Centre*

'I joined Saga in 1994 but the management gave me the Social Security card in 2000 and the EOBI card in July 2006. My gratuity amounts to Rs. 75,400 but I have not yet been paid the full amount.  
*Yaqoob Gul, ex-driver, Main Saga factory*

## 6.3 Registration with EOBI

Saga Sports registered itself with the EOBI in 1982. The registered employer, or establishment, pays 6



per cent of the worker's monthly salary as contribution to the EOBI. The registered workers are entitled to claim old-age pension, reduced pension, survivors and invalidity pension and old age grant through.

According to the EOBI official, Saga had registered 3000 workers with EOBI but defaulted on its contribution to the tune of Rs. 10,000,000. The figure of registered workers (3000) does not corroborate with field investigations and case studies. It is likely that though registered by Saga, not all 3000 workers were provided with the EOBI registration card. Only 70 of the permanent employees submitted their cases for different entitlements to the EOBI Adjudicating Authority after retrenchment.

<sup>171</sup>These workers were not registered with the EOBI from the date of their joining but contribution from their salaries was deducted from the date of joining.<sup>171</sup>



*Nasir Mahmud,  
 Executive Officer Law & Order, EOBI, Sialkot*

Only 150 of the ex-Saga workers are currently benefiting from the EOBI and receiving a monthly pension of Rs. 1500 to Rs. 2500. Three pension cases, submitted by workers, were dismissed by the EOBI as these workers were not registered though they were permanent employees and had documentary proof.

#### **6.4 Registration with PESSI**

**T**he Social Security Institution offers several financial benefits related to illness, injury and death to the registered workers, beside medical facilities through its hospitals and clinics.

The Punjab Employees Social Security Institution (PESSI) official refused to share the number of ex-Saga workers registered with it.<sup>72</sup> According to a PESSI, Sialkot office, Saga management had defaulted on its contribution amounting to Rs. 45,000,000. Unless Saga management settles its dues, PESSI is not liable to pay benefits to ex-Saga workers.

Absence of workers' genuine representation through unionisation was the main reason the workers at Saga were deprived of their rights. The union plays a crucial role in empowering workers through sharing information on labour laws, legal entitlements and tertiary benefits. The study reveals that majority of the workers including permanent workers had no information on labour legislation, the company's rules of service and the EOBI and PESSI procedures to demand and access entitlements and rights.

#### **6.5 Post-Closure Claiming of Entitlements through Legal Support**

**I**n one of the multi-stake holders' consultations held under the project, the manufacturers, employers, members of Sialkot Chamber of Commerce and Industry and civil society representatives endorsed ex-Saga workers' right to seek claims through courts in case they were deprived of legal dues.<sup>73</sup>

The retrenched workers employed by Saga in its stitching centres in rural areas could not claim entitlements

as they did not possess any documentation to establish their case in the court. PILER provided legal aid only to those workers who were registered with the EOBI and PESSI and had requisite documents.

Of the total respondents of the survey, only 162 workers reported they had received dues (ranging from Rs. 10,000 to 30,000) at the time of lay-off. Cases documented by PILER field team revealed the company made partial payment and that too mainly to the staff other than stitchers. Details of 25 regular workers of Kalowal and Machrala Stitching Centers, whose services ranged from five to 12 years, revealed they had received Rs. 471,550 against total dues of Rs. 982,380 (i.e 48 per cent of dues).<sup>74</sup>

The Saga management laid off 500 regular workers from its main factory without notice in May 2007. The workers first approached the Saga Workers Union representatives who advised them to seek support from PILER. A grievance notice against unlawful dismissal was served to the company and a copy submitted to the District Labour Officer. Subsequently, the management retracted and agreed to pay dues in

installments on notified dates.

From July 2007 up to March 2009, about 30 individual cases were submitted on behalf of the ex-Saga workers by the PILER team to the Wages and Compensation Commissioner under the Payment of Wages Act 1935. Several cases were settled out of court, a couple dismissed due to lack of documentary evidence while ten cases were decreed by the court and execution notices issued to the Saga management for payment of legal dues to the claimants. PILER facilitated the workers to submit the decrees to the District Officer of Revenue for execution. In late March 2009 PILER became a party on behalf of these workers to the suit filed in 2007 in the Lahore High Court by the United Bank Ltd, Askari Bank, EOBI and PESSI, against Saga Sports for recovery of their dues. Subsequent auction of the Saga assets provided fresh impetus to the workers to claim their dues and 100 workers filed their cases with the PILER support.

