

The Abject Condition of Labor in Pakistan: A Report from the Field¹

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HISTORICAL ANTECEDENTS

The strength of the trade union movement in Pakistan has ebbed and flowed over the course of the country's history, but today, after roughly twenty-five years of liberalization, deregulation, and privatization, the movement is arguably at its weakest point in recent memory.

As a rule, Pakistan's trade union movement has never managed to build a strong foundation. Certainly, in other late developers, more extensive economic transformation produced, by the 1980s, conditions which bred labour movements of far greater significance (see Figure 1). In countries like Brazil, South Africa, and South Korea, for instance, unions were national-level actors, able to put up at least some resistance to the neoliberal onslaught that began in the 1980s.² If the movement in Pakistan never matched them, it is because of the relative failures of the country's development trajectory.

-- Figure 1 About Here --

Having inherited very little of British India's industrial base, the early trade union federations in Pakistan started on a weak footing. Their bastions, such as they were, were located in the country's strategic enterprises in railways, and the ports.³ In the 1950s and 1960s, after a period of sustained growth in domestic manufacturing, trade unions did manage to acquire some significance, reflected in membership totals and particularly in the scale of industrial unrest. By all accounts, labour was an important participant in the protests that led to Pakistan's inaugural democratic transition in the late 1960s.⁴

But stubborn features of Pakistan's political economy kept the movement weak. An unequal agrarian structure which resisted meaningful land reform and a criminally feeble educational system meant that there was a large pool of easily replaced and unskilled workers.

The authoritarian political system exacerbated these structural difficulties. The first Industrial Relations Ordinance in 1959 broke from colonial precedent by forbidding the vast majority of the labour force to collectively bargain, and by effectively banning workers' right to strike.⁵ A new ordinance in 1969 and then further reforms under ZA Bhutto improved the position of workers,⁶ and with the industrial development of

the 1960s, enabled what one commentator has termed the Pakistani labour movement's 'Golden Age'.⁷ But Bhutto soon turned on the labour movement. And he was deposed by General Zia ul-Haq, whose dictatorship was arguably labour's darkest period yet. Despite the considerable growth of the manufacturing sector,⁸ trade union membership stagnated, and strike activity plummeted. As summarized by Sayeed, "[s]ummarily banning all trade unions, Zia proceeded to deny labour of its most basic rights by abridgement and non-implementation of labour laws".⁹ Union leaders were imprisoned and their unions suppressed.¹⁰

-- Figure 2 About Here --

THE NEOLIBERAL ONSLAUGHT

Perhaps predictably, Pakistani workers were poorly placed to resist the neoliberal assault that arrived in the 1980s in the form of International Monetary Fund (IMF) conditionalities. This process began in earnest in 1988 but accelerated dramatically in the early to mid-1990s.

The IMF's conditionalities for Pakistan included the now well-known policy mix of rapid trade liberalization, financial deregulation, and privatization, combined with a tight monetary and fiscal policy. These changes were expected to bring increased economic growth, and thus improved living standards. According to the IMF, its management "welcomes the bold and comprehensive reform measures just announced by the Pakistan Government... The timely implementation of these wide-ranging policies should significantly strengthen the basis for high and sustainable economic growth in Pakistan in the context of financial stability."¹¹

By the mid-2000's, after the post 9/11 boom, many began to claim a 'turnaround' in the economy, citing growth rates consistently above 5%, which reached a high of 9% in 2004-05, rising exports, falling inflation, and a soaring stock market.¹² Pakistan even began to receive the praise of the IMF.¹³ It was assumed that neo-liberal policies would lead to increased growth, which through an ill-defined mechanism of 'trickle down' would translate to pro-poor growth, improving the livelihood of Pakistani workers.

REAL WAGES:

The net effect of these policies and processes has been dismal for the

working-class. First, there has been a stagnation or decline in real wages for large portions of the labour force (Figure 3). Prior to the liberalization reforms, real wages were generally increasing, especially in the manufacturing sector, through the 1960s, 1970s and early 1980s.¹⁴ This growth in real wages was reversed in the early 1990s.¹⁵

-- Figure 3 About Here --

While wages in a few high skill/high wage sectors increased, for the majority of workers real wages stagnated or fell. This was largely the case even during the highly praised post 9/11 growth period of 2001/2-2007/8.

