

LABOUR PROBLEMS IN THE INDUSTRIALIZATION OF PAKISTAN

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INTRODUCTION.

The subject matter of this study is the analysis of "Labour Problems in the Industrialization of Pakistan".

Industrial development has become a major consideration of policy for underdeveloped countries. Pakistan, like other emerging nations, has committed herself to the rapid industrialization of her primarily agricultural economy. She aspires, through it, to attain higher living standards, to eliminate mass illiteracy, and to eradicate diseases.

"Industrialization refers to the actual course of transition from the traditional society towards industrialism".(1) For such a process of development a country needs capital, technology, natural resources, entrepreneurs and skilled and professional manpower. Pakistan suffers from an acute shortage of all of these strategic variables. Her problems are aggravated by the mounting population pressure and the presence of overabundant unskilled and illiterate manpower. In other words, she faces a desperate task and must run hard and fast.

Industrial development is as much concerned with human and institutional aspects as it is with capital

(1) Kerr, Dunlop, Harbison and Myers : Industrialism and Industrial Man, Harvard University Press, 1960, p.33

formation, exploitation of natural resources and the progress of technology. It requires human agents to mobilize all resources to create and expand the wealth of the nation. The catalyst is labour. Hence, it is essential to investigate problems of labour engaged in the difficult task of transformation, of industrialization of the society.

Industrialization gives birth to the trade union. It creates industrial workers, managers and a State active in industrial relations. We shall, therefore, study the historical background, the nature, growth and functions of trade unions in Pakistan.

Since this study is concerned with labour problems in the industrialization of Pakistan, we have outlined some of the problems encountered and progress made in the field of industrialization. However, we are not concerned here with the full range of sectors of an emerging economy. Pakistan is primarily an agricultural economy. We do recognize the critical role of agricultural transformation, as a source of capital, manpower, and as an index of development. "... an agricultural revolution - a marked rise in productivity per worker in agriculture, is a pre-condition of the industrial revolution for any sizable region in the world..."(2) But agricultural development is beyond the

(2) Simon Kuznets : Six Lectures on Economic Growth, The Free Press of Glencoe, Illinois, 1959, pp.59-60

scope of our projected investigation.

Industrialization requires, as already noted, a wide range of skills and professional competency. The creation of a highly skilled and professional labour force is one of the major problems of Pakistan in transition to industrialism. With this in mind, we shall examine the labour force in Pakistan, its components, its characteristics and its occupational distribution.

The nature of the labour market, the wage issue, the problem of employment and productivity are integral parts of labour problems, either in highly industrialized societies or societies in the process of industrialization. It is, therefore, important to study these aspects of labour problems in Pakistan.

Industrialization, by its very nature, transforms an old society and creates a new one. This process of transformation has been painful wherever it has taken place because it redesigns and restructures its human resources. The old way of life must give way to the new one. The development of an industrial labour force involves the destruction of traditional ways of life and the acceptance of the new imperatives of the industrial discipline and work community. Labour problems are universal. The nature of the labour problems depends on the degree and speed of industrialization. We shall examine labour problems in Pakistan

with particular emphasis on the nature of problems a developing nation faces when it recruits an industrial work force with agricultural background. We shall also discuss some of the agencies and programmes which can help workers adapt themselves to the industrial way of life.

Although the non-agricultural sector in the total economy is still small, it is growing fast as the economy becomes more and more diversified due to the planned development of industry. As the process of industrialization increases, it creates an increasing volume of industrial employment and at the same time it gives rise to a multitude of labour problems. It is important that these problems should be dealt with.

Industrialization necessarily creates a network of relationships between the manager and the managed. A complex of substantive rules is required to make the industrial system function at the work place and beyond. Modern governments play a significant role in determining the rules under which industrial workers, their representatives and employers can function and deal with one another. We shall examine the role the Government of Pakistan plays in its industrial relations field, with particular emphasis on the techniques on settling inevitable industrial disputes.

Perhaps we may add that statistics on Pakistan are

still very rudimentary; more so labour statistics. Tremendous difficulties were encountered in collecting statistical data which are sometimes unsatisfactory, incomplete and contradictory. But they are, nevertheless, sufficient to provide us with a general view of the dimensions of the problem with which we are concerned.

Chapter 1

TRADE UNIONISM IN PAKISTAN.

The growth of the trade union movement in any country depends on many factors. In this chapter we shall deal with some of the important factors which contributed to the development of trade unionism in Pakistan. The discussion will be divided into two stages. First, we shall examine several major factors influencing the growth of trade unionism in Asia generally, foremost of which are the attitude of governments and nationalism. Secondly, we shall turn more directly to the development of trade unions in Pakistan. Here we will briefly discuss trade unionism in Undivided India, to be followed by an examination of trade union membership in Pakistan. We shall, then, assess and analyze the characteristics of trade unions as they exist in Pakistan today.

FACTORS CONTRIBUTING TO TRADE UNION GROWTH IN ASIA.

Before proceeding with any discussion of trade unionism, let us define the term. For the Webbs a trade union was "... a continuous association of wage earners for the purpose of maintaining or improving the conditions of their working lives".(1) Though broad, one may argue that this definition does not

(1) Sidney and Beatrice Webb : History of Trade Unionism,
London, 1920, p.1.

include the multitude of trade union activities of today's industrially advanced countries of the West. In many of these countries, trade unions are demanding a greater share of industrial management and are taking an increasing interest in broader social affairs, including educational and cultural matters. In the underdeveloped countries of Asia, the primary aim of the trade union is still limited : maintaining or improving the conditions of working lives of its members.

INDUSTRIALIZATION

The precise circumstances under which trade unionism first took root vary from country to country, but in all cases it was primarily the product of industrialization. England became the classic land of early trade unionism because of her early industrial primacy and the thoroughness with which the industrial revolution transformed the English economy. The spectacular rise of German trade unionism at the close of the 19th century clearly reflected the industrial development of that nation, while the continued weakness of French and Italian trade unions reflected the incompleteness of industry's triumph over agriculture in those countries. Similarly, in South East Asia, industrially backward countries like Indo-China and Thailand have lagged behind the trade union development of relatively more industrially advanced countries like India, China, Burma, Malaya or the Philippines.

NON-ECONOMIC FACTORS.

