

Report For



Export Promotion Bureau



**Proposed Amendments
In Existing Relevant Laws
To Harness
Increased Productivity
&
Better Industrial Relations**



Consulting Network (Pvt) Limited

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ii. Mr. Taqi Rizvi, Country Manager, Karstadt Quelle, European Textile Importer, Pakistan Licensed Office, The Square, Room # 401-404, Plot # 156, Shahed-e-Millat Road, Karachi.	vi
iii. Dr. Faiz Shah, Chief Executive Officer, Pakistan Social Compliance Initiative, 29 C Main Gulberg, Lahore.	vii

PRE-AMBLE

Based on letter received from Ministry of Commerce regarding input to be provided to Ministry of Labour Manpower and Overseas Pakistanis' EPB required CSR to provide opinion on Seven (7) Core Geneva Convention in relation to its ratification, implementation level and general opinion regarding conduciveness of conventions for **increased efficiency, productivity** and **better Industrial Relations**.

The opinion was submitted by CSR to EPB on February 17, 2005 (copy is available with this report as annexure).

On February 1, 2005 vide letter # EPB-1(81)/CSR/TESM/04 CSR was requested to develop outline / ToR for "the project" to essentially examine in detail the laws relating to industrial relations, occupational safety, labour welfare and social security, in order to identify proposed changes in laws.

The need for detailed examination was from export oriented industrial prospective so that the exporting industry is fully benefited from these proposals.

The required outline / ToR was submitted by CSR on February 17, 2005 and consequently on March 18, 2005 EPB vide its letter # EPB/A.D./TESM-05 asked CSR to commence the work on the project (copy is available with this report as annexure).

METHODOLOGY

- As per Term of Reference CSR interacted through, letters, telephones as well in person with the relevant representatives of the following stake holders.
 - a) Major Exporting Manufacturing Industries i.e. various Textile Associations, Leather, Sports Goods, Surgical Instrument etc.
 - b) Major Buying Houses representing Importers.
 - c) Workers Associations.
 - d) Employer Associations.
 - e) Department of Social Security and E.O.B.I; and
 - f) Department of labour.
- Detailed study of relevant ILO Conventions ratified by GoP and related the GoP commitment as per the convention and the actual enactment.

After considering and taking into account the various / different input from the stake holders, detailed study of ratified conventions, ground realities, practical hindrances faced by industrial houses and,

Based on the critical analysis and brain storming, CSR proposes few amendments in the relevant laws to achieve **increased efficiency, productivity and better industrial relations**, while remaining within the boundaries of ratified ILO Conventions.

CORE ISSUES BEING FACED BY EXPORTING INDUSTRIES

1. Over Time Hours

As per law total number of hours in six working days is nine (9) hours which translates into an average of 1.5 hours per day.

2. Over time compensation

As per law worker are to be paid overtime wages at double the rate of their wage and in case of piece rate worker double of the agreed piece rate for pieces produced during overtime.

3. Seven Days Rest Policy

As per law no worker is allowed or required to work in factory without providing one day rest in seven days (in case of working on any Sunday the 24 hours rest must be provided within next three days).

4. Payments in respect of Social Security / E.O.B.I.

Social Security is payable @ 7% of wages (up to salary Rs. 5000 per month) and EOBI @ 5% (up to salary Rs. 3000 per month) or Rs. 150 for the salaries exceeding Rs. 3000 per month.

PROPOSED AMENDMENTS IN EXISTING LAWS

1. Over time hours (amendment in Factories Act, 1934, Chapter IV, Restriction on working hours of Adults, Section-34)

- 1.1 It is recommended that the present restriction of nine (9) hours per week on overtime should be changed to twelve (12) hours per one week which translates into an average of two hours per day based on six working days per week.
- 1.2 The temporary exception to the prescribed limit of overtime in excess of twelve (12) hours per week may be allowed to establishments only in exceptional cases of pressure of work, with the consent of workers union or the committee representing workers (as the case may be).

Justification for Amendment

- Keeping in view the nature of export business and tight delivery schedule demanded by the importer / buyers it is not possible to adhere to the present government policy of restricted overtime hours (i.e. nine (9) hours per week).
- The Geneva Convention ***Hours of Work*** – Article 5.2 and 6 (1.b and 2) is reproduced as under:

Article 5.2 – the average number of hours worked per week, over the number of weeks covered by any such agreement, shall not exceed forty-eight.

Article 6.1(b) – the temporary exceptions that may be allowed, so that establishments may deal with exceptional cases of pressure of work.

Article 6.2 – These regulations shall be made only after consultation with the organizations of employers and workers concerned, if any such organizations exist. These regulations shall fix the maximum of additional hours in each instance, and the rate or pay for overtime shall not be less than one and one-quarter times the regular rate.