It should be noted that the data on wages, drawn from the Pakistan Labour Force Surveys, are subject to a number of limitations. As a consequence, the extent of real wage stagnation, especially for lower income groups and unskilled labour, is understated. First, the data does not include the benefits that workers with permanent positions receive, which underreports the true gap in earnings between those workers and those employed on a contract basis or in the informal sector. Second, the consumption basket differs by income group and inflation is higher for lower-wage workers, but this is not captured in the data, leading to overestimates of real earnings for the lowest paid workers.

Finally, most of the jobs that have been generated in the post-reform period are not in the sectors in which real wages have risen, but in the low-productivity, informal sector. As can be seen from Figure 3, the percentage of the workforce employed in the informal sector has steadily climbed.

Unemployment has been on the rise as well. Although official data suggests that unemployment hovers around 6%, it is widely acknowledged amongst policy makers and academics that the official figures disguise vast and growing levels of underemployment and casual employment. Low unemployment figures do not reflect healthy labour market outcomes, but rather the absence of an adequate social safety net, which leaves the unemployed with no option but to accept inadequate jobs.

One can glean some information about levels of underemployment from the Labour Force Surveys, which report that 'vulnerable employment'¹⁶ ranged from 50% and 62% between 2001-2 and 2012-13. This shows that the majority of the labour force is not in secure full-time employment.

The share of ‘wage and salaried workers’, which represents those with stable jobs, has been consistently below 40%.¹⁷ According to Karamat Ali, Executive Director of the Pakistan Institute for Labour Education and Research (PILER),¹⁸ estimated unemployment amongst educated youth is around 45%. So much then, for claims of economic growth and successful job creation!

DEREGULATION

The pace of labour market deregulation has increased over time, in Pakistan.¹⁹ The Pakistani labour movement roundly criticized the Industrial Relations Ordinances of 2002 and in 2008 for being hostile to the interests of the working-class. The 2002 ordinance greatly reduced penalties for labour law violations by employers and revoked the right of wrongfully terminated workers to reinstatement.²⁰ The 2008 ordinance, which was the work of the newly elected Pakistan Peoples Party government, was crafted without any input from labour, and failed to address workers’ deep-seated concerns or grievances. Under the ordinance an estimated 80% of the workforce did not receive the protections of labor law.²¹

Perhaps the most vocal proponents of such liberalization have been the World Bank and the IMF. A 2006 report from the World Bank, for instance, called the ‘excessive regulatory burden [of] existing labor laws’ a critical factor holding back private sector job creation.²² Similarly, in a 2012 report, the IMF points out that “Improvement in labour market efficiency [defined by, amongst other things, ease of hiring and firing and flexibility of wage determination] is critical if jobs are to be created in the formal private sector.”²³

In keeping with this advice, in its 2003 Industrial Policy the government of the state of Punjab officially suspended factory inspections and allowed enterprises to police their own social security contributions.²⁴ A revised, country-wide Labour Inspection Policy passed in 2006 weakened oversight over factory working conditions in the nation as a whole and relaxed restrictions on working time, which were established as early as the West Pakistan Shops and Establishment Ordinance of 1969.²⁵ Needless to say, the deplorable work conditions present at Ali Enterprises in Karachi, where 259 workers were killed in a September 2012 fire, are not atypical in today’s Pakistan.

The recent passage of the 18th Amendment to the Pakistani constitution made labour a provincial subject, which has greatly muddied the jurisdictional waters and done little to improve matters for workers. Provinces were expected to pass their own ordinances to regulate industrial relations and this enabled Punjab to curtail unionization rights by excluding enterprises with fewer than 50 employees from the purview of collective bargaining laws.²⁶ In Sindh the rights of association were extended in 2013 to agricultural workers, but this is unlikely to change things in practice.²⁷ Under the new constitutional regime, the task of overseeing and enforcing existing labour legislation now falls to provincial bureaucracies, which lack the requisite capacity and resources. The signs, in short, are not promising for the workers of Pakistan.