The growth of trade unionism does not depend on any single factor but upon a number of factors arising from changes in the socio-economic climate of the country. As Professor G.D.H. Cole put it :

"... in each country, Trade Unionism is shaped not only by the form and stage of economic development, but also by the general structure of the society in which it has to act." (2)

In addition to economic factors, there had been important non-economic factors such as government attitudes, education, nationalism and western influence, all of which greatly influenced the trade union movement in Asia. While in Europe (as in England) the labour elite - the skilled workers - formed trade unions to protect their customary privileges and interests, in Asia, the trade union had been initiated by the social elite - nationalist leaders and intellectuals.

ATTITUDE OF GOVERNMENT.

Although industrialization is the main cause of the trade union development, economic factors do not always dominate. One of the most important non-economic factors which may condition the growth of trade unionism is the attitude, towards organized labour, of the government in power.

(2) G.D.H. Cole : An Introduction to Trade Unionism,

London, 1953, p.34.

Prior to the Second World War, there was no remarkable trade union development in Burma, Malaya, and Indonesia because of the unfavourable attitude of the governments concerned.

After the war, however, when the governments concerned adopted a more liberal attitude towards the movement, it developed quite rapidly. In Indo-China the trade union movement was virtually non-existent until 1947 because of the absence of a trade union law recognizing the right of association. In India, on the other hand, organized labour had already made good progress by the end of the first World War because the British government was not too antagonistic to it. In the Philippines, the pro-union legislation of the Quezon administration in 1936 and the Magsaysay administration in 1953 provided a great impetus for the trade union movement. This dependence on the government is a special feature of trade unionism in Asia.(3)

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- (3) Adverse laws were undoubtedly a great hindrance to the trade union development in England. But despite the severe Combination Law prohibiting any sort of labour organization, trade unions in England developed in the guise of mutual societies, or sometimes even as secret societies. When the Act of 1871 put the trade union organization on a legal foundation British trade unionism had already passed its infancy in spite of many repressive laws. Again, in France, when the Trade Union Law (1884) was enacted to give legal recognition to the movement there were already 500 trade union groups existing in the country which so long defied all sorts of repression from the government and the employers.*

* Georges Vidalenc, The French Trade Union Movement : Past and Present, Brussels, 1954, p.31

EDUCATION .

Another non-economic factor affecting the trade union movement in Asia is the high rate of illiteracy. This factor has not only hindered the growth of an effective rank-and-file leadership in the labour movement but also has made it extremely difficult to impress upon the workers the advantages to be gained from union membership. As a consequence, the labour movement is dominated by outsiders who are mostly politicians and not members of the working class.

NATIONALISM.

The role of nationalism in the growth of trade unionism in the underdeveloped (former colonial) countries, including South East Asia, cannot be overemphasized. Trade unionism in most of these countries developed in transport industries. In the early stages of industrialization most of them were foreign-owned and hence the feeling of oppression by the employers was more easily aroused in these industries. To weaken the grip of the colonial government, nationalist leaders formed labour unions and led the workers to strike. India, for example, was swept by a wave of strikes in plantations, railways and steamer services, - all of which were owned by foreign industrialists during the nationalist movement in the twenties. Many of the Presidents of All India

Trade Union Congress in the early years were great nationalist leaders such as C.R. Das, Jawaharlal Nehru and Subhas Bose. They occupied the presidency not because they were labour leaders, but because they were leaders of the nationalist movement. More than once Mahatma Gandhi went on hunger strikes to support the demands of workers. Gandhi was responsible for the organization of the Textile Labour Association of Ahmedabad.(4) Similarly, nationalism played a great role in shaping the trade union movement in Burma, Indo-China and Indonesia. In China, students and nationalist leaders took an active part in organizing trade unions in foreign-owned industries in the country.

This influence of nationalism in the trade union movement is not confined solely to South East Asia, but is shared by other underdeveloped regions as well. The present President of Guinea, Mr. Sekue Touré, who led the country from the French rule to independence, was the man who organized the trade union movement in his country. One of the leaders of East Africa, Mr. Tom Mboya, is a trade union leader of Kenya. In West Africa and the West Indies nationalism played a very significant role in the development of trade unionism.

Several factors are responsible for this close relationship between trade unionism and nationalism. The nationalist leaders realized early that the trade union

(4) M.K. Gandhi : Economic & Industrial Life and Relations,

movement could be the source of the solid mass following necessary for demonstration purposes and organization of protests. They worked to build up the movement in their own interest and to achieve their political goals. The workers did not see any significant difference between foreign capitalism and colonialism. In fact, to them, both were two sides of the same coin. As Professor Everett Hawkins pointed out, in the colonial period both foreign and local management was apt to be authoritarian.(5) The workers were influenced by the sentiment that both foreign employers and rulers were exploiting them. Only with the support of the nationalist leaders, they felt, could they achieve their demands. They also wanted to get rid of foreign political domination. Hence, in a way, nationalism ultimately helped the birth of the trade union movement in the colonial countries.

WESTERN INFLUENCE

Ironically, in spite of its strong nationalistic bias, trade unionism in Asia has been strongly influenced by Western sources. (As a matter of fact the concept of nationalism itself was imported from Europe). Several European and British trade union associations and leaders

(5) Everett D. Hawkins : Labour Relations in Indonesia

- United Asia, Vol. 12. No 3, ^{June}/1960, p.226.

helped to develop their counterparts in Asia. Many of the pioneers in the Indonesian trade union movement were Socialists trained in Holland. The Japanese labour movement, in its early stages, received impetus from some of the Japanese students who were in California and came in contact with the American Federation of Labour. In other countries, Socialists and nationalists, who were once educated in the West played a significant role in organizing and developing trade unions in Asia.

The help from the West was not limited to ideology alone but extended further. The Indian trade unions received substantial contributions from foreign agencies from 1925 on. These contributions came for different purposes varying from assistance to striking workers to the organization of unions and publication of workers' journals. (Western trade unions financially supported native workers in their strikes against Western employers in India). Even as recently as 1954, the striking workers in a Karachi port received contributions from the International Confederation of Free Trade Unions. American trade unions provided considerable help to the Philippines Trade Union Council in money and materials.