It was the first time in the history of Sialkot that a significant number of workers were able to access courts for recovery of their dues. ■



## 7. Can Sialkot take the lead?

**S**ialkot has established its reputation as a dynamic city, vibrant with entrepreneurial spirit, bringing in annually through exports more than one billion US dollar to the exchequer.<sup>75</sup> Manufacturing of various products, including sports goods and surgical instruments, provides livelihood opportunities to 120,000 workers in the District. The business community volunteers 0.25 per cent revenue against its export invoices to the development of the city infrastructure. Its active involvement in, and substantial contribution to, the development of the district is manifest in two major projects which are cited as first ever in Asia undertaken by the private sector. The con-

struction of the dry port at Sambhrial was initiated in 1984 under the Sialkot Dry Port Trust through pooling in of Rs.10,000 by 52 businessmen of the city.<sup>76</sup> Sialkot industrialists also sought government approval to built, own and operate an international airport in the city in the late 1980s and pursued the matter. The private sector international airport finally became operative in 2007.

Sialkot Chamber of Commerce and Industry is unique among the many such trade bodies in the country. Cohesive, and with a strong sense of collective identity, the Chamber has proactively sought to benefit not



just its immediate members but its larger constituency. The demographic and social attributes of the city manageable size and homogeneity of the population and its unique economic position as major export centre, have facilitated the unified role of the Chamber.

The Chamber also prides itself in ridding the football industry of child labour. Being one of the three signatories of the Atlanta Agreement 1997, the Chamber played a crucial role, along with other partners, in implementation of the project that followed the agreement. In the process, the Chamber gained valuable experience of working with the state and the civil society, learned the dynamics of a tri-partite mechanism and strengthened linkages with a number of state institutions and national and international citizen sector organizations.

Given its vast residue of lessons learnt in the process, the Chamber is best suited to address the crucial challenge the Saga fall has brought to fore: compliance issues in export-oriented industries. The Chamber is best positioned to take a lead in providing a business model to the country that integrates corporate responsibility in its ethos and its core functions; a model that evolves out of a holistic approach and is based on a tripartite institutional framework.

It is pertinent here to briefly revisit the ground realities brought to fore by this study.

### 7.1 Sialkot Football Manufacturing Industry: Key Issues

- The industry is a source of employment and the only source of income for the majority of people in Sialkot refuting official data that categorize Sialkot population as largely 'rural';
- The industry, exporting to MNCs and brands through local manufacturers comprises informal subcontracted labour;
- Violations of national labour laws, ILO labour standards and companies codes of conduct are widespread;

- Lack of freedom of association, genuine representation and collective bargaining to formal, factory-based workers is the norm; even
- Low wages, lack of access to the (state) social security/old-age and the companies' benefits (i.e. bonus, gratuity, holidays, double overtime rate) characterise labour relations;
- local manufacturers, the ILO and the state labour bodies have intervened exclusively against child labour and the ILO-Pakistan work in Sialkot have so far excluded seven out of the eight ILO core labour standards;
- Local manufacturers/business houses lack professional management systems and institutionalised mechanisms for maintaining labour relations;
- Research and development (R&D) component is missing from the industry;
- The workers' lack awareness and access to information, on labour rights in the context of national legislation, the ILO standards and the companies codes of conduct;
- Workers prefer a formal, institutionalised work place instead of informal 'stitching centres';

### 7.2 The Way Forward: The Sialkot Model

The business community in Sialkot is fully cognizant of ground realities and the rigors and emerging demands of global supply chain. Exporters of surgical instruments are bracing up for compliance in response to the regulatory framework (Ethical Procurement for Health) put in place in 2008 by the UK's National Health Service, one of the biggest buyers of Sialkot products. It is gradually dawning that the concept of corporate responsibility as an unwanted cost is outdated. Corporate responsibility is being recognized as an intrinsic component of a successful business, linked to smooth industrial relations.

The suggested ingredients that could go in to the making of a successful business model in Sialkot are as

follow:

### 7.2.1 A Rights-based and Holistic Approach

An approach based on the norms set by national-constitutional and international standards of human and labour rights is increasingly being considered as essential for responsible business in today's globalizing economy characterized by free market and cut-throat competition. A flourishing business does not happen in a vacuum: it is linked to larger economic, social, political and natural environment. Business growth needs an enabling environment at all levels. In turn, responsible business can facilitate enabling environment only when it integrates rights-based norms in its plans, policies and processes. A rights-based approach comprises affirmation of rights, accountability, empowerment and participation of the people directly or indirectly involved with the business processes. These are also the elements of the codes of conduct of many multi-national companies currently doing business in Sialkot. A growing number of these MNCs want codes of conduct strictly in place by their local partners.

