

Executive Summary

Introduction

Pakistan's economy and society have evolved considerably since the time the country gained independence in 1947. Primarily an agrarian and rural country at the time, a fair amount of structural change has led to the development of large services (contributing to 50% of the GDP) and manufacturing (contributing to 25% of GDP) sectors.

An overview of Pakistan's historical trajectory reveals the economy is marked by the 'spurts of growth syndrome', unable to sustain high growth rates over time, while social development indicators are low compared to countries with similar levels of per capita income. On the political front, Pakistan has been ruled by the military for a large part of its history while, during civil governments, the polity has been marked by authoritarianism.

It is in this context that trade unions in Pakistan function. While state-trade union relations have generally been adversarial, with the expansion in the service sector and industrial activity, the potential for organisation has increased. The trade union movement faces constraints from the processes of liberalization and privatisation in the economy as well as from the authoritarian political culture. However, through innovation in organising and broadening its vision in terms of including unorganised workers, trade unions can play an effective role in advocating social justice in the country.

The Pakistan country background paper is divided into six sections. The first section provided a comprehensive review of the socio-economic situation of the country. The second section examines the structure of the labour market and the regulatory environment for labour. Section 3 provides an overview of state-labour relations from independence to the coming into power of the present regime in 1999. Section 4 discusses contemporary concerns of labour while Section 5 describes the current context in which trade unions must operate. Section 6 then assesses the strengths and weaknesses of PILER and APTUC, the two recipients of trade union funds from the Netherlands.

Section 1. Socio-Economic Backdrop

This section discusses the social and economic indicators of Pakistan. Part 1 of the section adopt a chronological approach to discussing the macroeconomy while Part 2 takes a comparative view of social indicators in Pakistan and countries in the region with similar income levels.

Part 1: Macroeconomic changes have an important direct and indirect impact on the labour market overall social development of the country. In light of this observation, a discussion follows, elaborating on economic indicators over time, in Pakistan.

1.1.1 'The Decade of Development' in the 1960s

Pakistan, essentially an agricultural economy, went through a turbulent decade (during the 1950s) following independence. The decade of the 1960s registered impressive growth (6.8 % annually, on average) while the economy diversified, as agriculture's share in GDP fell from 46% to 38% while manufacturing's share more than doubled. The state re-allocated resources from agriculture to industry, through public investment as well as creation of large rents for the manufacturing sector. Agriculture was also mechanized by state initiative. A large part of the development achieved was a product of heavy amounts of US and international aid (10% of GDP) received by Pakistan, owing to its perceived geo-strategic importance at the time.

Ayub's growth policies have been criticized for the regional imbalances and social dislocations they created. Uneven development between the Eastern and Western wings of the country and prioritisation of industrialization over agriculture were the main reasons for discontent.

1.1.2 The Bhutto Years (1971-77)

Zulfikar Ali Bhutto and his PPP were elected into power in 1971 on the basis of a populist agenda. As promised by Bhutto, nationalization of several industries took place as did land reform. Land reforms did little to break landholders' power. The period was characterized by a deceleration in GDP growth rate (to 4.2%); agriculture and manufacturing sector growth also fell while the services sector registered growth. The composition of investment changed drastically in favor of public investment as heavy industrial programs were initiated. Consequently, the fiscal deficit rose. Despite the dismal performance of macroeconomic indicators, there is evidence that inequality and absolute poverty decreased during the period.

1.1.3 The Zia Years (1977-88)

General Ziaul Haq assumed power in 1977 through a military coup. Economic growth revived as private investment, encouraged by Bhutto's exit, rose and the country, once more began to receive foreign aid due to Pakistan's geo-strategic importance in the Afghan War. Furthermore, a number of investments made by Bhutto's government gestated in this era, adding to economic health. Zia did not reverse the previous regime's nationalization and thus fiscal deficit continued to accumulate. When Pakistan's geo-strategic importance waned, after Zia's demise, economic development witnessed in his regime, proved to be unsustainable.