PRIVATIZATION

Arguably the large-scale privatization of public enterprises has had the greatest impact on the labour movement in the past two decades. Until the 1990s the heart and soul of the labour movement lay in the public sector, where jobs were formalized, secure, and well-protected. But over the course of the 1990s and 2000s, many of these enterprises, ranging from banks to telecomm companies, were privatized.

The pretexts were often inefficiency and overstaffing. Overstaffing was said to put increased resources (labour) into areas of lower marginal productivity. Labour, it was argued, needed to be re-deployed to more profitable sectors, which would increase overall efficiency in the economy. Workers were promised retraining so that they could move to higher profit (and supposedly higher paid) sectors, but this retraining never materialized, and neither did labour-intensive, high productivity sectors. Between 1991 and 1998, employment in public sector corporations was halved.²⁸

Workers were also fired and then re-hired after privatization with lower wages and on temporary contracts. While unions in some sectors managed to put up some resistance and managed to extract better terms such as more generous severance packages they were too weak to prevent privatization.²⁹ The state was often brutal, cracking down ruthlessly on strikers and rallies and imprisoning protesters on all kinds of fabricated charges including terrorism³⁰.

Privatization and the lack of growth in the large scale manufacturing sector had wider effects on labour standards in general. Public sector jobs were permanent, secure, and better paid, with all the attendant benefits such as paid leave, sick days, etc. After the selling off of government enterprises, even large-scale private firms began to hire workers on a contract rather than permanent basis in order to cut costs and to prevent workers from unionizing.³¹ Anecdotal evidence suggests that in a typical, large factory, up to 85% of workers may be hired through as many as twenty different subcontractors.³² This has contributed to an ‘informalisation of the formal sector’ as subcontracting firms typically employ fewer than ten workers, and are thus not subject to formal labour law.

RURAL-URBAN MIGRATION

Other trends over the neoliberal period have exacerbated the plight of workers. Rural-urban migration, for instance, has increased the number of workers in cities, thus weakening their bargaining power. Pakistan has seen several waves of rural-urban migration. In 1951, 82.26% of the total population lived in rural areas whereas this figure dropped to 66% in 2008. This has put great downward pressure on urban wages.

There are many reasons for this migration. The introduction of green-revolution technologies in the 1950s and 1960s, pushed small producers and landless labour out of the rural areas. Industrialization in the 1960s and 1970s attracted labour from the countryside. Structural adjustment in the early 1990s dramatically reduced subsidies for the social and agriculture sectors, affecting health, education, social housing, employment and incomes. Finally, urban growth and massive speculation in real estate is depriving fishing, agriculture and other rural communities of their lands and means of livelihoods. In a related development, corporate dairy farming is resulting in large-scale evictions of tenants and share-croppers. More recently, the enormous rise in input prices (fertilizer, pesticide, etc.) has put severe strain on small landholders. This pressure comes as villages move from subsistence and self-sufficiency to a dependent, cash economy. Cash is an ever pressing need to pay utility, education and health bills, and agriculture does not lend itself to sustained cash flows like urban employment does.

GLOBALIZATION AND TEXTILES AND GARMENTS

The staggering levels of unemployment and consequent downward pressure on wages are not sufficient to keep Pakistani goods competitive in world trade. Pakistan's largest industry, textiles, is mobilizing a reserve army of women to further keep down wages in an attempt to maintain its position in the world economy. Textiles, along with garments, has, for the past several decades, remained Pakistan's most significant industry, attracting the highest share of total capital investment. It also accounts for nearly 38% of the total manufacturing labour force and contributes about 9% to the GDP. It is also consistently responsible for between 50 to 70% of the country's total exports.³³

Things changed dramatically for this industry in 2005 with grave implications for garment workers. The global quota regime established by the Multi-Fibre Agreement (MFA) had ensured that Pakistan had a guaranteed share of global garment exports in particular categories, such as cotton T-shirts. In 2005 this was phased out. The MFA had served Pakistan's garment industry well, giving manufacturers a measure of protection from cut-throat, race-to-the-bottom, global competition. With the abolishment of quotas, it was feared that business would flow out of Pakistan to countries such as China, India, and Bangladesh where suppliers could offer lower unit costs with quicker turn-around and better attuned to the supply chain.