Foreign trade unionists also took an active part both in strikes and in collective bargaining. Delegations from the Western and Soviet trade unions visited Asia and held congresses in Asia. This and the establishment of the International Labour Organization (I.L.O) proved to be a great help to the development of ^{the} trade union movement in Asian countries.

TRADE UNIONISM IN PAKISTAN

BEFORE PARTITION OF INDIA.

One cannot talk about trade unionism in Pakistan without reference to India, the territory that now constitutes Pakistan having been part of India until 1947. The trade union history of Pakistan must, therefore, be studied in the context of Indian trade union history.

The trade union movement in the proper sense of the term began in India after the first World War, when some measure of industrialization had already occurred. Industrial development came slowly in India. So did the trade union movement. In the pre-war period, the workers' movement in the industrial centres had taken the form of loose friendly societies, some of which had existed as early as 1878. During and immediately after World War I, the cost of living rose steadily but wages could not keep pace even though trade and industry were enjoying a period of unprecedented boom.

It was during the post-war years, in the unsettled economic conditions, that there was widespread unrest among industrial workers, which resulted in strikes and contributed to the effective growth of Indian trade unionism. Prior to this, trade union development had been negligible.

In 1884, N.M. Lokhande, a social worker, had succeeded in securing some improvements in the conditions of women and children in textile mills in Bombay. A memorial embodying their demands was presented to a commission set up to enquire into the conditions of textile labour. In 1890, Lokhande became the President of the Bombay Millhands' Associations, which was successful in obtaining a weekly holiday for workers.(6) This organization was, however, not a trade union in the real sense. The Amalgamated Society of Railway Servants of India and Burma, formed in 1897, may be said to be the first labour organization in India; it was then registered under the Indian Companies Act, and is now known as the National Union of Railwaymen of India, having been registered under the Trade Unions Act of 1926. At the turn of the twentieth century, sporadic efforts in the direction of trade unionism were made in different places; the Printers' Union was constituted in Calcutta in 1905, the Postal Union in Bombay City in 1907 and the Kamgar-Hitwardhak-Sabha (Workmen's Welfare Association) in Bombay City in 1910. Genuine trade unionism had its beginning only after the war. In 1918, an industrial organization was started among the textile workers at Madras, and the Clerks' Union and the Postmen's Union in Bombay and the Seamen's Union in Calcutta were also founded.(7)

(6) S. Ghosh : Trade Unionism in the Underdeveloped Countries.
(Calcutta, 1960) pp.31-34.

(7) N.N. Kaul: India and the I.L.O., Caxton Press Ltd, New Delhi 1956, p.9

The working class in the Indian subcontinent was benefitted to some extent by the struggle which the British working class had experienced in their own country in the 19th century. A large section of the British officials in India were convinced of the necessity of trade unionism from the experience of their own country. Before the enactment of the Trade Union Law which granted the working class the right to combine, the workers had to face a stiff opposition from the vested interests. The Madras High Court in 1920, granted an injunction restraining trade union officials from influencing labourers to strike for higher wages. This decision served as a turning point. Public attention was focussed on the necessity of giving workers the right to organize and strike in defence of their legitimate interests. In 1921 the Government of India accepted a resolution in the Indian Legislative Assembly favouring the protection of the rights of trade unions. In the same year the International Labour Convention on the right of the Association was adopted. These formed the basis for the Trade Unions Act of 1926.(8)

There were other factors which also provided impetus in the formation of trade union movement in India. The Russian Revolution in 1917 created a world-wide labour consciousness. The Indian working class, intellectuals and

(8) S. Murshidi, East Pakistan Labour Journal. Vol. ix, No iv, Dec. 1956, p.27.

nationalist leaders, saw in it a new hope of political liberation and economic liberalism. (Many were disillusioned later on by the post-revolution brutalities in Russia). The establishment of the I.L.O. in 1919 after the Treaty of Versailles, the political ferment then prevailing in the country and the rising tide of nationalism also contributed to the development of the labour movement in India. In 1920 the All India Trade Union Congress was formed. From then on it has been successful in broadening its base numerically, industrially and territorially. In common with the trade union leaders in the West in its initial stage, the Indian trade union leaders had their share of obstruction and persecutions. The hardship experienced by the workers, in common with the general population during and after World War II, further cemented the labour movement. The political agitation for " Home Rule" also reached its peak in the post-war period. This too added new strength to the movement.

ORGANIZED LABOUR IN PAKISTAN.

Pakistan came into existence at a time when the trade union movement had already taken roots in the subcontinent. As a result, Pakistan inherited all the traditions and legislations relating to the organized labour in India including the Indian Trade Unions Act of 1926. According to this Act, any seven or more persons forming a trade union are eligible

for registration. Registration of trade unions at the office of the Registrar of Trade Unions is optional, but only registered unions have a legal status. A registered union enjoys immunity against civil or criminal proceedings in respect of trade disputes and for "furthering any object of the trade union..." provided there is no agreement or commit an offence. An unregistered trade union does not enjoy this legal protection. However, according to the Act, the recognition of unions by employers was not binding even if they had registered themselves with the Registrar.

Although the Trade Unions Act of 1926 was outdated, the various civilian governments of Pakistan (from 1947 to September 1958) had failed to amend it. It was during the military regime (October 1958 to June 1962) that the Trade Unions (Amendment) Ordinance of 1960 was promulgated by the President of Pakistan on the 24th of April 1960 and further amended in 1961.⁽⁹⁾ This Ordinance provided for the compulsory recognition of trade unions by the employers if they are representative of workmen employed in their establishments. If an employer refuses to extend recognition to a union which represents the majority of workers in his establishment, the injured union can seek the help of the Industrial Court to force the employer to grant such recognition.

(9) See chapter VI of this thesis for further informations on labour legislations passed by the present regime of President Ayub Khan.

A recognized and registered trade union is entitled to negotiate with the employers on matters of employment, and terms and conditions of work for all members of the union.

REGISTERED TRADE UNIONS AND

UNION MEMBERSHIP IN PAKISTAN.

According to the Trade Unions Act registration of unions with the Registrar is optional. Consequently, many unions do not take the trouble to register and do not submit their annual returns regularly either. Hence it is almost impossible to estimate the actual number of trade unions and union membership in Pakistan. When they do submit their annual returns, their membership claim may often be exaggerated. However, from Table I (compiled by the government from those unions only which have registered and submitted their annual returns) we may gain some knowledge about the growth of union membership in Pakistan during a decade, 1951-1961.