1.1.4 The Democratic Governments (1988-99)

For the next eleven years, the country was ruled by democratic governments, punctuated by small interruptions. In 1988, an IMF Structural Adjustment agreement was signed. The programme's injunctions were reduction of fiscal deficit, liberalization of trade and privatisation. Thus, the salient reforms of this era included complete and partial liberalization of the current and capital accounts, removal of subsidies and administered prices, deregulation of investment decisions, reduction in import tariffs and large scale

privatisation. Economic growth fell to 4.5%, inflation rose and public and private investment, both fell. The most serious problem, however, was that of balance of payments; share of debt servicing to foreign exchange earnings rose from 29% in 1993 to 38% in 1997. In order to meet its financial obligations, the government frequently had to turn to the IMF for funding, which negatively impacted Pakistan's credit rating and the conditionalities imposed on lending.

1.1.5 The Musharraf Dictatorship (1999-the present)

By dividing this era into the pre- and post- 9/11 periods, a better understanding may be gained. Prior to 9/11, economic growth and investment were decelerating, while the balance of payments situation worsened; the fiscal deficit showed improvement as public expenditure was slashed. After 9/11, as Pakistan became a U.S ally in the war on terror, foreign aid has begun to flow in again while debt has been restructured; foreign remittances have also gone up. Consequently balance of payments crisis has been resolved for the present while overall economic growth has revived to 6.1%. However, economic growth is considered unsustainable, as it is largely demand driven.

Part 2: This portion of the paper discusses social indicators in Pakistan, in the context of Easterly's work on the 'Social Gap'. Easterly defines the social gap as the lag between relatively high levels of economic growth and low levels of social development; Pakistan, when compared to other countries with similar income levels, lags behind in terms of social indicators.

Education

Pakistan, when compared to countries with similar income levels, registers 24% more illiteracy and 20% lesser gross enrolment rates. Compared to other countries in the region (most of which have similar incomes), Pakistan ranks lowest on the Human Development Report Education Index (for the year 2003). In terms of gender disparity, Pakistan has 32% more illiterate women than countries with similar incomes. Differences exist in education levels between urban and rural areas as well as between various regions.

Health

Pakistan's performance on health is comparable with that of other countries in the region but given that the South Asia region suffers from poor health indicators, there remains cause for concern. When compared to countries with similar income levels, Pakistan registers 11% more babies born with low birth weigh, 27% more infant deaths per 1000 and 2.1% lower contraceptive prevalence rate. Pakistan does poorly relative to similar income countries in maternal mortality terms.

Social Protection

Social protection refers to provision for 'maintenance of at least basic levels of income for those whose direct earning capacity is lost or interrupted by reason of such

'contingencies' as sickness, injury and disablement, and old age.' In Pakistan there are three main social protection schemes. The first, Provincial Employees Social Security Scheme and the Employees Old Age Benefit Institution (EOBI) is government-run, providing benefits to employees or retirees of formal sector organization employing ten or more workers. The second, Zakat and Food Support programmes, government-run, provides support for those who are outside the labour force and are 'poor and indigent'; its funds derive from taxes on savings and government grants. The last category of social protection is through private informal wealth transfers in the form of private provision of zakat, *sadqa* and support provided on the basis of familial, kin and *biraderi* based linkages. The last category is reported to have provided the bulk of social protection expenditure; while the former two categories are limited in terms of their funds.

Section 2. Labour Market Trends and Existing Regulatory Framework for Labour

This section expands on the realm of work and its regulation in Pakistan. Section 2.1 analyses trends in the labour market while Section 2.2 lays out the features of the regulatory framework that governs employment contracts and working conditions.