In response to this threat, two major programmes sector were initiated to maintain the competitiveness of textile and garment manufacturing. First, piece-rates were replaced with a wage payment system centered on line work with a detailed division of labour involving the repetitive application of a narrow range of skills. Second, expensive male workers with less costly, more compliant females. Before 2000, nearly 700,000 workers were employed in the garment industry,³⁴ but only 10% were female.³⁵ Between 2005 and 2009 female employment had passed the 20% mark and is now thought to be close to 30%.³⁶ The advantages of using women workers were two-fold. First, while men working on piece-rate tended to be more independent, organized (albeit in informal social networks) and knowledgeable about their rights (and hence difficult to control), women were found to be far more docile and ignorant of their rights. Second, women were being employed at wages that could be half those of men. Indeed, the industry became one of the largest employers of women in a country where 78 out of 100 women are engaged full-time in unpaid family duties.³⁷

It is important to note however, that despite the weak bargaining position of workers in this industry (the number of registered trade unions in textiles went down from 335 in 1990 to two in 2008) and resistance from male/piece-rate workers, these changes were not rammed through via brute force. Multilateral agencies such as the United Nations Development Program (UNDP) ran elaborate and expensive campaigns to recruit female workers and legitimize factory-work for women in the women's empowerment and gender balance. It was through their recruitment and training of cheap female labour that Pakistan's textile and garment sectors were able to at least partly survive the shock of global competition.

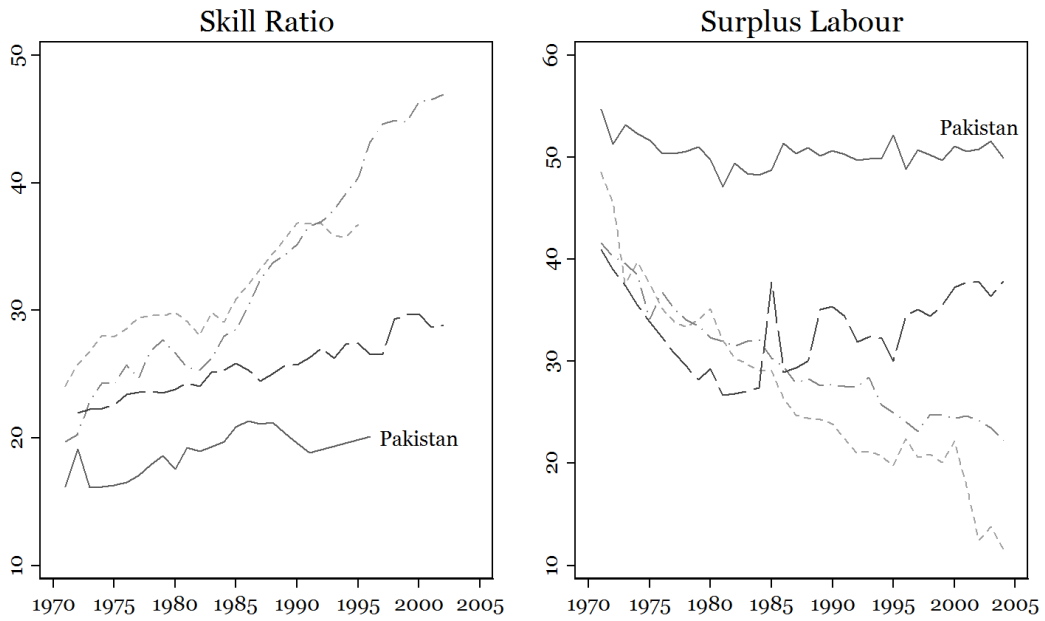
The stress that global trade has put on Pakistani textile and garment laborers is also reflected in surveys of the workforce. For instance, a 2010 PILER study of Karachi power loom weavers found that more than 90 per cent of the respondents were working 12-hour work days; 93 per cent did not have paid weekly holidays, and 99.8 per cent were not paid overtime wages. None of them had written contracts and only 0.5 per cent workers were in possession of a factory identity card. Only two out of 1,000 respondents were registered at the state-run Social Security Institution and Employees Old-age Benefit Institution.³⁸

CONCLUSION

The Pakistani labour movement, in short, has seen better days. While it was never as strong as its counterparts in other regions of the world, owing to Pakistan's particularly acute form of underdevelopment, unions and their members were an important political constituency in the 1960s and 1970s. The economic and political winds of the last three decades, however, have not been favourable. Today, the most noticeable political cleavages in Pakistan run along provincial and ethnic lines. While it is impossible to predict what the next decades hold, what is certain is that ordinary people have much to gain from the revival of class politics, the possibility of which does not, fortunately, lie entirely beyond their control.