### 7.2.2 Workers' Representation

Workers' role in production makes it incumbent that they have a voice in the sphere of work. This voice is needed not just for workers' own interests to negotiate over wages and benefits but is essential for feedback on the production processes, for monitoring and evaluating work practices and policies as these have impact on productivity.

Workers' representation rights are enshrined in Pakistan Constitution and in national labour legislation (particularly in industrial relations law) and in the ILO Convention No. 87 and Convention No. 98, ratified by Pakistan. Though constitutionally the workers can organise and form unions at plant level, practically there are many hurdles and workers cannot unionise. Businessmen and industrialists in Sialkot are wary of unions, and so are their global counterparts.

Yet, multi-national companies are not totally averse to workers' representation and participation and have made this condition an element of their respective codes of conduct. Though sounds contradictory being averse to 'unionisation' but willing to grant rep-

resentation to workers it can be explained as follow: the word 'union' is synonymous to 'empowerment' of a 'large number of workers' as union is a membership-based organisation. Due to mistrust between the two partners in the production process and several other historic reasons in Pakistan and in Sialkot, the business community erroneously considers 'unionisation' of workers to its detriment.

Till trust is restored between the manufacturers and workers in Sialkot and unions become a viable option, an existing legal mechanism a middle ground can be utilized for ensuring workers' representation. Instead of allowing formation of a 'union', a limited number of workers' representatives, or shop stewards, can be elected through a prescribed procedure under Industrial Relations Act 2008 (sub-section 33) to act 'as a link between labour and management' .

The mechanism of workers' representation through shop stewardship has been put in place, and is working smoothly, at the Silver Star Groups, the new vendor in Sialkot for Nike Inc. The elections for shop stewards in different departments in the factory were held in October 2008. About 720 workers cast their votes in secret ballot supervised by a tri-partite committee and elected 17 shop stewards who were educated about their roles and responsibilities. The elected shop stewards, who are now trusted by both workers and the management work as mediators. As a result the number of workers directly approaching the HR Department for the resolution of problems has declined and the worker-management relations have improved.

The success at the Silver Star proves that the existing legal mechanism for workers' representation can be reclaimed effectively by local industrialists and be made a part of future business model.

Just as workers representation at the plant or factory level, in the form of union or other mechanism, is important to safeguard workers' interests and to maintain smooth management-labour relations, similarly alliances or federations of unions on industry basis play a vital role in industrial relations and in industrial development. Unfortunately, national labour legis-

lation has obstructed growth of industry-wise workers' federations. Had such a football workers' trade unions federation existed in Sialkot, it would have handled the ex-Saga workers entitlement claims effectively.

### 7.2.3 Industry-based Employers' Associations

The presence of dynamic and strong industry-based manufacturers-employers associations is essential for healthy business growth. Industry- or sector-based associations are best positioned to take up not just policy issues but can play a critical role in workforce development as well as facilitate R&D initiatives in the sector. In the developed countries, the employers associations have credible history of providing much needed services relating to financial-management systems development and human resource development to their members companies. Sector-based employers associations have also taken the lead and facilitated state machinery in formulation of demanded skills policy to address technological changes and meet the emerging skills needs.

Employers' association are also strategically placed to educate and advise member companies on the contexts and interpretation of universally agreed core labour standards and national labour legislation and on how these standards and laws can be translated into meaningful benchmarks for company practice and codes of conduct.

In Sialkot, there exist a number of employers associations in major sectors sports goods, surgical instruments, leather garments but at present their scope and nature of services are limited. Pakistan Sports Goods Manufacturers and Exporters Association, registered since 1959, liaises with Trade Development Authority of Pakistan.<sup>78</sup> It supports its 400 members companies, of whom 62 are members of SCCI, to access international markets through participation in trade fairs. The Association provides input to trade and other relevant policies mainly advocating for subsidies and tariff reduction.<sup>79</sup>

There is a need to broaden the scope of the Association to embrace the entire gamut of services and to devise innovative approaches in addressing challenges, particularly related to social compliance



and skill development.

