

# **Unions and Challenges**

## **An Analysis of the Pakistani Situation**

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The existing social, political and economic situation shows the lives of millions of people in the Third World have been negatively impacted by imperialist globalization and its three elements of liberalization, privatization and deregulation.

In a world where only **two competing political concepts** remain, the liberal and the social democracy, it is our ambition to promote the social democratic concept as the one that demands political decisions also in shaping the economic development and the one that strives for social justice. Social democratic principles say “justice needs equality” and justice cannot be restricted to equal rights and to equal start-up chances and leave the rest to the free play of the market forces. Justice in the social democratic sense needs the equality of life opportunities. Social justice demands equal access to all basic goods of the society so that the individual can really enjoy social recognition and self-respect independent of income and good fortune.

Therefore as workers we understand that we really need say **NO** to these free trade policies and **YES** to build a strong struggle and solidarity among workers around the world against exploitation.

### **Brief overview of economy, income distribution and poverty**

The decade of the 90's witnessed a significant slow down of **economic growth** in Pakistan. In the 80's the economy grew at the rate of 6.5% as compared to 4.6% in the 90's (with lowest of 1.7% in 1996-97). In the last financial year the economy recorded a growth of 3.6%. About 70% of this growth has come from the services sector, followed by manufacturing (21%) and agriculture (9%). Sectorally the economy is shared almost equally by the commodity-producing sector (49.1%) and the services sector (50.9%). The cumulative external and internal **debt** accounts to roughly 95% of the gross domestic product.

Compared to the overall performance of the economy, increase in **per-capita income** for the last 10 years has been practically stagnant, i.e., about average 1.3% annually. This speaks volume about the poor manifestation of the trickle-down paradigm and the highly skewed **income distribution** in favour of the rich (the poorest 20% of the people receive 6.6% of the income as against the share of richest 20% which is 47.8%). **Poverty** has significantly increased in the last decade. Compared to 18% poor in 1988-89, currently 40 % of the population live below the poverty line (that is not only they lack financial resources, but also lack access to basic needs such as education, health, clean drinking water and proper sanitation, thus marginalizing them in the employment market). Current **minimum wage** per month is US\$ 44.

**1988-89** constitutes a watershed in the political and economic history of Pakistan. Not only was it the year the country made the transition from military to civilian rule, it was also the year the country adopted the **IMF Structural Adjustment Programme**, followed by a range of neo-liberal policy shifts. Subsidy withdrawal under the IMF concomitant conditionalities in Pakistan (and whole of South Asia) has occurred in the case of food, fertilizer, irrigation, water and utilities such as gas and electricity. Since these goods and services constitute a relatively larger proportion of expenditures by the lower-income groups, there has been a greater impact on the real income of the poor relative to the rich. Similarly the cost of the products produced by farmers has increased due to the withdrawal of subsidies on fertilizer, irrigation water and pesticides, while they enjoy no compensatory gain from increasing prices of food grain. The

liberalization of import tariffs, an expansion of sales tax combined with the sharp withdrawal of subsidies on domestically produced goods and services and increased cost of production lowered the prices of imported consumer goods relatively to the price of domestically produced goods. This has been a significant factor in slowing down the growth of the domestic manufacturing sector, which, in turn, has increased unemployment. The IMF has imposed a **long list of conditionalities** before considering the request for loans. In addition to conditionalities on the political front, the conditionalities on the economic front include enlarging the tax base with a view to reduce the budgetary deficit, rationalization of utility charges by raising electricity, gas and other charges; levying of GST at retail level; imposition of agricultural income tax; reforming tax regime; wholesale privatization of state-owned enterprises accompanied by a massive lay-off of workers, settlement of private power projects issues, devaluation of currency; ‘curbing’ corruption, ‘revival’ of sick units etc. In pursuit of closing the fiscal and monetary gaps, the policy planners (or in fact **policy followers**) cut the social and development expenditures with ease and liberty. (See table 1 for the comparative performance of major economic indicators in the last two decades)