2.1. Labour Market Trends: The Labour Force Survey defines a member of the workforce as one who is over the age of 10 and who has worked for at least one hour during the reference period or was unemployed but seeking work. Thus, the labour force participation rate in July-December 2005 was 46.9% of the population. Participation rate for males was 72.7% and for women, 2.2%

Definitions of Unemployment and Underemployment

In Pakistan, there exist side by side modern industrial and service sectors and casual work arrangements, giving rise to a variety of kinds of employment. So, while the unemployment rate is 6.5% in 2005-06, the fact that several kinds of employment disguise underemployment (working even an hour in the reference week constitutes being employed), the employment figure needs revision.

Different Forms of Employment

Within the employed category, as at the 3rd quarter of 2005-06 the following break-up exists: employees (37.2%), self-employed (34.9%), employers (0.9%) and unpaid family help (27%). Each of these categories contains a wide variety of employment relations and conditions within them.

Education Attainment and the Labour Force

Persons having acquired education levels of Matric and above constitute a smaller proportion of the unemployed and underemployed than those without. Furthermore data suggests that, as the literate are over represented among the unemployed, often, the unemployed can afford to be unemployed for longer periods to search for good terms of employment; while the underemployed, where the illiterate are over represented, cannot

sustain long periods of unemployment and hence resort to less productive levels of economic activity.

Contractual Variations Across Different Sectors of Economic Activity

According to a sector-wise division of the employed as at the third quarter of 2005-06, agriculture provides the greatest share of employment (44.1%) with community, social and personal services (14.1%), wholesale and retail trade and restaurants and hotels (14.3%) and manufacturing (13.7%) following (in that order).

Agriculture

Agricultural employment (according to 1990 data) comprises largely of family workers (almost 75%), tenant farmers (24.7%), permanently hired wage labour (2.36%) and casual labour (less than 1%). Since the onset of the green revolution, poor tenant farmers have faced eviction due to the new system of cost-sharing. However, the tenancy arrangement is expected to perpetuate given the risk-sharing and labour-monitoring mechanisms inherent in it. Wage labour remains, as most land holdings are too small to sustain hired labour. Agriculture falls outside the ambit of all labour laws.

Non-agricultural Sector

Within the non-agricultural sector, there exist a greater variety of contractual arrangements. While the public sector, till recently, has been characterised by permanent employment, within the private sector there exist six main types of contractual arrangements: permanent, contract, casual, piece rate, unpaid family help and self-employment. Other than permanent, none offer employment benefits or protection.

Large Scale Manufacturing

Two important contractual arrangements operate in the sector; permanent and contract. While labour laws apply to permanent employees, providing them with employment benefits and security and the right to form unions and collectively bargain; contract employment, which is becoming the dominant form of employment, is not covered by any labour laws, so that workers gain neither employment benefits and security nor the right to form unions and bargain collectively.

Small Scale Manufacturing

There are three main areas where small scale manufacturing can be seen to operate: the market for the poor, sub-contracting for the formal sector and the export market. Employment in all these markets is characterized by a lack of legal protection and security as the sector is beyond the ambit of labour laws.

Construction

Being dominated by the informal private sector, construction offers no employment benefits or security to workers; usually workers are paid daily wages.

Wholesale and Retail Trade, Restaurants and Hotels

Dominated by the private sector, the main contractual arrangements are time-rate wage employment or self-employment, while unpaid family help also exists.

Community, Social and Personal Services

The public sector is the dominant player in this area (including armed forces, law enforcement agencies, public health and educational facilities) and permanent employment is the major contractual arrangement; however, in recent years a move towards contractual employment, with reduced benefits, has been observed and is considered likely to gain more importance. Private sector employment consists of domestic help, janitorial staff, guards, drivers, doctors, teachers, etc.; non-permanent employment dominates.

Transport and Communications

The private sector dominates this area and is largely concerned with road transport. Employment is characterised by its informal nature, time-rate wage payment and a lack of employment benefits or security.

Banking and Insurance

Till 1991, this sector was dominated by the public sector; however, since the removal of barriers to entry, the private sector has come to comprise a large portion of the sector. Employment is permanent or based on long-term contracts.