An examination of Table I would seem to suggest that the pattern of changes in the number of registered trade unions in Pakistan is characterized by a rather sharply and persistently rising trend during the whole period considered. On the other hand, the pattern of changes in the membership during the same period, is apparently characterized by a declining trend with rather marked annual variations around the trend. For example, in 1951, starting with 309 registered unions, the number kept on consistently rising up to 721 in 1961, whereas in 1951, the number of membership was 393,137 and then rose to

a peak of 424,563 in 1953. And thereon it declined.

TABLE I
REGISTERED TRADE UNIONS WITH MEMBERSHIP IN PAKISTAN, 1951-1961.

YEAR	No of Unions	% of 1951	Membership	% of 1951
Dec. 1951	309	100	393,137	100
1952	352	113.9	394,923	100.45
1953	394	127.5	424,563	108
1954	382	123.6	410,755	104.48
1955	474	153.4	325,610	83.0
1956	542	175.4	316,642	81
1957	611	197.7	366,317	93.18
1958	621	201	357,064	91
1959	618	200	347,522	88.40
1960	708	229	350,604	89.18
1961	721	233.3	347,287	88.34

Source : " Pakistan Labour Gazette", Vol. IX, No 4, 1961, p.737
(Index calculated by the writer).

In 1954 membership of registered unions recorded a slight decline when compared with the peak year of 1953. From 1955 to 1961 there had been considerable fluctuations in the registered union membership; but the number was always far below the base period, 1951. For example, in 1961 membership of registered unions was 347,287, about 12 per cent less than what was ten years ago, in 1951. On the other hand, the number of registered unions in Pakistan during the period under consideration, was rising from 309 in 1951 to 721 in 1961.

It is possible that year-to-year changes may reflect merely the variation in the number of reporting unions and their respective strength. Since many unions are not registered with the Registrar and since many fail to submit their annual returns, our Table No.1 does not tell the whole story as to the numerical strength of organized labour in Pakistan. With scanty and unsatisfactory statistics available, one can at best make a rough estimation. However, according to the I.L.O. Survey Mission, the union membership forms only a small fraction of the total number of the industrial workers in the country and the percentage of such workers who would have benefitted in any demonstrable way from collective bargaining is even smaller. (10)

As to the failures of the unions registered and which submit their annual returns, it is difficult to appreciate

(10) See the next section on the Assessment of Unions in Pakistan.

why bona fide unions fail to avail themselves of the privileges attached to such registration and submission of returns.(11) Perhaps it reflects their inertia, perhaps their inefficiency.

ASSESSMENT OF UNIONS IN PAKISTAN.

In any assessment of the elements of weakness and strength in the trade union movement in Pakistan, the basic limitations cannot be too strongly emphasized : the small percentage of the population in organized trades, the general poverty and illiteracy of workers, their traditionally weak bargaining position in an over-populated country and such post-Partition difficulties as the pressure of a desperate refugees population in the towns. Basically, trade unionism in Pakistan is still very weak. This finds expression in the I.L.O Survey Report : " It is clear that the trade union movement is relatively immature and underdeveloped, poorly organized, disrupted by internal dissensions and financially weak, and that, therefore it has a very long way to go to match Pakistan's industrial ambitions".(12)

The Mission's findings indicate that at the most 30,000 workers had been affected by collective agreements

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- (11) The procedures for registration under the Trade Unions Act are quite simple. Section 17 and 18 of the Act make the union officials immune from criminal and civil suits if they are engaged in activity " for the purpose of furthering any ... object of the Trade Union ..."
(Labour Code of Pakistan, p.231)
The unregistered unions are deprived of this legal protection. Any unions which fail to submit their annual returns are automatically cancelled from registration and have to re-apply for it.
- (12) I.L.O. : Report to the Government of Pakistan on a Comprehensive Labour Survey, Geneva 1953, p.130

and compulsory arbitration during 1951-1953. The total number of employees in Pakistan who are engaged in other than agricultural pursuits is possibly about 3 million.(13) In other words, the membership of both registered and recognized trade unions form only very small fractions of the total industrial workers, and the percentage of such workers who have benefitted from collective bargaining is minute.

RIVALRIES AMONG UNIONS.

Rivalries among unions and union leadership hinder the development of a healthy and vigorous trade union movement in Pakistan. This rivalry is not confined to Pakistan alone. Professor Myers states that the rivalries among Indian unions are "acute, and continue to present problems for trade union unity, despite several attempts to cut across political lines of division". (14) Whatever strength may accrue to labour is, however, offset by numerous ideological and political cleavages. This rivalry frequently leads to peculiar situations. Each federation claims a greater following than they are given credit for by government data. A I.L.O. Mission

13. I.L.O. : " Report to the Government of Pakistan on a Comprehensive Labour Survey", Geneva, 1953, p.130.

(14) Charles Myers in Labour and Economic Development (ed. Walter Galenson), John Wiley & Sons, 1959, p.39.

reports an amusing example of this claim by labour federations :

" ... the total membership of registered unions in East Pakistan is ...95,552. Two rival workers federations alone in East Pakistan supplied to the Mission details of the membership of their affiliated unions which totalled 281,000 or more than the total membership of all the registered unions in the whole of Pakistan ..."(15)

One major consequence of the presence of several federations in Pakistan is the existence in most areas, and industries of several unions for the same union territory. By November 1949 there were four "national " federations in Pakistan, claiming from 32,000 to 213,000 members and each was an offshoot of a former All India organization. There were some other strong groups, such as the Karachi Trade Union Committee, which are outside all four federations. The two East Pakistan organizations combined to form the new All-Pakistan Trade Union Federation. In the same year this organization combined with the Pakistan Federation of Labour of Karachi to form the All-Pakistan Federation of Labour, with two branches, called respectively the East Pakistan Federation of Labour and the West Pakistan Federation of Labour. Yet some strong unions, such as the Chittagong Seamen's Union and the Post and Telegraph Union, remain outside the Confederation. As if the rivalry among the national federations is not enough, the competition between the international federations does not help the situation. Thus, the All-Pakistan Confederation of Labour is affiliated with the International Confederation of Free

(15) I.L.O. Survey Mission, op. cit. p. 129.