2. Over time compensation to worker (amendment in Factories Act, 1934, Chapter IV, Restriction on working hours of Adults, Section-47)

It is recommended that the overtime compensation should be reduced to one and half time of normal wage rate instead of present double rate.

Justification for Amendment

- The Overtime compensation rate of double the wages is on higher side which makes the product expensive and in reality it is not strictly followed by the employers. In fact in most of the cases with the understanding of the workers the workers are actually paid at the single rate for overtime work instead of double the wage rate.
- In case of overtime the Geneva Convention (C1) Article 6(2) states that the rate of pay for overtime shall not be ***less than one and one-quarter times the regular rate*** but our law has fixed the rate of pay for overtime at ***double of the regular rate***.

3. Seven Days Rest Policy (amendment in Factories Act, 1934, Chapter IV, Restrictions on Working Hours of Adults, Section 35)

An amendment may be carried out that during peak season subject to agreement with workers union / workers representative committee the seven days rest policy may be changed to 15 days rest policy with the proviso that overtime compensation of the Seventh Days Rest be paid at double the normal wage rate instead of one and half as recommended for overtime compensation for the work carried-out during the week.

In addition to overtime payment the worker should be entitled to one compensatory leave to be availed as his discretion in lieu of seventh day work (instead of within three (3) days of working on Sunday as per existing law – it is pertinent to point-out that as per Indian Factories Act, the compensatory holiday is allowed within a period of two months).

Justification for Amendment

- In order to meet the shipment date deadline and to avoid expensive air shipment, the exporter / manufacturers for reason beyond their control during peak season carryout work on Sundays, therefore this requirement may be supported and protected by law.

4. Payments in respect to Social Security and E.O.B.I. Contributions (Social Security and E.O.B.I. Laws)

It is recommended that necessary amendment should be carried out whereby present rate of SESI and E.O.B.I. be reduced to 50%.

Justification for Amendment

- Al most every exporter / manufacturers from medium to large size considers the present rate of contribution very high in particular the standard of health and care services provided by Social Security Dispensaries and Hospitals as well no immediate benefit is foreseen for the workers (as the textile workers moves very rapidly) regarding E.O.B.I. contributions. Further except for few multinational in Pakistan, most organizations do not fully discharge their liabilities / obligations in respect of these two contributions. It was the opinion of the manufacturers / exporters that if the present rate of contribution is reduced to half than overall contribution for SESI as well E.O.B.I. will increase.

However in the subsequent years if the government experiences any excess or short-falls as against expenditure in particular areas the same may be reviewed accordingly.

OPINION ON LAWS PERTAINING TO FREEDOM OF ASSOCIATION, CHILD LABOUR, COMPENSATION AND HEALTH AND SAFETY.

We have also thoroughly examined and deliberated with the stake holders the laws relating to ***Collective Bargaining, Freedom of Association, Child Labour, Compensation, Health and Safety***. We are pleased to report that there appears to be consensus that parameters set-out in these laws and are not only in line with Geneva Conventions, and importers ***code of conduct*** are in present shape are conducive to ***harness increased productivity and better industrial relations***.

Our views on the above matters in comparison with relevant Geneva Conventions (ILO) are as under.

1. Freedom of Association (ILO Convention 87) Collective Bargaining (ILO Convention 98)

Both the above mentioned conventions deal with the recognition and respect of the right of worker and employers to establish associations and collective bargaining bodies. The Government of Pakistan has implemented both these conventions through following ordinances.

- The West Pakistan Industrial and Commercial (Standing order) Ordinance, 1968.
- Industrial Relations Ordinance 2002.

Over the period employees and employers have understood and have accepted their respective rights and obligations and consequently implementation of these conventions have generally improved the industrial relation atmosphere in the country. The awareness of rights and obligation, if positioned properly could be used as a valuable tool to ***increased efficiency, productivity and better industrial relation*** however; some employers may agitate the matter only to hide their own managerial and or entrepreneurial deficiencies.

2. Child Labour (ILO Convention 182)

The spirit of this convention is to prohibit child labour. Government of Pakistan through following legislations has adopted the above Convention.

- The Employment and Children Act, 1991.
- The Employment and Children Rules, 1995.
- Industrial Relations Ordinance, 2002.
- Labour Policy, 2002.
- Factories Act, 1934.

The exporting industries through various awareness measures such as social compliance audits by importers etc. have over the period developed the policy not to hire child labour. However, child of permissible age as defined in the law can be hired provided the relevant provisions of the law with respect to such hiring that pertains to working hours, rest period, education and other facilities are complied with.

3. Compensation i.e. Equal Remuneration (ILO Convention 100)

This convention deals with equal remuneration for men and women workers for work of equal value.