**Table 1: Major Economic Indicators: Pre-Privatization and Privatization Periods (annual averages)**

	GDP growth rate %	Manufacturing growth rate%	Investment % of GDP	Fiscal deficit % of GDP	Unemployment % of GDP
Pre-privatization 1981-82 to 1990-91	6.7	7.78	17.60	7.35	3.77
Privatization 1991-92 to 2000-01	4.35	4.88	17.83	6.56	5.66

Various issues of Economic Survey

In short, poverty and unemployment pose a **great challenge** to the economy. With stagnation in the industrial sector, the unemployment is showing no sign of improvement. The privatization and downsizing policy of the Government is further aggravating the unemployment situation. And if the country does not close its social gap, its long-term ability to grow economically, alleviate poverty and sustain its debt will be fundamentally compromised.

### **Population, Labour Market and Employment**

The population of Pakistan by the end of June 2002 is estimated at 143.4 million and **growing at 2.4%** annually (about one-third is urbanized). Of this roughly two-thirds (97.0 million) are aged 10 years and above (working age population), of which 41.5 million are found to be economically active and thus constitute the total civilian **labour force (42.8 %)**. **Females** constitute 6.5 million of the civilian labour force with a participation rate of 13.7%. However, probe based adjusted (self employed and unpaid family workers) female participation rate nears 40% (**three times** more than the traditionally worked out rate).

The total employed civilian labour force is 38.3 million (including underemployed) and a major portion of it is employed in private activities. 3.3 million or 7.9% are (open) **unemployed**. The highest employment generating sector is agriculture and its allied sector absorbing roughly half of the employed (48.4%), followed by services (14.2%), trade (13.5%), manufacturing (11.6%) and the rest are under double digit in other major industrial divisions.

The **informal sector** accounts for a significant portion of employment (where the majority of the workers are self-employed) outside the agriculture sector, 66% percent are in the informal sector.

That leaves roughly 6.5 million or **17.5 % employed in formal sector**. As for female employment concerned, agriculture absorbs 73%, followed by 18% in the informal sector and 9% are in the formal sector.

**Trade Union Situation:**

The nationalization of industries and other economic activities in early 70’s helped the growth of trade unions. The number of registered unions increased from 708 in the 60’s to 2,552 in the 70’s and 6551 in the 80’s, respectively. Correspondingly, their declared membership rose from 350,000 in the 60’s to 870,000 in the 80’s. Today about **8,000 trade unions** are registered in the public and private sectors and represent only about 1 million workers or **2.5% of the total labour force**. The total registered federations and confederations are 28 and 3, respectively (functional organisations number different). In the 1990s the percentage of organized workers was 6%. Unions are organized at plant level, enterprise level, in national centres and confederations. There are about 15 functional federations, 3 of them have nation-wide representation. The Pakistan Workers Confederation (PWC) is only one and the largest Confederation functioning at the national level. They have the 10 most important federations as members.

The reasons for the **decline in union membership** is massive privatization and downsizing (in the vicious process of privatization, downsizing and detachment that has taken place over the last 10 years more than 500,000 workers lost their jobs and are living below the poverty line), an anti-trade union drive by successive regimes and anti-union laws, the collapse of the old Stalinist trade unions and leadership, the policies of the IMF and World Bank, especially in the so-called structural adjustments, liberalization and lastly a series of capitulations by the leadership of the trade unions.

**Table 2: Impact of Privatization on Employment**

Areas selected for privatization	1991	2000	2002
Industry	90,000	30,000	29,000
Banking and Financial Institutions	100,000	85,000	71,000
Telecommunications	52,500	46,900	32,900
Electricity	165,000	134,000	130,000
Oil & Gas	13,500	-	10,000

APFOL, “Privatisation labour and employment” A Case Study of Pakistan, 2002

A 2000 ILO study of privatization in Pakistan drew an intriguing conclusion, it states, *“probably the worst time for privatization is when a country is implementing IMF stabilization programme”*. It adds that *“the utilities, such as power, railways and telecommunications should not be privatized unless it is ensured that they can be effectively regulated”*.