Figure 1

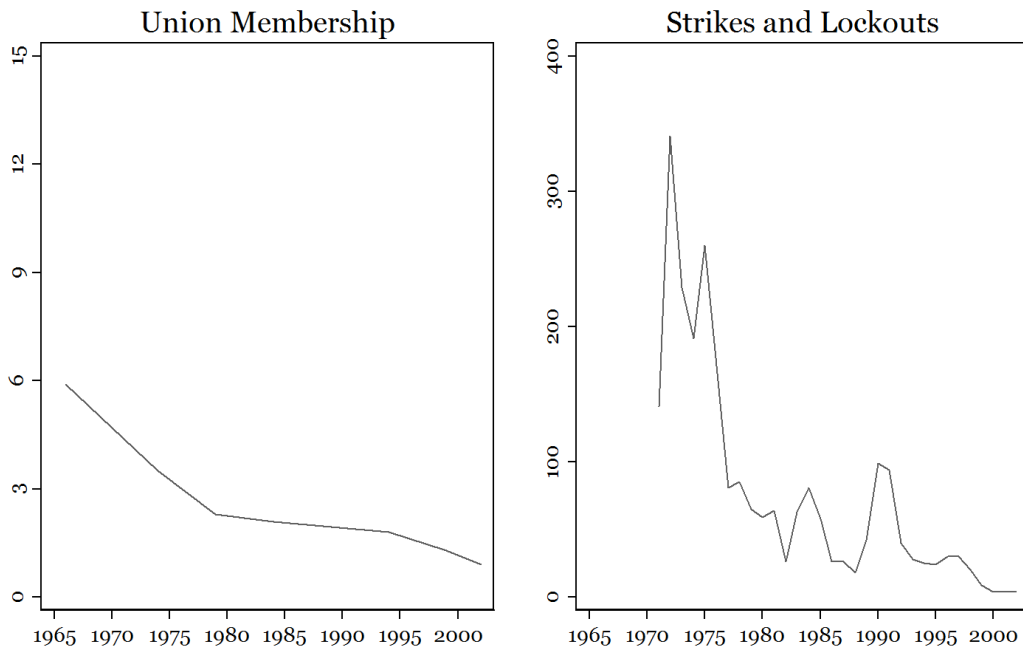
Conditions Compare Unfavourably to Brazil, South Korea, and South Africa



1. The skill ratio represents the percentage of the manufacturing workforce in high-skill occupations, as defined by Wood (1994).
2. Surplus labour is calculated as the proportion of the population aged 15-65 not active in the labour force or in educational institutions.
See Rudra (2002) for an extended discussion of these measures.
Source: UNIDO Database of Industrial Statistics; World Development Indicators.