The Minimum Wage Ordinance, 1961 which fixes the minimum wage does not permit different wages for men and women for equal value, therefore the convention stands fully implemented. We believe that Export Houses/Industries do not practice any such distinction in remuneration for men and women workers for work of equal value.

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Karachi.
 - ii. **Mr. Taqi Rizvi,** **vi**
Country Manager,
Karstadt Quelle, European Textile Importer,
Pakistan Licensed Office,
The Square, Room # 401-404,
Plot # 156, Shahed-e-Millat Road,
Karachi.
 - iii. **Dr. Faiz Shah,** **vii**
Chief Executive Officer,
Pakistan Social Compliance Initiative,
29 C Main Gulberg, Lahore.

WORKING HOURS

CONVENTION 1

Hours of Work (Industry) Convention, 1919

Convention Limiting the Hours of Work in Industrial Undertakings to Eight in the Day and Forty-eight in the Week (Note: Date of coming into force: 13:06:1921.)

Convention:C001

Place: Washington

Session of the Conference:1

Date of adoption:28:11:1919

Subject classification: Hours of Work

Subject: **Working Time**

[See the ratifications for this Convention](#)

Display the document in: [French](#) [Spanish](#)

Status: Instrument subject to a request for information.

The General Conference of the International Labour Organisation,

Having been convened at Washington by the Government of the United States of America on the 29 th day of October 1919, and

Having decided upon the adoption of certain proposals with regard to the "application of the principle of the 8-hours day or of the 48-hours week", which is the first item in the agenda for the Washington meeting of the Conference, and

Having determined that these proposals shall take the form of an international Convention,

adopts the following Convention, which may be cited as the Hours of Work (Industry) Convention, 1919, for ratification by the Members of the International Labour Organisation, in accordance with the provisions of the Constitution of the International Labour Organisation:

Article 1

1. For the purpose of this Convention, the term **industrial undertaking** includes particularly--

(a) mines, quarries, and other works for the extraction of minerals from the earth;

(b) industries in which articles are manufactured, altered, cleaned, repaired, ornamented, finished, adapted for sale, broken up or demolished, or in which materials are transformed; including shipbuilding and the generation, transformation, and transmission of electricity or motive power of any kind;

(c) construction, reconstruction, maintenance, repair, alteration, or demolition of any building, railway, tramway, harbour, dock, pier, canal, inland waterway, road, tunnel, bridge, viaduct, sewer, drain, well, telegraphic or telephonic installation, electrical undertaking, gas work, waterwork or other work of construction, as well as the preparation for or laying the foundations of any such work or structure;

(d) transport of passengers or goods by road, rail, sea or inland waterway, including the handling of goods at docks, quays, wharves or warehouses, but excluding transport by hand.

2. The provisions relative to transport by sea and on inland waterways shall be determined by a special conference dealing with employment at sea and on inland waterways.

3. The competent authority in each country shall define the line of division which separates industry from commerce and agriculture.

Article 2

The working hours of persons employed in any public or private industrial undertaking or in any branch thereof, other than an undertaking in which only members of the same family are employed, shall not exceed eight in the day and forty-eight in the week, with the exceptions hereinafter provided for:

(a) the provisions of this Convention shall not apply to persons holding positions of supervision or management, nor to persons employed in a confidential capacity;

(b) where by law, custom, or agreement between employers' and workers' organisations, or, where no such organisations exist, between employers' and workers' representatives, the hours of work on one or more days of the week are less than eight, the limit of eight hours may be exceeded on the remaining days of the week by the sanction of the competent public authority, or by agreement between such organisations or representatives; provided, however, that in no case under the provisions of this paragraph shall the daily limit of eight hours be exceeded by more than one hour;

(c) where persons are employed in shifts it shall be permissible to employ persons in excess of eight hours in any one day and forty-eight hours in any one week, if the average number of hours over a period of three weeks or less does not exceed eight per day and forty-eight per week.

Article 3

The limit of hours of work prescribed in Article 2 may be exceeded in case of accident, actual or threatened, or in case of urgent work to be done to machinery or plant, or in case of "force majeure", but only so far as may be necessary to avoid serious interference with the ordinary working of the undertaking.

Article 4

The limit of hours of work prescribed in Article 2 may also be exceeded in those processes which are required by reason of the nature of the process to be carried on continuously by a succession of shifts, subject to the condition that the working hours shall not exceed fifty-six in the week on the average. Such regulation of the hours of work shall in no case affect any rest days which may be secured by the national law to the workers in such processes in compensation for the weekly rest day.

Article 5

1. In exceptional cases where it is recognised that the provisions of Article 2 cannot be applied, but only in such cases, agreements between workers' and employers' organisations

concerning the daily limit of work over a longer period of time may be given the force of regulations, if the Government, to which these agreements shall be submitted, so decides.