2.2. The Legal Protection Framework: There are four laws governing worker protection. The Factories Act 1934, The Shops and Establishment Ordinance 1968 and The West Pakistan Industrial and Commercial Employment Ordinance 1968 cover working and employment conditions at commercial and industrial establishments. The Industrial Relations Ordinance 2002 deals with union-making and collective bargaining rights. As the laws exclude agriculture (even though the Constitution of Pakistan outlaws discrimination), only 25% of the workforce benefits from them.

Agriculture

Labour laws do not apply to agricultural labour. While wage-labourers are completely unrecognised by law, the tenants are legally recognized in the Tenancy Laws. 'Titled

Tenants' that is those were recognized as sharecroppers (and their descendants) at the time of the law's promulgation are protected from eviction; however, in the absence of a court to settle land disputes, all tenants exist as 'Tenants at Will' and are vulnerable to eviction. Women, by law, are excluded from the 'Titled Tenants' category.

Wage Labour and Bonded Labour

Wage labour is unrecognised, while bonded labour continues to prevail despite being outlawed by the Bonded Labour Abolition Act 1992.

Industrial and Commercial Sectors

All the labour laws apply to this sector. While the laws, in theory, are supposed to cover the entire sector, their scope is limited due to the increase in contract employment, the clauses about the minimum number of employees for laws to be applicable and the non-enforceability of the laws in small organizations.

Public Sector

Employment is regulated by the Civil Servants Act 1973, the Essential Services (maintenance) Act 1952 & 1958 and several Federal and Provincial "Efficiency and Discipline Rules". Permanent and secure employment and adherence, to a large extent, to labour legislation characterise this sector. Unionisation is most advanced and the government has checked this activity through the Essential Services Act. Despite this, the public sector remains the most secure and viable form of employment, though liberalisation, since 1991, has led to a move towards temporary forms of employment.

Section 3. Historical Overview of State-Labour Relations in Pakistan

Pakistan inherited a paternalistic labour regulatory framework from the colonial government, which sought to provide protection while controlling labour. While ratifying ILO Conventions allowing labour to organize and bargain collectively, the post-independence government promulgated the Essential Services Act, enabling the government to usurp labour's power to organize in parts of the public sector. In 1952-53, an ILO fact-finding mission expressed concern about the difficulties faced by trade unions; consequently, Pakistan's first labour policy was formed.

Ayub's Regime

Industry was fraught by strikes in 1959. Ayub's military regime passed the Industrial Disputes Ordinance 1959, which outlawed strikes, reduced labour's power to organize or collectively bargain, banned 'outsiders' from being part of unions and instated a system of compulsory adjudication. Barely, a year after this, a movement spearheaded by students and labour overthrew the Ayub regime.

Yahya Regime (1969-71)

Yahya held a Tripartite Labour Conference where representatives of government, employers and workers met. While labour was hopeful, the resultant Industrial Relations Ordinance 1969 was a re-hash of the old one, increasing the number of industries excluded from organization, endorsing existence of more union than one in an industry, establishing election procedure for a sole bargaining agent and outlawing strikes. Labour continued to strike; reading the mood of the country, Bhutto raised the slogan, *roti, kapra, makan* (bread, cloth, shelter), and won over labour leaders.

The Bhutto Years (1971-77)

Bhutto, for political reasons, could not let industry decline, while appeasing labour. Thus, after an initial reinstatement of workers who had been retrenched during military regimes, Bhutto reined in the labour movement by outlawing 'encirclement', a popular labour tactic. Labour disobeyed and in June 1972 police opened fire upon workers encircling a textile mill; three workers were killed. A Tripartite Labour Conference was held in 1972. Labour's recommendations were disregarded and the Industrial Relations Bill of 1974 declared the government's intent to check multiplicity of unions, punish 'corrupt' union leaders as well as non-union members who were involved in unfair labour practices and increase the power of the Registrar of Trade Unions, a government official. All of these amendments served to increase the arbitrary power of the State viz. labours' right to organize.