### 7.2.4 Tripartism at Local Level

The Atlanta Agreement 1997 was a tripartite contract between the Sialkot Chamber of Commerce and Industry (SCCI), UNICEF and the International Labour Organisation. Though the stimulus for the contract was international, its implementation was achieved through the Pakistan offices of the two international organisations, the ILO and UNICEF (who have no local ownership) and the SCCI. The other local stakeholders, state and civil society, extended full support, and were partners to the project processes that followed the contract. The framework for the future Sialkot Model needs to be rooted on strong local tri-





partism, with the state Labour Ministry, labour welfare institutions, local Labour Department playing a key role, along with elected local representatives (i.e. councilors), and local citizen sector organisations and resource institutes.

There already exist cordial and supportive relations between the state and the SCCI due to the Chamber's best practices in infrastructure development. What is needed is a multi-layered formal mechanism to reach consensus on issues and to seek creative solutions out of existing legal and governance structures. For instance, the issue of labour inspection needs to be discussed and addressed at local level. Revival of labour inspection transparent, fair and corruption-free is

in the interest of local business as it facilitates monitoring of compliance.

As labour inspection was halted through a provincial notification following the Punjab Industrial Policy 2003 on the insistence of local industrialists, its revival needs to be sought by the industrialists themselves under the changed requirements of global supply chain and the demand for compliance.

#### **7.2.5 Strong State Labour Institutions and Mechanisms**

The SCCI can play an active role, along with local trade unions and citizen sector organisations, to tap the existing state resources and in the process strengthen the state institutions and mechanisms. Strong and trusted state labour institutions benefit both the management and the workers.

The manufacturers and employers in Sialkot pay 7 per cent to the Punjab Employees Social Security Institution and 5 per cent to the Employees Old-Age Benefit Institution, in addition to 1 per cent income tax of total annual exports and special contribution of 0.25 per cent of their export revenue to the district infrastructure development. They also contribute to the Workers' Welfare Fund and the Workers' Children Education Cess.

The SCCI have strong linkages with both federal Ministry of Labour and the Provincial Labour Department and requisite political clout to lobby for expanded scope and coverage by PESSI and EOBI to address the workers' social protection needs (i.e. contingencies of sickness, work-related injury/death, invalidity, maternity, old-age). A secure, protected and healthy workforce will have greater potential to perform better and enhance productivity. The SCCI members can facilitate expansion of coverage by regularising contract workers in their enterprises as this condition is being increasingly sought by the MNCs doing business in Sialkot.

#### **7.2.6 Research and Development**

Technological change is a determining factor, besides labour compliance, that has impacted the local industry the most in recent decades and will continue to direct the future course of local football industry. Technological changes in football design and manu-

facturing are moving ahead at a fast pace. Thermally bonded, seamless, machine-pressed ball replaced the hand-stitched ball in 2006 World cup and since then the bulk of football manufacturing orders are turning to Thailand and China the countries to seize the opportunity due to better infrastructure, better adaptation to technological change and the presence of a strong research and development component in the manufacturing sector.

Lack of adaptation to technological changes has cost dearly in the past. Sialkot sports goods industry lost business in tennis rackets when raw material switched from wood to composite material. Now hockey sticks, golf clubs, fishing rods, billiard cues and other sports good equipments are all made from composite materials.

A weak R & D component in Sialkot industrial base calls for sustained and effective collaboration of state and employers/corporate sector.

There are several state initiatives in R& D such as the recently established Sports Industries Product Development Centre, Sialkot, that has come up as a SMEDA project. The Product Development Centre (PDC) is mandated to <sup>19</sup>provide technical know-how, trained labour force, testing facilities, prototype development and mould making services to the sports goods sector.<sup>180</sup>

The Sports Goods Association can play the role of a catalyst through sustained and systematic involvement in the evolution of PDC in to an effective research and development institute for the industry.