2. The average number of hours worked per week, over the number of weeks covered by any such agreement, shall not exceed forty-eight.

Article 6

1. Regulations made by public authority shall determine for industrial undertakings--

(a) the permanent exceptions that may be allowed in preparatory or complementary work which must necessarily be carried on outside the limits laid down for the general working of an establishment, or for certain classes of workers whose work is essentially intermittent;

(b) the temporary exceptions that may be allowed, so that establishments may deal with exceptional cases of pressure of work.

2. These regulations shall be made only after consultation with the organisations of employers and workers concerned, if any such organisations exist. These regulations shall fix the maximum of additional hours in each instance, and the rate of pay for overtime shall not be less than one and one-quarter times the regular rate.

Article 7

1. Each Government shall communicate to the International Labour Office--

(a) a list of the processes which are classed as being necessarily continuous in character under Article 4;

(b) full information as to working of the agreements mentioned in Article 5; and

(c) full information concerning the regulations made under Article 6 and their application.

2. The International Labour Office shall make an annual report thereon to the General Conference of the International Labour Organisation.

Article 8

1. In order to facilitate the enforcement of the provisions of this Convention, every employer shall be required--

(a) to notify by means of the posting of notices in conspicuous places in the works or other suitable place, or by such other method as may be approved by the Government, the hours at which work begins and ends, and where work is carried on by shifts, the hours at which each shift begins and ends; these hours shall be so fixed that the duration of the work shall not exceed the limits prescribed by this Convention, and when so notified they shall not be changed except with such notice and in such manner as may be approved by the Government;

(b) to notify in the same way such rest intervals accorded during the period of work as are not reckoned as part of the working hours;

(c) to keep a record in the form prescribed by law or regulation in each country of all additional hours worked in pursuance of Articles 3 and 6 of this Convention.

2. It shall be made an offence against the law to employ any person outside the hours fixed in accordance with paragraph (a), or during the intervals fixed in accordance with paragraph (b).

Article 9

In the application of this Convention to Japan the following modifications and conditions shall obtain:

(a) the term "industrial undertaking" includes particularly--

the undertakings enumerated in paragraph (a) of Article 1;

the undertakings enumerated in paragraph (b) of Article 1, provided there are at least ten workers employed;

the undertakings enumerated in paragraph (c) of Article 1, in so far as these undertakings shall be defined as "factories" by the competent authority;

the undertakings enumerated in paragraph (d) of Article 1, except transport of passengers or goods by road, handling of goods at docks, quays, wharves, and warehouses, and transport by hand; and, regardless of the number of persons employed, such of the undertakings enumerated in paragraph (b) and (c) of Article 1 as may be declared by the competent authority either to be highly dangerous or to involve unhealthy processes.

(b) the actual working hours of persons of fifteen years of age or over in any public or private industrial undertaking, or in any branch thereof, shall not exceed fifty-seven in the week, except that in the raw-silk industry the limit may be sixty hours in the week;

(c) the actual working hours of persons under fifteen years of age in any public or private industrial undertaking, or in any branch thereof, and of all miners of whatever age engaged in underground work in the mines, shall in no case exceed forty-eight in the week;

(d) the limit of hours of work may be modified under the conditions provided for in Articles 2, 3, 4 and 5 of this Convention, but in no case shall the length of such modification bear to the length of the basic week a proportion greater than that which obtains in those Articles;

(e) a weekly rest period of twenty-four consecutive hours shall be allowed to all classes of workers;

(f) the provision in Japanese factory legislation limiting its application to places employing fifteen or more persons shall be amended so that such legislation shall apply to places employing ten or more persons;

(g) the provisions of the above paragraphs of this Article shall be brought into operation not later than 1 July 1922, except that the provisions of Article 4 as modified by paragraph (d) of this Article shall be brought into operation not later than 1 July 1923;

(h) the age of fifteen prescribed in paragraph (c) of this Article shall be raised, not later than 1 July 1925, to sixteen.

Article 10

In British India the principle of a sixty-hour week shall be adopted for all workers in the industries at present covered by the factory acts administered by the Government of India, in mines, and in such branches of railway work as shall be specified for this purpose by the competent authority. Any modification of this limitation made by the competent authority shall be subject to the provisions of Articles 6 and 7 of this Convention. In other respects the provisions of this Convention shall not apply to India, but further provisions limiting the hours of work in India shall be considered at a future meeting of the General Conference.

Article 11

The provisions of this Convention shall not apply to China, Persia, and Siam, but provisions limiting the hours of work in these countries shall be considered at a future meeting of the General Conference.