The Zia Regime (1977-88)

This regime meted out harsh treatment towards labour; unions were banned, labour denied its rights and corruption rose in the labour judiciary.

The Democratic Governments (1988-99)

Although deregulation and privatisation was introduced in the period, imperilling labour, the democratic governments did little to protect labour. In fact these governments set up Special Industrial Zones and export promotion schemes whereby certain enterprises were exempt from labour laws. Several industries' workers were denied the right to organize by amendments.

Section 4. Contemporary Issues in State-Business Relations in Pakistan: The Curtailment of Musharraf Years (1999-present)

While in the past, due to popular pressure, neo-liberal policy and its direct ramifications for labour were tempered; in the last few years, as democratic rights have been curtailed, economic policy has moved towards neo-liberalism with impunity.

IRO 2002: Workers, unhappy with the IO 1969 pressed for legislative reform and, finally IRO 2002 was passed. Workers are still unhappy with it for a number of reasons; the

number of industries excluded from the right to association has increased, IRO 2002 allows for only industry-or nation-wide unions and; employers are given full rights to hire and fire workers at will, without fear of punishment while the disincentive for labour to engage in trade union activity has increased. Amendments to IRO are pending.

Anti- Labour Legislation in the Finance Bill 2006: In an allegedly unconstitutional manner, the government has passed labour legislation as part of the Finance Bill, increasing daily working hours from 8 to 12, increasing duration of overtime work, creating a new category of ‘contract workers, not entitled to compensation for overtime work and allowing employers to make women work for two shifts instead of one.

Section 5. Economic Liberalization, Informalization and the Future of Trade Unions in Pakistan

The structural and policy environment in which trade unions function provides the basis to discern the nature and direction that trade unionism is to take in Pakistan. It is evident that the environment is not propitious for trade unionism given the post cold war wave of ‘globalisation’ and that changes in both production and organisation technologies have abetted the process of shifting the balance of power more decisively in favour of capital.

5.1. Rising Trend of Informalization and Segmentation in the Labour Force: The onset of globalisation and the ensuing adoption of economic liberalization (1988 onwards) as policy framework by the Pakistani government have adversely impacted the labour force. Informalisation has gained momentum, having implications for labour

Privatisation and Downsizing

In an attempt to reduce the fiscal deficit and improve efficiency, privatising of state industrial enterprises and downsizing of other government departments has begun. 85% of state industrial enterprises had been privatised by the mid 1990s and downsizing has led to public sector employment having almost halved between 1991 and 1998. These trends are expected to continue. The implications for labour are unemployment and recruitment on a contract basis rather than permanent.

Deregulation Leading to Informalization

Following deregulation, gas and electricity prices have risen and pressures of competitiveness, too, have risen since the lowering of tariffs on imports. In order to reduce the wage bill, private firms have become capital-intensive and have begun hiring workers on non-time wage based casual arrangements. Also, Export Processing Zones exempt enterprises from observing labour laws.

Technology Aiding Informalization

The introduction of divisible machinery, in certain capital- and skill- intensive areas, has facilitated ‘batch production’ and the breaking down of production into distinct tasks.

Thus the incentive to hire a permanent workforce has decreased and increasingly, production is sub-contracted, casualising labour relations. In the labour intensive production of cheap and low-quality consumer goods, sub-contracting work into household is common; wages are piece-rate offering no protection or benefits.

Segmentation in the Labour Market

The Pakistani labour market is characterised by segmentation; employers favour or discriminate against individuals on the basis of factors such as gender, kinship, ethnicity and caste. Union formation has been impacted by this segmentation. As individuals have found it advantageous to identify with the exclusionary social norms of their social groupings, unions instead of retaining their inclusive, labour-centric identity potentially become parochial.