### **7.2.7 Human Resource Development**

The global switch of demand from hand-stitched ball to machine-made ball has cut down 30 per cent of Sialkot football exports. The sector thus needs an urgent mechanism to move and upgrade manual-skills through a sequence of initiatives and processes to develop skills for machine operation. This can be done through mobilising existing state mechanisms and structures. These include Technology Upgradation and Skill Development Company, (established under the Ministry of Industries and Production), Skill Development Council, Islamabad (constituted by the Ministry of Labor, Manpower & Overseas Pakistanis, with an active participation of Employers Federation of Pakistan), Government Vocational Institutes (administered by provincial education department), Vocational Training Centres and Apprenticeship Training Centres (run by provincial Labour Department),

Human resource development is ultimately linked to the norms of social justice and equity and needs structural changes at macro level to sustain it as an ongoing process. The business community in Sialkot, however, needs to focus on initiatives at micro level that connects with each other and feed in to the larger goal. Responsible business and social compliance, i.e. adherence to labour standards is the first step towards social justice. A holistic approach that ties up the component stated above workers representation, dynamic employers association, public-private partnership that strengthen state labour, and R& D institutes finds synergy with human resource or workforce development strategies. ■



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- <sup>7</sup>Ibid.
- <sup>8</sup>*Pakistan Logistic Cost Study*, Final Report, June 2006, Logistic Consulting Group, website: <http://www.ntffc.org>
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- <sup>10</sup>the state shall make provision for securing just and humane conditions of work<sup>91</sup> (Article 37c), and
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- <sup>23</sup>Nike initial input to the "Atlantia II Agreement" discussion in Islamabad, February 21 and 22, 2008 (Nike official document)
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- <sup>25</sup>1998 Population Census, Government of Pakistan.
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- <sup>29</sup>Comments by industrials during consultations and informal interviews.
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- <sup>38</sup>Ibid.
- <sup>39</sup>Nasir Dogar, Chief Executive IMAC Sialkot, in a meeting in his office on 3 September 2007.
- <sup>40</sup>Ibid.
- <sup>41</sup>Unstructure interview with an ex-ILO monitoring team member, 31 August 2007.
- <sup>42</sup>Ibid (words in italic by the author)
- <sup>43</sup>Personal communication from a former ILO official.
- <sup>44</sup>Saga Sports Centres List provided to PILER by Just Solutions Network
- <sup>45</sup>Unofficial memo by Executive District Officer, Sialkot..
- <sup>46</sup>Saga Sports union s representative in a multi-stakeholders' consultation facilitated by PILER and held in SCCI auditorium on 7 January 2007.
- <sup>47</sup>Zafar Shaheed, *The Labour Movemebt in Pakistan*, Oxford University Press, Karachi, 2007.
- <sup>48</sup>List of Trade Unions of District Sialkot as on 21-12-2008, District Officer Labour, Sialkot.
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- <sup>52</sup>Focus group discussions.
- <sup>53</sup>Field notes from Ugoki, dated 30 May 2007.
- <sup>54</sup>Source: MIT Sloan Working Paper No.4612-06, July 2006
- <sup>55</sup>Nike representative's statement via email to the Just Solution Network.
- <sup>56</sup>Ibid.
- <sup>57</sup>Ibid.
- <sup>58</sup>Ibid.
- <sup>59</sup>Focus group discussion with women at Machralla, 13 August 2008.
- <sup>60</sup>Nike rep's email.
- <sup>61</sup>Ibid.
- <sup>62</sup>Ex-saga worker in an interview.
- <sup>63</sup>Waris Ali Khan, ex-Saga worker.
- <sup>64</sup>Interview with Mian Abdul Shakoor, 28 Oct, 2008.
- <sup>65</sup>Ibid.
- <sup>66</sup>*Management (Labor) & ESH Code Leadership Standards*, Nike document.
- <sup>67</sup>Nike official list of Saga Sports employee

<sup>68</sup>The Education system in Pakistan: Assessment of the National Education Census. Dr. Douglas Lynd, 2006, UNESCO

<sup>69</sup>This information gap is due to missing question in the survey form. While designing the questionnaire, the researchers could not foresee the issue of 'soft' and 'hard' balls and different wages associated with the two.

<sup>70</sup>Field report, October 2007.

<sup>71</sup>In a meeting at EOBI with field team on 31 Jan 2008.

<sup>72</sup>Field team visit to Director PESSI, Ali Ahmad Chaudhry, dated 12 Feb 2008.

<sup>73</sup>*Promoting Decent Work through Tripartite Consultation and Action*, Project Progress Report, PILER July 2007.

<sup>74</sup>Field report.

<sup>75</sup>News report, Business Recorder, 17 Jan 2009

<sup>76</sup><http://www.sdpt.org.pk>

<sup>77</sup>Industrial Relations Act 2008, sub-section 33.

<sup>78</sup><http://www.pakboi.gov.pk/pak/xdetail.asp?ComID=41292>

<sup>79</sup>Business Recorder report, 20 June 2009

<sup>80</sup><http://smeda.org.pk>