Article 12

In the application of this Convention to Greece, the date at which its provisions shall be brought into operation in accordance with Article 19 may be extended to not later than 1 July 1923, in the case of the following industrial undertakings:

- (1) carbon-bisulphide works,
- (2) acid works,
- (3) tanneries,
- (4) paper mills,
- (5) printing works,
- (6) sawmills,
- (7) warehouses for the handling and preparation of tobacco,
- (8) surface mining,
- (9) foundries,
- (10) lime works,
- (11) dye works,
- (12) glassworks (blowers),
- (13) gas works (firemen),
- (14) loading and unloading merchandise;

and to not later than 1 July 1924, in the case of the following industrial undertakings:

(1) mechanical industries: machine shops for engines, safes, scales, beds, tacks, shells (sporting), iron foundries, bronze foundries, tin shops, plating shops, manufactories of hydraulic apparatus;

(2) constructional industries: limekilns, cement works, plasterers' shops, tile yards, manufactories of bricks and pavements, potteries, marble yards, excavating and building work;

(3) textile industries: spinning and weaving mills of all kinds, except dye works;

(4) food industries: flour and grist-mills, bakeries, macaroni factories, manufactories of wines, alcohol, and drinks, oil works, breweries, manufactories of ice and carbonated drinks, manufactories of confectioners' products and chocolate, manufactories of sausages and preserves, slaughterhouses, and butcher shops;

(5) chemical industries: manufactories of synthetic colours, glassworks (except the blowers), manufactories of essence of turpentine and tartar, manufactories of oxygen and pharmaceutical products, manufactories of flaxseed oil, manufactories of glycerine, manufactories of calcium carbide, gas works (except the firemen);

(6) leather industries: shoe factories, manufactories of leather goods;

(7) paper and printing industries: manufactories of envelopes, record books, boxes, bags, bookbinding, lithographing, and zinc-engraving shops;

(8) clothing industries: clothing shops, underwear and trimmings, workshops for pressing, workshops for bed coverings, artificial flowers, feathers, and trimmings, hat and umbrella factories;

(9) woodworking industries: joiners' shops, coopers' sheds, wagon factories, manufactories of furniture and chairs, picture-framing establishments, brush and broom factories;

(10) electrical industries: power houses, shops for electrical installations;

(11) transportation by land: employees on railroads and street cars, firemen, drivers, and carters.

Article 13

In the application of this Convention to Rumania the date at which its provisions shall be brought into operation in accordance with Article 19 may be extended to not later than 1 July 1924.

Article 14

The operation of the provisions of this Convention may be suspended in any country by the Government in the event of war or other emergency endangering the national safety.

Article 15

The formal ratifications of this Convention, under the conditions set forth in the Constitution of the International Labour Organisation, shall be communicated to the Director-General of the International Labour Office for registration.

Article 16

1. Each Member of the International Labour Organisation which ratifies this Convention engages to apply it to its colonies, protectorates and possessions which are not fully self-governing--

- a) except where owing to the local conditions its provisions are inapplicable; or
- b) subject to such modifications as may be necessary to adapt its provisions to local conditions.

2. Each Member shall notify to the International Labour Office the action taken in respect of each of its colonies, protectorates, and possessions which are not fully self-governing.

Article 17

As soon as the ratifications of two Members of the International Labour Organisation have been registered with the International Labour Office, the Director-General of the International Labour Office shall so notify all the Members of the International Labour Organisation.

Article 18

This Convention shall come into force at the date on which such notification is issued by the Director-General of the International Labour Office, and it shall then be binding only upon those Members which have registered their ratifications with the International Labour Office. Thereafter this Convention will come into force for any other Member at the date on which its ratification is registered with the International Labour Office.

Article 19

Each Member which ratifies this Convention agrees to bring its provisions into operation not later than 1 July 1921, and to take such action as may be necessary to make these provisions effective.

Article 20

A Member which has ratified this Convention may denounce it after the expiration of ten years from the date on which the Convention first comes into force, by an act communicated to the Director-General of the International Labour Office for registration. Such denunciation shall not take effect until one year after the date on which it is registered with the International Labour Office.

Article 21

At such times as it may consider necessary the Governing Body of the International Labour Office shall present to the General Conference a report on the working of this Convention and shall examine the desirability of placing on the agenda of the Conference the question of its revision in whole or in part.

Article 22

The French and English texts of this Convention shall both be authentic

December 2, 2004

Mr. Nusrat Iqbal Jamshed,
Director,
Export Promotion Bureau,
Government of Pakistan,
Finance & Trade Center,
Sharea Faisal, Karachi,
Pakistan.