5.2. Sink or Swim: Trade Unions Will Have to Organize and Innovate: From what has been outlined, the disconnect between trade union practice and prevailing socio-economic conditions appear profound. As the bulk of the labour force is informal and casually employed, organization has to be centred around this group rather than permanent workers. Furthermore, in a milieu where legitimacy has to be established amongst working class communities, organisation should be done through lobbying for service provision and legal protection as citizens. Two groups that trade unions need to pay special attention to are women and migrants.

Section 6. Partner Organizations: Strengths and Weaknesses

6.1. Review of PILER

PILER, an organization having existed for a quarter of a century, concerns itself with labour issues. It has conducted considerable labour related research and is one of the foremost advocates of workers rights. It has a three-pronged strategy towards creating a social order where 'the potential of people is realized and their effort is generously rewarded'. PILER attempts to work through; firstly, creating awareness and conscientisation through education and research; secondly, through mobilization, advocacy and networking and; lastly through organizing the unorganised sector.

Awareness and conscientisation through education and research

For many years, PILER worked with middle tier trade union leaders, training them on political, economic, legal and other procedural issues pertaining to routine trade union operations. Realizing that the efficacy of the courses was diminishing, in the last five years or so, PILER has begun to concentrate virtually exclusively on training informal sector workers. The focus is on rights (legal issues, social protection, etc), sensitization on gender and occupational health and safety issues and conducting training of trainer courses. The unions, however, feel let down by PILER stopping its education work with them. Given limited resources within PILER, there is a possibility of spreading the teaching resources too thin.

PILER has an ambitious research agenda. The research department should attempt at creating capacity where research is transformed into easily comprehensible material.

Mobilization, Advocacy and Networking

This is a major area of success for PILER. It took up issues such as IRO 2002, curtailment of labour rights in the Finance Bill and social security. It creates pressure through media campaigns, seminars and at times demonstrations. PILER has built links with the labour movement and NGOs; it needs to strengthen links with political parties for greater efficacy.

PILER has made efforts to build regional peace so as to strengthen the labour movement.

Organizing the Unorganized Sector

PILER has established links in six informal sector areas: fisher folk, transport, brick kiln workers, light engineering, small scale textiles and hosiery and garments.

6.2 Review of APTUC

Organizational Review

The All Pakistan Trade Union Congress (APTUC) came into existence in 1974. For many years APTUC worked with public sector unions; due to the recent decline in that sector, it has branched into the service sectors. APTUC works, more than perhaps any other trade union federation in Pakistan, with white-collar workers and its main area of activity is the formal sector construction sector. APTUC has three main areas of work: training and capacity building, organizational activities and advocacy and networking.

Training and Capacity Building

APTUC is involved in the training of labour union leaders and office-bearers; it arranges to send its affiliates to training centers run by the state (such as National Institute of Labour Training) as well as to other training centers. APTUC provides training in areas of direct skills, health and safety, training on ILO conventions and other international labour activities and gender sensitization. APTUC has done well to tap into the network provided by the ILO supported Skill Development Centre as skill re-tooling has become important in an age of job uncertainty. However, APTUC may wish to revise its links with state training centres, as the quality of training provided is suspect. Also, APTUC's quality of research is in need of improvement.

Organizational Activities

APTUC's organizational activities to date have been around the areas of bringing informal workers in the fold of union activities. It has also worked on gender

sensitization. In order to improve its networking, links should be developed with local NGOs. In terms of organizational work, APTUC does not involve itself in crucial trade union activities such as lobbying for wage increases and improved working conditions. This is due to APTUC's non-confrontational nature, which impedes efficacy.

Advocacy and Networking

In the area of advocacy, APTUC has been fairly active, advocating on the behalf of workers on contemporary issues of amendments to the IRO 2002, anti-worker economic policy issues and the lack of compliance on the part of the government with ILO conventions that it is a signatory to. However APTUC's stance is often not back by adequate research. Also, due to its non-confrontational attitude, APTUS fails to put its point across as forcefully as other unions and has not made effective links with other unions and political parties. On the other hand, APTUS is well recognized internationally and has strong links with the government.