Trade Unions. Its left-wing rival, the Pakistan Trade Unions Federation (Lahore) is affiliated with the communist dominated World Federation of Trade Unions.

ORGANIZATIONAL AND FINANCIAL WEAKNESS.

Rivalries represent only one aspect of the weakness of unionism in Pakistan. Most unions are weak organizationally, particularly with respect to trade union finances. Very few unions or federations have full-time paid leaders. Many unions do not have regular dues-paying membership and no real office or meeting hall. Expenditures on benefits for members are very small. The workers are apathetic towards their unions. Moreover, a vicious circle seems to have been set in motion. By his inability to pay regular and substantial contributions to union funds, the worker keeps his union weak, while the weakness of the union contributes to the continuation of low wages, even when labour productivity is high enough to support a better wage rate. And the worker has little inducement to give away any reasonable portion of his wages to the unions because they do not seem to promote his welfare activity, while his lack of support keeps the union that way. The lack of regular and assured contributions make the union leaders believe that their primary function is to conduct strikes and negotiate with employers, and social welfare is beyond the province of their role.

VICTIMIZATION BY EMPLOYERS :

A general, almost a universal complaint of trade unions in Pakistan is that they are victimized, either directly or indirectly, for participating in trade union activities. This complaint is not restricted to private enterprise alone, but is made equally against the Government in public or semi-public enterprises. During the course of its survey, the I.L.O Mission was convinced of the fact :

" ... that in the minds of most workers who take a leading part in trade union activities there exists a real fear of possible victimization and discrimination, and quite a number hold firm and sincere convictions rightly or wrongly, that they have suffered victimization." (16)

The Mission however did not make any investigation regarding these allegations since it was not empowered to do so and could not therefore say whether they were well-founded or not. But it remarked :

"... that unionism in Pakistan seems to have developed in a manner which renders workers unusually vulnerable to direct or indirect victimization. Instead of being founded on the basis of craft or of an industry most unions are founded on the basis of the activities carried on in an individual factory or establishment and their ordinary membership is therefore limited to the workpeople of such an undertaking. If unions were organized on the basis of a craft or an industry, they could develop into much stronger bodies and be much less susceptible to local influences which may prevail in individual concerns." (17)

(16) Report of the I.L.O Survey Mission, op.cit.p.131

(17) Ibid. p.132.

These remarks can be taken to mean that the Mission did not think victimization was purely a product of workers' imagination. It believed there was some substance in the allegations made by workers, and that victimization could occur particularly because of trade union's organizational pattern. Victimization has also been proved by several tribunals' awards which ordered the reinstatement with compensation of workers who were not allowed to resume jobs after the termination of strikes in individual establishments. (18)

Victimization is clearly against Article I of the I.L.O. Convention no. 98 which has been ratified by Pakistan. There is no reason why victimization should not be completely removed in Pakistan which is an active member of the I.L.O. and whose government time and again claimed its faith in the I.L.O.

OUTSIDERS' INFLUENCE.

Closely connected with victimization is the defect of outsiders playing the role of union leaders. Before the Trade Unions (Amendment) Ordinance, unions could appoint up to half their officers from outside the working force. The percentage

(18) M. Shafi, Analysis of Tribunals' Awards, Pakistan Labour Publication, Karachi, 1955, p.17.

was reduced to twenty-five by the Ordinance, but this fraction of officers must be drawn from trade unionists.

As already seen this situation prevails in many underdeveloped countries. Practically all Indian unions are led by persons who have no background in industry. These outsiders are mostly middle-class intellectuals with clear-cut political orientation in many cases. Often one person may hold the presidency and secretaryship of a dozen unions at the same time. A national leader of considerable stature was president of about 30 unions and "there was nothing he could do to contribute to the work of any of these". (19).

In fact, most of the unions in Pakistan, as in other underdeveloped countries, are dominated by a dictator or an oligarchy with little rank-and-file participation in union affairs. Regular membership meetings are not held, and the workers' main contact with the union comes only during the periods of labour unrest. The protracted strike, with orderly picketing and strike benefits is not a practicable method of operation for the "new" union movements. (20)

(19) Charles Myers, op. cit. p.41

(20) Walter Galenson : Labour and Economic Development, op. cit. p.12.

However, in all fairness, outsiders are not to be fully blamed. They are - to use a jargon of big powers' politics - simply filling a vacuum. Since most of the workers are illiterate and incapable of managing their own affairs, these outsiders some, of whom are dedicated and some opportunists, come into the picture. Again, if workers lead unions they can be discriminated or even dismissed by employers. But the outsiders are immune to employers' revenge ! Furthermore due to the financial weakness of unions, the workers cannot pay or maintain a full-time union leader. To cure this deplorable situation the I.L.O and the International Confederation of Free Trade Unions have set up colleges in many countries, including Pakistan, to train workers to run their own unions.

Most of the trade unions do not hold elections properly and regularly and this constitutes a danger of losing its effectiveness and its representative character. This is also one of the main causes contributing to the internal discontent, strife and creation of rival organizations.

LOOPHOLE IN THE LAW.

Many unions do not maintain their accounts properly thus causing suspicion among members. The Trade Union Act of 1926 did not provide for a compulsory public audition of the fund of the registered union. This loophole in the law encouraged unscrupulousness among union officials who do not

submit their annual reports to the Registrar and thus making their unions dissolve. The following years they register under a different name. As S. Murshidi, former Labour Commissioner of East Pakistan, wrote :

" If we scrutinize statistics we will find that a considerable number of Trade Unions have their registration cancelled on account of their failure to submit annual returns as required under the Trade Union Act. In many instances this is due to ignorance of the law and of the method of preparing a return. It is also a fact that some unscrupulous officers of Trade Unions neither maintain accounts nor care to submit returns and allow the registration of the Union to be cancelled only to be re-registered in the new year may be in a different name".(21)

S U M M A R Y :

In our analysis of the trade union development in Pakistan we have stated that although industrialization is the main cause giving birth to trade unionism in any country, there had been several important non-economic factors such as the attitude of the government, the level of education, Western influence and all-powerful nationalism, which have shaped the course of trade unionism in Asia. It has also been noted that when Pakistan came into existence the trade union movement had already taken root in the Indian subcontinent.