Figure 2

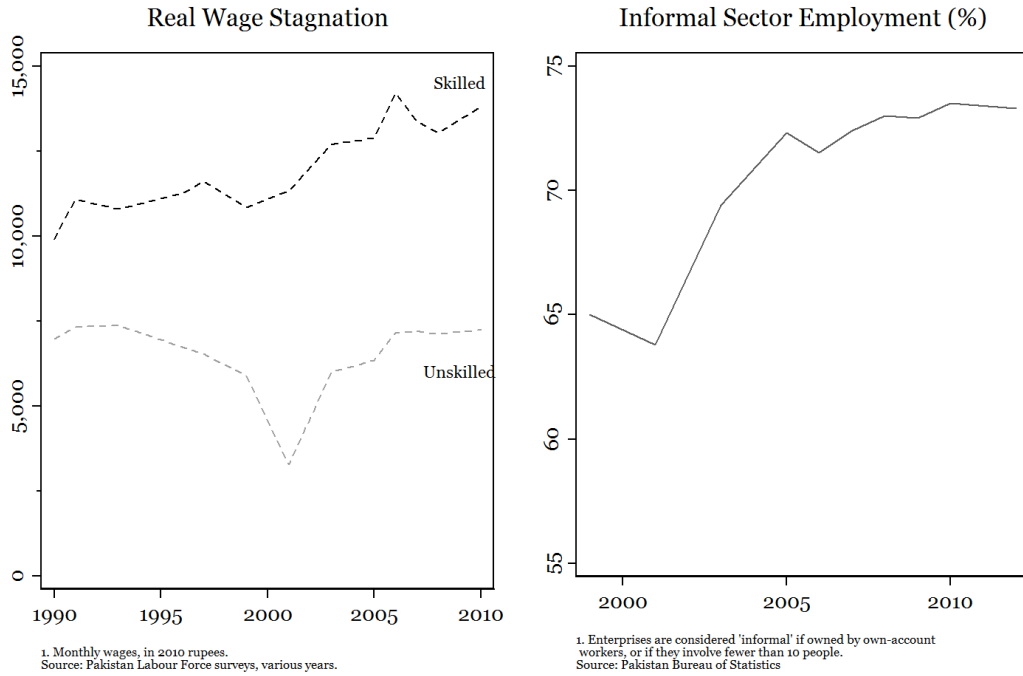
The Declining Fortunes of the Pakistani Labour Movement



1. Union membership is reported as the % of the non-agricultural labour force in unions
Source: Sayeed (2006); ILO Statistics Database

Figure 3

Labour Market Outcomes in Neoliberal Pakistan



¹The authors would like to thank Karamat Ali, Zeenat Hashim, Kamran Asdar Ali and Asad Sayeed for their able assistance with the research for this essay.

² Gay Seidman, *Manufacturing Militance: Workers' Movements in Brazil and South Africa, 1970-1985* (University of California Press, 1994); Margaret E. Keck, *The Workers' Party and Democratization in Brazil* (Yale University Press, 1995).

³ Sabur Ghayur, *Evolution of the Industrial Relations System in Pakistan*, Key Workplace Documents, International Publications (Ithaca: Cornell University ILR School, 2009), 24.

⁴ Tariq Ali, *Pakistan: Military Rule or People's Power?*, 1st Edition (Cape, 1970); Christopher Candland, "Workers' Organizations in Pakistan: Why No Role in Formal Politics?," *Critical Asian Studies* 39, no. 1 (March 2007): 35–57.

⁵ Ghayur, *Evolution of the Industrial Relations System in Pakistan*, 9–10.

⁶ Kamran Asdar Asdar Ali, "The Strength of the Street Meets the Strength of the State: The 1972 Labor Struggle in Karachi," *International Journal of Middle East Studies*, no. 1 (2005): 87–88.

⁷ Ghayur, *Evolution of the Industrial Relations System in Pakistan*, 25–26.

⁸ That said, much of this expansion was concentrated in the small-scale manufacturing sector. Large-scale enterprises and the textile industry did not do nearly as well. This, no doubt, helps explain the difficulties faced by the trade union movement in the late 1970s and 1980s, as well (See S. Akbar Zaidi, *Issues in Pakistan's Economy*, 2 edition (Karachi: Oxford University Press, 2006).

⁹ Asad Sayeed, *Pakistan: Country Background Paper on Trade Unions in Pakistan* (Karachi: Collective for Social Science Research, 2006), 13.

¹⁰ Candland, "Workers' Organizations in Pakistan," 41.

¹¹ IMF, *IMF Management Welcomes Pakistan's Reform Measures*, News Brief No. 97/4 (IMF External Relations Department, March 29, 1997), <https://www.imf.org/external/np/sec/nb/1997/nb9704.htm>.

¹² Zaidi, *Issues in Pakistan's Economy*.

¹³ See, for example, IMF, *Poverty Reduction Strategy Paper*, Country Report (International Monetary Fund, 2004); IMF, *IMF Country Report: Pakistan*, Country Report (International Monetary Fund, 2005).