Pakistani Labour Laws and seven (7) Core Geneva Conventions ratified by GoP

As confirmed in our letter of November 30, 2004 we are pleased to submit our views on the subject with reference to the ensuing discussions that the existing legislations are not conducive to the ***increased efficiency, productivity and better industrial relation***. Our views are particularly relevant to Export Houses / Industries.

4. C 29 Forced Labour Convention, 1930 and

5. C 105 Abolition of Forced Labour Convention, 1957

The spirit of the above two conventions is to prohibit use of involuntary or forced labour – indentured, bonded or otherwise and following legislations of Government of Pakistan, implements the above mentioned two conventions.

- The bonded labour system (Abolition) Act, 1992
- Factories Act, 1934
- Industrial Relation Ordinance, 2002.

We believe that there is no concept and or evidence of Forced Labour in Export Houses/Industries in Pakistan therefore, these conventions stands fully implemented. Additionally there appears to be no negative impact of implementing the above two conventions in Pakistan that can be considered to be detrimental to ***increased efficiency, productivity and better industrial relation***.

6. C 87 Freedom of Association and Protection of the Right to Organize Conventions, 1948 and

7. C 98 Right to Organize and Collective Bargaining Convention 1949

Both the above mentioned conventions deal with the recognition and respect of the right of worker and employers to establish associations and collective bargaining bodies. The Government of Pakistan has implemented both these conventions through following ordinances.

- The West Pakistan Industrial and Commercial (Standing order) Ordinance, 1968.
- Industrial Relations Ordinance 2002.

Over the period employees and employers have understood and have accepted their respective rights and obligations and consequently implementation of these conventions have generally improved the industrial relation atmosphere in the country. The awareness of rights and obligation, if positioned properly could be used as a valuable tool to **increased efficiency, productivity and better industrial relation** however; some employers may agitate the matter only to hide their own managerial and or entrepreneurial deficiencies.

8. C 111 Discrimination (Employment and Occupation) Convention 1958.

Discrimination is defined as any distinction, exclusion or preference made on the basis of race, color, sex, political opinion, national extraction or social origin.

The constitution of the Islamic Republic of Pakistan as amended on January 21, 1990 ensures that there should not be any discrimination in all aspects of life and business and the relevant convention is completely respected by Export houses / industries, and therefore is an instrument of social harmony and better industrial relations.

9. C 100 Equal Remuneration Convention 1951.

This convention deals with equal remuneration for men and women workers for work of equal value.

The Minimum Wage Ordinance, 1961 which fixes the minimum wage does not permit different wages for men and women for equal value, therefore the convention stands fully implemented. We believe that Export Houses/Industries do not practice any such distinction in remuneration for men and women workers for work of equal value.

We believe that adoption of this convention does not in any manner adversely affect the **increased efficiency, productivity and better industrial relation**.

10. C 182 worst form of Child Labour Convention, 1999.

The spirit of this convention is to prohibit child labour. Government of Pakistan through following legislations has adopted the above Convention.

- The Employment and Children Act, 1991.
- The Employment and Children Rules, 1995.

- Industrial Relations Ordinance, 2002.
- Labour Policy, 2002.
- Factories Act, 1934.

The exporting industries through various awareness measures such as social compliance audits by importers etc. have over the period developed the policy not to hire child labour. However, child of permissible age as defined in the law can be hired provided the relevant provisions of the law with respect to such hiring that pertains to working hours, rest period, education and other facilities are complied with.

On the basis of above narrated facts it can be safely concluded that all the 7 core conventions if followed in true spirit could amount to **increased efficiency, productivity and better industrial relation.**

We would however emphasize that any change / amendment (except for improving the spirit of the relevant core conventions) would not only be in conflict with the basic code of conducts essential for various quality and social compliance accreditation such as WRAP / SA-8000 but would lead to major non-conformance of the "code of conducts" of almost 100% of importing countries as well individual importing companies and corporation.

We shall be pleased to provide your any further information or explanation which you may require regarding the foregoing.