The Employees Settlement Accord of October 1991 has diluted the resistance of workers to privatization. The workers and their organisations have accepted it, as the alternative to forced retrenchment.

## **Repression Under Military Rule**

Pakistan has been controlled by the military for most of its history. The latest coup took place in October 1999 and Musharraf, Chief Executive (**a most unique political portfolio in the modern history of nations!**) and the Chief of Staff of the army, became President of the country in July 2001. The military government promised to transfer power to the civil government until October 2002, but the fact of the self-appointment of Musharraf as President shows that a civilian government will be able to function only under a military President. The control of the military has spread in various sectors (the current political impasse in Pakistan is largely the manifestation of the deep penetration of the **army in civilian affairs**).

In the past couple of years, registration of quite a number of trade unions has been cancelled, such as Pakistan International Airlines (PIA), Karachi Electric Supply Corporation (KESC) etc. In some other organisations, such as the postal department, the government has seriously curtailed and controlled union's freedom. At the beginning of this year the Government promulgated an Ordinance whereby the Government can dismiss or send on forced retirement any government official without an inquiry. The trade union movement of Pakistan strongly condemned this ordinance.

More recently, there has been a popular upsurge in the province of Baluchistan where more than one hundred trade union activists and members of the Civil Secretariat Employees Association (CSEA) have been arrested. The president and the secretary general of the union were arrested and have been severely tortured.

It is thus evident that contrary to those who saw in General Musharraf the makings of a "**liberal reformer**", the situation for democratic activists in Pakistan have, in fact, deteriorated.

Since the military take-over, serious (including life-threatening) impediments have been placed in the way of those fighting for workers' rights, or trying to mobilize democratic forces in Pakistan. As it is, workers in Pakistan are often intimidated when they try and organize any form of economic or political resistance.

It is true that **political parties** often fail to represent the interests of the common people, and more often than not, either bend to pressures from local business interests or neo-liberal elites more beholden to the agenda of foreign powers than local and national concerns. Neither can anyone seriously argue that Pakistan's military leadership is any less immune from Western imperialist pressures, or that it acts in the interests of Pakistan's poor and disenfranchised masses. If anything, it is quite the reverse, and that is why the US Pentagon and CIA have always preferred Pakistan's military regimes to Pakistan's democratically elected governments.

One can only hope that in spite of all odds, genuinely democratic forces are able to prevail over the forces of cynicism and deceit. The people of Pakistan have certainly suffered enough, and surely deserve better.

## **Organizing and collective bargaining**

Although trade union activists must combat legal (and extra-legal) constraints on their activities throughout the world, their situation in Pakistan has become particularly precarious since the last military coup.

Pakistan has **ratified the ILO Conventions 87 and 98**. Pakistan's Industrial Relations Ordinance of 1969 (IRO) provides for the right of industrial workers to form trade unions. Union organizers are subject to a variety of restrictions that hinder their activities and effectiveness. One of the laws that hinders trade union activities is the Essential Services Maintenance Act of 1952 (ESA) (which covers government services and state enterprises, such as energy production, power generation and transmission, the state-owned airline, and ports) and is usually invoked to limit or ban strikes, and is also used to severely curtail collective bargaining rights. Legally

required conciliation proceedings and cooling-off periods constrain the right to strike, as does the Government's authority to ban any strike that may cause "serious hardship to the community" or prejudice the national interest. The Government also may ban a strike that has continued for 30 days. Particularly egregious is how a worker's right to quit may also be curtailed under the ESA, which, critics have argued, constitutes a form of compulsory labour. This is of particular importance in a country where bonded labour—especially forced child labour—is a very serious issue.