¹⁴ Mohammad Irfan and M Ahmed, "Real Wages in Pakistan: Structure and Trends, 1970-1978," *The Pakistan Development Review*, no. Autumn-Winter (1985); Mohammad Irfan, *Pakistan's Wage Structure: During 1990/91 to 2006/07* (Islamabad: Pakistan Institute of Development Economics, 2008).

¹⁵ Irfan, *Pakistan's Wage Structure: During 1990/91 to 2006/07*; Faiz Bilquees, *Civil Servants' Salary Structure*, PIDE Working Papers (Pakistan Institute of Development Economics, 2006).

¹⁶ According to the Labour Force Survey, an 'own account worker' is a person who is self-employed, and who works on their own account with one or more partners, without any employee engaged on a continuous basis, but possibly with one or more 'contributing family workers', or employees engaged on an occasional basis. A 'contributing family worker' is a person who works without pay in cash or in kind on an enterprise operated by a member of his/her household or other related persons. The 'vulnerable employment' category in the LFS is the sum of 'own account workers' and 'contributing family members'.

¹⁷ Pakistan Bureau of Statistics, *Pakistan Labour Force Survey 2012-13: Annual Report*, November 2013.

¹⁸ Interview with Karamat Ali, August 26, 2014.

¹⁹ The World Bank has developed an index which evaluates countries based on obstacles placed in front of employers seeking to sack their workers (0 denoting that it is very easy, 100 denoting very difficult). According to Basu and Maertens, Pakistan's score is

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- 30 (Bangladesh is 20, and India is 90) (Kaushik Basu and Annemie Maertens, "The Growth of Industry and Services in South Asia and Its Impact on Employment," in *Accelerating Growth and Job Creation in South Asia*, ed. Ejaz Ghani and Sadiq Ahmed (New Delhi: Oxford University Press, 2009), 85).
- ²⁰ Sayeed, *Pakistan: Country Background Paper on Trade Unions in Pakistan*, 14.
- ²¹ PILER, *Labour Rights in Pakistan: Expanding Informality and Diminishing Wages* (Karachi: Pakistan Institute of Labour Education and Research, 2011), 93.
- ²² World Bank, *Pakistan Labor Market Study: Regulation, Job Creation, and Skills Formation in the Manufacturing Sector* (World Bank, September 2006).
- ²³ IMF, *IMF Country Report: Pakistan*, Country Report (International Monetary Fund, 2012).
- ²⁴ Ghayur, *Evolution of the Industrial Relations System in Pakistan*, 21.
- ²⁵ PILER, *Labour Rights in Pakistan: Declining Decent Work and Emerging Struggles* (Karachi: Pakistan Institute of Labour Education and Research, July 2010), 112; Ghayur, *Evolution of the Industrial Relations System in Pakistan*, 22.
- ²⁶ PILER, *Engaging with Labour: PILER Annual Report, 2013* (Karachi: Pakistan Institute of Labour Education and Research, 2013), 5.
- ²⁷ *Ibid.*
- ²⁸ Sayeed, *Pakistan: Country Background Paper on Trade Unions in Pakistan*, 16.
- ²⁹ Ali, interview.
- ³⁰ For instance, at least three central figures in the strike by the labour union of Pakistan Telecommunication Corporation Limited were booked on anti-terrorism charges.
- ³¹ Sayeed, *Pakistan: Country Background Paper on Trade Unions in Pakistan*; PILER, *Labour Rights in Pakistan: Expanding Informality and Diminishing Wages*.
- ³² Ali, interview.
- ³³ Zafar Altaf, *Challenges in the Pakistan Cotton, Yarn, Textile and Apparel Sectors*, IFPRI Discussion Paper (International Food Policy Research Institute, September 2008).
- ³⁴ US International Trade Commission, "Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers to the US Market," *Volume I, Investigation*, no. 332-448 (2004).
- ³⁵ Gopal Joshi, *Garment Industry in South Asia: Rags or Riches?* (International Labour Organization, 2002).
- ³⁶ Ehsan ul Haque, *Current Status and Prospects of Female Employment in the Apparel Industry in Pakistan* (United Nations Development Program Pakistan, 2009).
- ³⁷ *Ibid.*
- ³⁸ PILER, *Labour Rights in Pakistan: Declining Decent Work and Emerging Struggles*.