Best regards,

Pervez Hanif
FCA

LIST OF STAKE-HOLDERS WHO'S INPUTS WAS SOLICITED BY CSR

- | | |
|--|--|
| <p>1. Mr. Feroze Alam Lari,
Director,
Afroze Textile Industries (Pvt.) Limited,
LA-7/1-7, Block-22, Federal B, Area,
Karachi.</p> | <p>9. Mr. Mohammad Ali Tabba,
Chief Executive Officer,
Younus Textiles Mills,
H-23/1, Landhi Industrial Area,
Karachi.</p> |
| <p>2. Mr. Fawad Anwar,
Director,
Al-Karam Textile Mills (Pvt.) Ltd,
KDLB, Block, 3rd Floor,
West Wharf Road,
Karachi.</p> | <p>10. The Chairman,
Pakistan Bedwear Exporters Association,
Plot 245-1-V, Block 6,
P.E.C.H.S.,
Karachi.</p> |
| <p>3. Bashir H. Ali Mohammed,
Chairman & Chief Executive,
Gul Ahmed Textile Mills,
Plot No. 82, Main National Highway,
Landhi,
Karachi</p> | <p>11. The Chairman,
Pakistan Hosiery Manufacturers
Association,
37-H, Block 6
P.E.C.H.S.,
Karachi.</p> |
| <p>4. Mr. Aziz L. Jamal,
Managing Director,
Husein Industries Limited,
Plot No. HT-8, Landhi Industrial Area,
Karachi.</p> | <p>12. The Chairman,
Pakistan Readymade Garments
Manufacturers & Exporters Association,
18-A, Shaheen View Building, Block-6,
PECHS, Shahra-e-Faisal,
Karachi</p> |
| <p>5. Mr. Usman Said,
Kohinore Textile Mills Ltd,
42-Lawrence Road,
Lahore</p> | <p>13. Mr. Muhammad Shafi Malik,
Chairman,
Employees Old-age Benefits Institution
(E.O.B.I.),
190/1/B, Block-2, PECHS,
Karachi.</p> |
| <p>6. Mr. Mohammad Iqbal,
Lucky Textile Mills,
L-8, Block-21, F.B. Industrial Area,
Karachi.</p> | <p>14. The Chief Executive,
Al-Abid Silk Mills Limited,
Al-Abid Main Stitching Unit,
D-14/C-1, S.I.T.E
Karachi.</p> |
| <p>7. The Chief Executive,
Mohammad Farooq Textile Mills Limited,
1st Floor, Finlay House,
I. I. Chundrigar Road,
Karachi</p> | <p>15. Mr. Rizwan,
Director,
Al-Gillani Enterprises
C-28/A Super Highway Industrial Area,
Karachi.</p> |
| <p>8. The Chief Executive,
Nishat Mills Limited,
Nishat House,
53-A Lawrence Road,
Lahore.</p> | |

- 16. Dr. Mirza Ikhtiar Baig,**
Chairman,
Pak-Denim Limited,
F-225, St. 5, Textile Avenue, S.I.T.E.,
Karachi.
- 17. Mr. M. Yasin,**
Liberty Mills Limited,
A/51-A, S.I.T.E.,
Karachi
- 18. Mr. Wajid Jawad,**
Ex-Chairman,
Export Promotion Bureau,
Karachi.
- 19. Mr. Taqi Rizvi,**
Country Manager
Karstadt Quelle, European Textile
Importer,
Pakistan Licensed Office,
The Square, Room # 401-404,
Plot # 156, Shahed-e-Millat Road,
Karachi.
- 20. Dr. Faiz Shah**
Chief Executive Officer
Pakistan Social Compliance Initiative
29 C Main Gulberg, Lahore
- 21. Mr. Inam al Rehman,**
Chief Executive,
Resource Forum,
810, Anum Estate, (Opp. Duty Free Shop),
Plot # 49, Block 7/8, DACHS,
Main Shahrae Faisal,
Karachi.
- 22. Mr. Munir Memon,**
Managing Director,
Kings Apparel Industries (Pvt.) Limited,
91 – Shahrah-e-Iran, Clifton,
Karachi
- 23. Dr. Pervez Shafi,**
Labour Law Advisor,
Bureau of Labour Publications,
8 Business Centre, Mumtaz Hasan Road,
Karachi.

2. Seven Days Rest Policy

In our opinion during peak season and in agreement with workers representative committee the seven days rest policy may be changed to 15 days rest policy with the proviso that overtime compensation of the Seventh Days Rest be paid at double the normal wage rate instead of one and half as recommended for overtime compensation carried-out during the week.

3. Payment in respect of Social Security / E.O.B.I. / Workman Compensation Insurance and other government dues.

We after consultation with our members are of the opinion that in the out-set the present rate of various contributions/charges should be reduced to 50% respectively, as in our view the overall collection to ex-chequer will improve as more people will be inclined to voluntarily increase volume of various contributions. However in the subsequent years if the government experiences any excess or short-falls as against expenditure in particular areas the same may be reviewed accordingly.

4. Other benefit to permanent workers (worker employed for more than 90 days whether directly or through contractor).

Association is of the view that these benefits should be provided to the workers whether employed directly or thorough contractor.

5. Freedom of Association

This right must be provided and should be used by the entrepreneur as a positive tool by encouraging workers representation in decision making particularly on matters relating to health and safety of workers and staff and general discipline in the enterprise.

Thanking You,

DR. MIRZA IKHTIAR BAIG



April 30, 2005

Mr. Pervez Hanif

CSR Consulting Network (Private) Limited,
12, Sasi Town Houses,
Civil Lines, Abdullah Haroon Road,
Karachi

Dear Sir,

Reference your letter dated April 6, 2005.