In the past, the International Labor Organization (ILO) has stated repeatedly that Pakistan's current law and practice violate the Government's commitments under ILO Convention 87. The ILO has urged Pakistan's Government to lift prohibitions against union activity with respect to teachers, radio, television, railway, forestry, hospital, and other government employees, as well as to rescind the existing ban on strikes. Pakistani law is particularly hard on **agricultural workers** who are denied the right to form unions and are thus prevented from striking and bargaining collectively, or making any demands on their employers.

It is important to uncover another aspect of exploitation of trade unionism in Pakistan. The **Contract Worker System** prevails in most of the industries, either private or public organizations. The contract worker system holds very strong roots in our economy. The employers and multinationals are enjoying enormous benefits from the contract system by circumventing labour laws.

The majority of the workforce engaged in multinationals and other corporations is purely at the employer's mercy. The allowances and other admissible facilities are imaginary for hard working force. Being a contract worker they even have no privilege to form a trade union or participate in a referendum/election. So if the contract system continues to exist in industry, the awareness level of ordinary workers cannot be elevated. In many factories the bosses have formed their own **pocket unions**.

### **Forced Labour**

**Pakistan has ratified both core Conventions** regarding forced labour (No. 29 and 105). Even as both the Constitution and the law prohibit forced labor (including forced labour by children), enforcement has been very poor, and since the military takeover the situation has only deteriorated further. The Bonded Labor System (Abolition) Act, adopted in 1992, outlawed bonded labor, canceled all existing bonded debts, and forbade lawsuits for the recovery of existing debts. However, the provincial governments, which are responsible for enforcing the law, have failed to establish enforcement mechanisms and the law is largely ineffective.

Bonded labor is common in the brick, glass, and fishing industries and is found among agricultural and construction workers. In some parts of rural areas of the country landlords keep private jails for bonded labourers who try to escape a life working for nothing to repay a "debt" which may have been incurred by their parents. There are at least **2.5 million people in bonded labour**, according to a report recently published by the ILO.

The practice of bonded labor in agriculture compounds the problem. A UN meeting on slavery (24 May 2002) issued a depressing report on the status of bonded agricultural workers:

*"According to research carried out for the Government of Sindh and the Asian Development Bank there are some 1.7 million landless agricultural workers (haris) and sharecroppers in five districts of Sindh Province (Thatta, Dadu, Badin, Mirpurkhas and Umerkot). The report notes that most of these people are in debt bondage.*

*In theory, all bonded labourers should have been freed under the Bonded Labour System (Abolition) Act, 1992 and those responsible for keeping them in bondage should have been prosecuted. However, in practice the political and financial strength of the landlords in Sindh Province allows them to continue using bonded labourers with impunity. Some landlords have even successfully filed charges against bonded labourers with the police, leading to the imprisonment of some 40 haris.* (Excerpts from the UN report filed in Geneva, 27-31 May 2002)

What is most **shocking** is how one of the High Courts (on 9 January 2002) dismissed 94 petitions for the release of bonded labourers declaring that they were disputes between landlords and *haris* (bonded labourers) over debts and should be settled under the *Sindh Tenancy Act 1950*. Since this judgment was announced, new petitions for the release of bonded labourers filed in the Sindh High Court have also been rejected.

These court decisions are part and parcel of a political environment that has become increasingly repressive.

### **Child Labour**

Child labor is common and results from a combination of severe poverty, employer greed, and inadequate enforcement of laws intended to control it. **Pakistan has ratified Convention 182 but not 138.** A government study done with the assistance of the ILO estimates there are some **3.6 million child laborers** between the ages of 5 and 14 years (about 8 percent of this population group) in Pakistan. While much of the child labour is in the traditional framework of family farming or small business, the employment of children in larger industries is also widespread. Child labor is widely employed in the carpet industry, much of which is family-run. Children have also been employed in other export industries, such as textiles, leather tanning, surgical instruments and sporting goods, though the extent is unclear. In 1998, the government made significant efforts to improve enforcement of laws against child labor and is cooperating with the ILO on a range of programs with the goal of eliminating child labour. It has also encouraged the establishment of an independent Child Welfare Foundation designed to rehabilitate child labourers and to oversee child labour-free certification programs.