The causes of slow progress of labour unions in Pakistan have been analyzed. The membership of trade unions forms only small fractions (less than 3 percent in 1961)

(21) S. Murshidi, op.cit. p.275.

of the total industrial labour and the percentage of such workers who are benefitted from collective bargaining is minute. Rivalries among unions and union leadership, widespread illiteracy and the indifference of workers, serious unemployment, organizational weakness of unions, and the hostile attitude of employers all hinder the development of a healthy and vigorous trade union movement in Pakistan.

The analysis also revealed that most unions in Pakistan are financially weak. Membership fees are necessarily low in a poor country like Pakistan. Strike funds are, therefore, limited; organizing funds are almost non-existent. The unions, cannot afford welfare benefits for their members nor can they hire full-time officials. In short, the poverty of the union movement in Pakistan is in many respects a reflection of the low degree of industrialization of the nation.

The trade union in Pakistan has several strong points and potentialities as the basis for future progress. We have already mentioned the trend towards amalgamation. Trade unionism in Pakistan is helped by the relative homogeneity of labour in both Eastern and Western Pakistan. Each part of the country has a predominant language and culture. In this respect Pakistan is certainly better off than most South East Asian countries. Furthermore there is

a measure of ideological and political unity among most unions, sincerely interested in building a stable and strong nation while advancing their economic welfare.

Although conflicts within unions due to political objectives exist, it is less prominent in Pakistan than in Ceylon or India, for example. If the training and the technical aid now provided by the I.L.O and the International Confederation of Free Trade Unions continue for sometime and if the All-Pakistan Confederation of Trade Unions succeeds in maintaining a reasonable degree of unity and discipline, it should develop into the nucleus of a strong labour movement with the prospect of a growth paralleling the industrialization of Pakistan.

Chapter II

INDUSTRIALIZATION OF PAKISTAN - PROBLEMS AND PROGRESS

In the previous chapter we have stated that the most important factor giving birth to trade unionism is industrialization. As the process of industrialization advances in a country, so does the development of trade unions. Since, in this study, we are concerned with labour in the industrialization of Pakistan, it is appropriate that we examine some of the problems of industrialization in the country and the progress made in this regard.

To this end, we shall briefly analyze the importance of industrial and agricultural development of Pakistan, an underdeveloped country. (1) In order to gain a clearer picture of the problem under discussion, we shall look, first, into some of the major difficulties Pakistan had to face as a result of the division of India (and thus causing dislocation of its economy) and the industrial heritage of the new nation. We shall, then, analyze the

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- (1) Pakistan is economically an underdeveloped country; a poor country for that matter. It is beyond the scope of this paper to go into a detailed study of an underdeveloped economy. We may say that an underdeveloped country like Pakistan has in essence six fundamental characteristics : (1) it is capital deficient, (2) it is primary producing, (3) it has underdeveloped natural resources, (4) it has an economically backward population, (5) it is foreign-trade oriented, and (6) it faces population pressures.

progress Pakistan has made in industrial development. Since one part of Pakistan is separated from the other by over a thousand miles, it may be useful to compare the industrial development between East and West Pakistan.

INDUSTRIAL DEVELOPMENT OF PAKISTAN.

Pakistan is in the process of change - economic, social and political. One of the main directions of the change is the increasing emphasis on industrial development of the country. Industrial development is important not only because it supports and stimulates progress in other sectors of the economy but also because, in its own right, it is a major factor in raising national income, in improving the balance of payments position and in providing gainful employment. If the community has to be lifted from a low to a high level of technique, the method is predominantly one of industrialization. The country needs to make the fullest use of its resources; the process of production needs to be revolutionized to produce better and better goods in ever increasing volume both for investment and consumption. The occupational structure of the country has to be strengthened and diversified to provide employment at increasingly higher levels of productivity.

Industrial development is vital to Pakistan's economy in many respects. It will relieve the pressure on

land where the problem of "disguised unemployment" has assumed serious proportions. Industrialization is essential to provide job outlets for the expanding labour force and to lessen Pakistan's dependence on other countries for a wide range of essential and semi-essential consumer goods. Industrial development is likely to provide some degree of immunity against violent fluctuations in international prices of the two major raw materials of export (jute and cotton) by making the Pakistani economy more balanced. Considerations of national security and prestige also enter the picture.

Industry is marginal to Pakistan's present but central to its future. If the general level of productivity and incomes of Pakistan is to rise, more people will have to be drawn into urban occupations or rural activity will have to be raised to a much higher level of productivity, or both. A great national effort is presently in progress to alter the traditional character of Pakistan's rural life. (The Government has established village development projects and carried out land reforms. But the traditional character of rural life in the East does not easily change).

IMPORTANCE OF AGRICULTURE.

Industrialization of Pakistan is indeed an urgent need but she cannot afford to neglect her agricultural sector. The supreme importance of agriculture in the economy

of Pakistan can be seen in the fact that about 60 per cent of the total national income is derived from agriculture. Nearly 75 per cent of the civilian labour force is engaged in agriculture and 90 per cent of the people living in villages are dependent directly or indirectly on agriculture. (2) Nearly 95 per cent of the total foreign exchange earning is contributed by agriculture. It constitutes the base of the national economy and therefore the problem of its stability, its strength and the factors of its growth ought to receive special attention in development schemes. Agricultural productivity, in terms of labour engaged in it, is, at present, exceedingly low. This is clearly reflected in the low levels of income of the farmers and agricultural labour and by the inadequate diet of the people generally.

The importance of agriculture is exceptionally great in the present stage of the economy. The urban sector gives unmistakable signs of growth and expansion as we shall see later. This rate of increase will continue in future years as part of the expansion of industrial and tertiary sectors. But the agricultural sector has been more or less stagnant. Agricultural production has to expand in order to produce food for rural people and the growing urban population. It has to yield larger surpluses of cash crops for export.

(2) The First Five Year Plan, Govt. of Pakistan, Planning Board, vol.11, p.19.

It is therefore imperative that agricultural production does not lag behind the general tempo of development in the country. Expenditure of heavy sums of foreign exchange on import of foodstuffs during the last several years has dealt a severe blow to both Pakistani industries and consumers and amply demonstrated that development of agricultural sector in Pakistan is the key to general improvement in the economic conditions of the country and the living standard of the people.

POST-PARTITION PROBLEMS.