Following are the points for consideration.

1. Supplier Employee relationship S/B healthy and positive.
Production Bonuses with relation to quality or factory assessment.
2. Elimination of Non professional Bhata trade unions.
3. Employees should have their own committee for various segments to take care of workers benefit.
4. Awareness of benefits and utilization of facilities by employees.
Social Security
EOBI
5. Social Security / EOBI
Reporting S/B Quantity basis limited with production.
Contribution shown from worker/employees on each wages voucher paid to workers supervised by pool of staff member contribution deposit on monthly basis in A/cs.
Reporting be simplified and be counter verified through income tax detailed A/cs.
6. Elimination of overtime to avoid long working hours.
As it effects efficiency and quality.
7. Elimination of Audits, Counter check of data base be made on quantity produced, wages report with income tax return Check of data by supplier be linked with product on and export report.

Thinking you

TAQUI RIZVI

From: faiz shah [faiz_shah@hotmail.com]
Sent: Saturday, April 30, 2005 1:48 PM
To: info@csr.com.pk
Cc: faiz_shah@hotmail.com; ambreen@rbipk.org
Subject: ATTN: MR PERVEZ HANIF re. 6 points for EPB survey

Dear Pervez Sb:

Thank you for your kind email. RBI would be happy to work with CSRN in matters that are clearly a priority for us.

For starters, and having discussed this with Ambreen, RBI is happy to provide technical support to your EPB research project in ways that can add value in your opinion. We can recommend experts in two areas that are of direct relevance to the TORs, namely labour law and compliance, who would likely go beyond the superficial and provide texture and depth to your report. Please let us know and we can develop a working framework with CSRN.

Regarding the GTZ programme, I am awaiting a response from them about some ideas we discussed, and I think both our organizations do have a role in spearheading the round table concept in practically meaningful ways.

Below are my initial thoughts on your 6 points:

1. Overtime Hours.

The law does require 8 working hours over six working days, although we see this often interpreted as a work-week of 48 hours, including an hour of break time. Personally, I tend to favour the work-week formulation because it gives greater flexibility to the worker as well as the employer to respond to job-specific demands. Knowledge workers frequently work longer hours and I see no reason why work time for assembly workers can be rationalized more in terms of their productivity and the physical demands of their specific jobs.

2. Overtime compensation.

Double-rate overtime is seldom seen in practice, and I find this to be a disincentive for compliance. The industry practice is more towards "time-and-a-half" and could be rationalized, considering the satisfaction level of workers and the demands for competitiveness in the market. I do feel that efficiency rates should also be built into the overtime in the form of a competitive wage structure. Holidays, however, should be paid in double, as is the practice, followed by a compensatory day off

3. Seven Days Rest Policy.

In Pakistan's socio-economic environment, overtime is a much sought after perk that employers provide to favoured employees. I feel that there should be clearer incentives to workers for NOT doing excessive overtime, such as non-encashment of time spent over and above the prescribed limit. One way of ensuring that a worker avails of the rest day within three days as provided by the law, is to involve workers in "leisure-and-learning" or volunteer programme that allows them to stay away from work but still remain involved with issues of community or family.

4. Social Security / E.O.B.I. / Workman Compensation Insurance.

A closed loop system of employee registration and at-source deduction seems to be required. However, employers may appreciate options such as substitution of healthcare and social services for payments in case of large employers, or a bundled tax-per-worker payment charged at source in the manner of a number of surcharges etc. that the government already takes. However, this mechanism should be accompanied by a rationalization of other taxes and levies that are applied to manufacturers randomly.

5. Other benefit to worker employed < 90 days directly or through contractor.

I am personally in favour of extending allowances for Paid leaves (sick / casual / annual), 10-C Bonus (profit -sharing), Gratuity, etc. to every qualifying worker. However, because of the seasonality of some types of jobs and the fact that piece-rate workers are enrolled in more than one local factory, the record-keeping and maintenance of such programme would automatically create disincentives for employers. I would tend to suggest an arrangement where workers are able to register independently on a volunteer basis with a central registry supported by a letter from their employer and become eligible for benefits on a yearly basis.

6. Freedom of Association.

This is a constitutional right under Article 17 and must be encouraged through enabling legislation that tries to mitigate the attritional divide between employees and employers. Examples show how this provision of the law is often violated by yellow unions or national federations turning a blind eye to worker abuse because they seek a status quo with the employers. Workers' associations do not qualify for my support because experience shows that such associations seldom represent workers to their advantage. An option is to encourage access to civil society organizations to raise awareness on rights-based issues at the workplace.