### **Discrimination and Gender Aspect**

The Constitution of Pakistan guarantees women fundamental safeguards and declares that all citizens are equal under law and that there shall be no discrimination on the basis of sex. **Pakistan has ratified both Core conventions on discrimination** (NO. 100 and 111). However in practice neither the Constitution nor many of the features of Islamic jurisprudence are implemented.

Women work in significant numbers in fisheries, garments, electronics, pharmaceuticals, food and beverages, cosmetics, brick kilns and agriculture, home based work. One survey of women in Lahore showed they were engaged in sewing, embroidery, food preparation (for the market), stringing flowers, assembling plastic toys or other assembly work. Sometimes this is within the context of a family business, but frequently, women are at the mercy of “middlemen” who will withdraw all work if they ask for more money. Only a tiny fraction of these women are in the trade union movement.

The vast majority of women workers are in the informal sector, though they are often not recognized as workers. Many are home based workers, as gendered expectations of space have an ideal of protecting women's “*respectability*” through *purdah* (veil).

The **trade union movement has practically ignored women workers** in either the formal or informal sector. When foreign organizations like GUFs and FES specify women’s programmes,

then unions will comply; but generally, they do not prioritize women workers' needs. As participation in trade unions is seen as being in the public sphere this attitude has been an obstacle to women's participation in unions.

## New Labour Policy and Laws

The fifth labour policy of the country was announced last September after a lapse of thirty years. It lays down principles and an action plan for reforming labour and the industrial situation in the country. A few important points are discussed here.

### 1. Bilateralism

The new labour policy describes bilateralism as its core element. About two years back employers and trade unions formed a Workers' Employers' Bilateral Council of Pakistan, **WEBCOP**. This is a unique development in South Asia, where traditions of government involvement, even interference, in industrial relations are very strong. This indicates a new climate of mutual trust, which has been lacking so far. Trade unions have recognized the need for employers to make profit, and employers have agreed to respect the right to organize. Social dialogue can now move beyond issues of industrial relations to a wider agenda including how both sides can support the rights of those outside the trade union structure of the formal labour market, contract workers and home based workers. WEBCOP has been able to establish a great deal of confidence and trust between workers and employers and the Government has duly recognized the role and potential of the Council. In fact the Council is now the key forum with which the Government consults on industrial relations issues. In the last two years the Government, with the assistance of WEBCOP, was able to announce a new minimum wage, new measures of labour welfare and labour policy and is presently in the process of consolidating and making new labour laws. The FES Pakistan Office has been supporting WEBCOP's activities. In the first two years we supported it in establishing their chapters in major industrial centres and organizing their meetings and seminars on the importance of WEBCOP initiative. Soon we are having a joint planning meeting with WEBCOP. The ILO local office has promised to participate in the meeting and is prepared to extend technical and financial cooperation. One of the main areas of our work with WEBCOP will be to develop bilateral codes of conduct at the plant, industry and national level. Joint training programmes of workers and employers on new labour laws will be another area of focus and we would like to bring in the new tools of promoting good labour practices in these programmes.

### 2. Consolidation of labour laws

The complexity and overlapping of labour laws in Pakistan have contributed adversely to labour and industrial relations and there is a felt need from all sides that re-organization of existing labour laws is an essential part of reformation. Workers and employers fully endorse to consolidate the existing laws. The new labour policy proposed to rationalize existing laws into the following **six basic laws**:

- i. Industrial relations,
- ii. Conditions of employment,
- iii. Payment of wages,
- iv. Human resource development,
- v. Occupational safety and health and
- vi. Labour welfare and social protection

The new law on industrial relation has already been promulgated and is to be announced. There are major improvements in terms of coverage, clarity, rights and responsibility of employers and workers, and the promotion of social dialogue. The law, if enforced properly, will certainly strengthen trade unions and their national centres.

There is also a review of the laws affecting women, being undertaken from a positive pro-women's rights perspective.