Pakistan's economy at the time of the inception of the country was predominantly agricultural. To industrialize such an economy, faced with shortage of key strategic factors such as capital, technical knowledge, entrepreneurship, and natural resources is in itself a formidable task. But Pakistan had to grapple with other colossal problems as well. It had to establish its own political administrative machinery and set up its own Central Bank and financial institutions. In short, Pakistan had to lay the foundations necessary for running a country. The partition of India was " followed by one of the greatest mass transfers of population in the history of the world and involved more than seventeen millions".(3) The economic impact of the Great Displacement,

(3) C.N. Vakil : Economic Consequences of Divided India - A study of the Economy of India and Pakistan, Vora & Co, Bombay, 1950, p.vii

the difficulties involved in mass refugee rehabilitation, the dislocation of the economy of the subcontinent by the interruption of the normal economic activity of millions of people further aggravated the situation in Pakistan (as well as in India).

The political partition of the Indo-Pakistan subcontinent in 1947 became, within a couple of years, a virtually complete economic partition as well. Import tariffs which formerly applied to third countries were applied on both sides of the new border. Pakistan imposed export duties on raw jute, cotton and other commodities going to India. India retaliated in cutting supplies of coal to Pakistan, thus bringing Pakistan's railway and steamer services to almost a standstill till the latter succeeded in buying coal from South Africa. " There was a complete embargo on Indo-Pakistan trade, 1949-1951, during an exchange rate controversy. (Following England, India devalued her currency but Pakistan refused to follow the move) ... Both sides have imposed quantitative control and administrative inconveniences. This ending of an economic union had powerful trade destruction and trade rectification effects, to use terms that describe the reverse of Viner's trade creation and trade diversion effects." (4)

(4) Frederic C. Shorter : " Problems of Economic Development - Discussion " Papers and Proceedings, American Economic Review, May 1962, p.64.

INDUSTRIAL HERITAGE OF PAKISTAN.

The industrial development of the Indo-Pakistan subcontinent began about the middle of the 19th century. During the past hundred years a host of medium and light industries, have grown up, largely in and around the ports of Calcutta and Bombay, away from the centres of consumption and away from the sources of raw materials. While Undivided India as a whole was industrially backward, the uneven distribution of industry within it gave rise to wide disparities in the development of different areas. The regions, which now constitute Pakistan, were those which lagged behind in industrial development. The following table gives the number of industrial establishments and workers employed in both countries in 1945, the latest year for which these statistics are available.(5)

Table No 1.

Industrial Establishments & Employment, 1945.

	<u>Establishments</u>		<u>Employment</u>	
	Number	% of Undivided India	Number	% of Undivided India
Undivided India	14,677	100.0	3,141,774	100.0
India	13,263	90.4	2,935,729	93.5
Pakistan	1,414	9.6	206,045	6.5

(5) C.N. Vakil : Economic Consequences of Divided India, op.cit. pp.246-247.

An examination of the above Table reveals that the Republic of India which accounted for four-fifths of the total population of British India had over nine-tenths of the total number of establishments and had an even larger share in the total number of workers. Pakistan, on the other hand, with one-fourth of the total population, had less than one-tenth of the number of establishments and only about one-sixteenth of the total number of workers in Undivided India. Two main characteristics emerge from these statistics. The average size of the factories in India was much larger than those in Pakistan. The average number of persons employed per factory in India was 223 against 146 in Pakistan.

It will be appropriate to mention here that though Pakistan had less than 5 per cent of the total number of cotton textile mills of Undivided India, it produced 40 per cent of the total output of raw cotton of Undivided India. Next to cotton, jute was the second largest industry in respect of the number of workers employed and capital invested in British India. As a result of partition, all the jute mills of Undivided India are located in India, whereas in the production of raw jute Pakistan enjoys a semi-monopoly in the world market.

The following figures will give a clear picture of the industrial heritage of Pakistan at the time of

partition of India in 1947. It is to be recalled that the main industries in India at the time of division were cotton, jute, sugar, iron and steel, cement, paper and glass. Below are given the relative shares of Pakistan and the Indian Republic with regard to these industries.(6)

Table No.2

Industrial Heritage, 1947.

<u>Industry</u>	<u>Indian Republic</u>		<u>Pakistan</u>	
	<u>No. of factories</u>	<u>Average Daily Employment</u>	<u>No. of factories</u>	<u>Average daily employment</u>
Cotton	435	635,000	16	20,000
Jute	91	289,000	nil	nil
Sugar	151	82,000	9	3,800
Iron & Steel	35	58,450	nil	nil
Cement	13	8,600	5	1,900
Paper	21	166,000	nil	nil
Glass	141	20,900	4	700
Total :	887	1,106,750	34	29,400

Thus, of the total of 921 factories in these seven large industries, only 34 or 3.6% were located in Pakistan while the share of Pakistan in the total employment was only 2.6%.

(6) S.M. Akhtar : Economics of Pakistan, Lahore, 1951, p.263

Several conclusions will emerge from the brief foregoing survey : 1) Pakistan's relative share in industrial employment fell short of its share in the total population of Undivided India; 2) the development of industries in Pakistan is less diverse than in India and is lacking several major industries present in India; 3) even those industries which have been developed in Pakistan are of a comparatively smaller size than those in India.

This analysis also provides us with some idea of the extent of the dislocation of the economy of the Indian subcontinent at the time of partition. Although Pakistan had a higher share of certain raw materials such as jute, cotton, tea, hides and skin, its share of mineral resources such as coal and steel were negligible. That is to say India had jute and textile mills, Pakistan possessed their raw materials. Pakistan needed coal and steel, India had them. In short, the economies of the two countries were inter-dependent and complementary. However, and very unfortunately indeed, leaders of both countries often engaged in economic feud (as in political feud) and caused great suffering to the people of both countries.

INDUSTRIAL POLICY.