A proposed comprehensive law on occupational safety and health, to replace the outdated Factories Act (1934) and Mines Act (1923) and to extend coverage to all economic sectors, is under process of formulation. It must be pointed out, however, that no South Asian country has such a comprehensive legislation process at the moment.

A working paper on social security and labour welfare suggests that the Government is looking at reform of social security, including ways of making provision more widely available.

### 3. Elimination of Child Labour and Bonded Labour

By ratifying the ILO Convention 182, Pakistan is obliged to enhance age limits to 18 years in respect to worst form of child labour for entry into the labour market. National Action Plans for combating child labour and Abolition of Bonded Labour are under way. The work on a law on conditions of employment is under way and the WEBCOP has already suggested its suggestions to the Government.

## **Conclusion and Recommendations**

We do need to be realistic. While the current situation offers more than the labour policies of the previous governments, the gap between intention, legislation and enforcement in Pakistan is usually very wide. An example would be the interval between the Bonded Labour Act, passed in 1992, and the gazetting of rules in 1996 and then further delay before setting up the Vigilance Committees charged with enforcing the act and rules at local level.

Nevertheless, there is now a window of opportunity for a public debate and a powerful statement on the rights of some of Pakistan's most vulnerable people.

The lines of action which we have adopted and want to continue in Pakistan are the following:

### 1. Enlarging the canvass

The freedom to organize is the most fundamental right that guarantees other civil freedoms. Anything but deemphasizing the significance of the motto 'organizing the unorganized', the question is what our unions do or more importantly what should they do? The struggle to reach near the desired motto can't be won tomorrow. Shall we wait or can we do something for those who lie at the 'bottom of the heap'? In other words, can we help the vulnerable working people including organized (covered by law) and unorganized (not covered by existing labour law, and that includes women workers, bonded labour, child labour, home based workers, contract and casual labour, workers in EPZ etc.)?

Hence, any strategy must not exclude political empowerment of the unions through:

**Articulation of Interest:** professional and pro-active advocacy by capacity building (in the economic sector, the social sector, on labour rights, minimum wages and social security, enhancing the resources and capacity for advancing the interest of whole working class and not just for brothers and sisters in trade unions)

**Right-Based Inclusive Approach:** Networking across the interest groups (civil society including political parties, right-based NGOs, consumer groups, media, lawyers' bodies, parliamentary committees). The big question today is how markets can be reconciled with democracy and social stability. The answer lies largely with the civil society. In this sense, trade unions do not merely represent workers; they are a major representative of civil society and as such they have a special responsibility. Together with business, they are unique among social actors in combining size, organization, accountability and direct involvement in the production and distribution of the wealth of nations



**Unity is Strength:** Improving coordination within the committee of trade union across the geographical lines (both horizontal and vertical). For instance, at the national level it would be an appropriate time to form national chapters/bodies of GUFs' affiliated unions (wherever they don't exist), redoubling the efforts of bringing the national centres of unions (federations) closer

## 2. Existing and Alternate Labour tools

Speeding the efforts on the development of training material and programmes (user-friendly) in local languages or on a variety of subjects after assessing the needs, training of trainers, publicity material, special attention to those tools which are specific and directly relevant to the countries and regions (for example PRSP in case of countries participating in IFIs' programmers). There is a growing awareness of the consumer-led pressures for labour rights. Country or situation specific ownership of these ideas should be investigated, in particular the monitoring aspects.

## 3. Social Dialogue

Supporting and initiating the dialogues with employers' bodies at national, regional, and, particularly, local chambers. The importance of joint information and training seminars with employers should not be overlooked.

### **Finally,**

it is essential that development policies should not be biased against the workers. Policies need to be implemented to promote growth in the urban-informal and rural sectors. But as mentioned above that position of discrimination against workers in Pakistan is the result of a deep-rooted socio-cultural environment. Therefore, their restoration is not amenable to a shortcut, but instead requires sustained and concerted efforts, well coordinated and properly integrated.

Trade unions in Pakistan deserve and need the backing of the entire international trade union movement.