The urgency of the situation can be seen from the fact that barely four months after Pakistan came into existence an Industries Conference was called by the Central

Government. All the provinces and important industrial interests participated. Based on the recommendations from this conference, the Statement of Industrial Policy was issued in April 1948. Pakistan's goal was the development of a free mixed-economy. The aim of the industrial policy was to develop those industries for which the country possesses abundant raw materials and for which markets exist, either at home or abroad. A few key industries in the public sector were reserved for state ownership, management and control. The public sector of the economy in Pakistan covers the ownership and management of assets commonly referred to as "social capital". This includes : 1) the communications network; 2) power, irrigation and other development works; 3) social service facilities and 4) defence. (7) The remaining vast sector of the economy is to be developed by private enterprise. At the same time it has been made clear that exploitation of labour either through low wages or excessive hours of work or bad living conditions will not be tolerated. (8)

The Industrial Policy of 1948 has been revised and reviewed several times. The main features of Pakistan's

(7) Andrus & Mohammed : The Economy of Pakistan, Stanford University Press, Stanford, California, 1958, p.157

(8) Mushtaq Ahmad : The Economy of Pakistan, Pakistan Institute of International Affairs, Karachi, 1950, p.13.

industrial policy may be summarized as follows : (9)

1. Rapid industrialization of the country so as to balance its predominantly agricultural economy;
2. Early development of such heavy industries as are essential to the security of the State, or for the speedy achievement of a strong and balanced economy;
3. Emphasis on reconstruction and development of agriculture and of industries depending upon or connected with agriculture;
4. Preference to the manufacture of products of indigenous raw materials for which market at home or abroad is assured, in particular jute, cotton, hides and skin.
5. Exploitation of country's mineral and oil resources and harnessing of power.
6. Encouragement of private enterprise.
7. Earning or saving foreign exchange by exporting surplus indigenous products and restricting imports of products locally manufactured.
8. Promotion of foreign investment in industry, by extending guarantees for repatriation of capital and remittance of profits, etc.
9. Minimum control over privately-owned industry, excepting by way of fixing targets, location of industry, allocation of material in short supply and regulation of certain matters relating to labour such as hours of work, wages, conditions of work and employment.
10. Extending all possible assistance to private industry such as assistance in the procurement of capital goods, machinery and raw material from foreign countries, in the development of technical and scientific research and in obtaining land, water and power.
11. Increasing of credit facilities by establishing the Industrial Finance Corporation.
12. Concessions in the matter of taxation
13. Protective tariffs in the case of new and nascent industries.

(9) " Pakistan Welcomes Foreign Investment", Govt. of Pakistan, Karachi, 1955, p.54

PLANNING IN PAKISTAN.

The Government of Pakistan did not confine itself simply to the promulgation issuing an industrial policy statement. It took many concrete measures to stimulate economic growth. Assistance has been provided for industrial development through the survey and exploitation of mineral resources, the development of electric power, improvement of ports and roads, and through increasing the quality of agricultural raw materials required for industry, assisting in the procurement of machinery from abroad, and promoting scientific and industrial research. Other State services include the provision of facilities for technical education and training, both within Pakistan and abroad, the establishment of financing agencies for industrial enterprises, the building up of Trading Estates - adequately provided with communications, power, and factory buildings - for lease to private enterprise. Both fiscal and monetary policies have been geared to rapid industrial development. Very liberal tax incentives are offered to industry, particularly new industry.

Like most of the underdeveloped countries of South East Asia, Pakistan has adopted economic planning to ensure ordered development of industry in the country. A Development Board was established as early as 1948 to deal with questions of economic development, and a number of projects

were undertaken on the recommendation of the Board. In 1950 a Six-Year Development Plan was formulated and embodied in the Colombo Plan for Co-operative Economic Development in South and South East Asia. This was essentially an outline plan and delineated only a broad pattern of development.(10) A Two Year Priority Plan was launched in 1952 with an implicit undertaking that specific projects included in it would be executed by Government in association with private enterprise, if possible, without private enterprise, if necessary. After some experience and gathering of knowledge, a more comprehensive Five Year Plan was issued in 1956. The Second Five Year Plan was launched in 1960 and Third Five Year Plan will be launched in 1965.

STATUTORY CORPORATION.

In addition to economic planning, Pakistan devised a system of statutory corporations to operate in major fields of economic activity. These institutions enjoy wide powers in their respective spheres and follow business-like methods but receive policy directions from Government. They assume different forms to suit particular aims and objectives. Finance corporations provide funds for specific

(10) " The First Five Year Plan, 1955-1960", Government of Pakistan, p.i.

purposes, development corporations execute and control major projects of national programmes in essential fields.(11).

In spite of many incentives provided by the Government, private enterprise in Pakistan continued to prefer short-term commercial ventures. Limited amounts of private capital were invested in a few industries such as cotton textiles, but many other essential industries for which sufficient raw material was available locally were largely neglected.(12) In view of the poor response of private capital, the government decided to take the lead and to establish an autonomous corporation for accelerating the pace of industrial development and promoting balanced growth of the economy. Accordingly, the Pakistan Industrial Development Corporation was established in January 1952.

However, this autonomous development corporation is not confined to Pakistan alone. In fact the establishment of industrial development corporations in the post-war world has brought a new institutional pattern to the fore in the

-
- (11) Among the finance corporations are the Pakistan Industrial Finance Corporation, Agricultural Development Finance Corporation, House Building Finance Corporation, Pakistan Refugees Rehabilitation Corporation, The Agricultural bank of Pakistan and the Pakistan Industrial Credit and Investment Corporation. The main development corporations are the Pakistan Industrial Development Corporation, Small Industries Corporation and the Karachi Development Authority. In the miscellaneous category fall the Pakistan Insurance Corporation, the Karachi Electric Supply Corporation and the Pakistan Security Printing Corporation.

- (12) Jafri, Buer and Keddle : The Economy of Pakistan, Humanit. Relations Area Files, University of California, 1956, p.269

economies of underdeveloped countries. With the avowed objective of accelerating the rate of industrial growth and of overcoming the initial hesitancy of private enterprise, particularly in the launching of large-sized basic and key industries, these corporations have come to be regarded as an important step in bringing about a "balanced economy".(13) The accent of such corporations is on "enterprise", whether private or public.

The aim of the Pakistan Industrial Development Corporation (P.I.D.C.) is to develop and promote specified industries vital to the country for which private capital is not forthcoming in the desired measure. The P.I.D.C. played a vital role in the industrial development of Pakistan. The function of the P.I.D.C. is to establish those industries specified by its charter, viz (1) jute mills; 2) paper mills and allied paper products; 3) fertilizer plants; 4) heavy engineering industries, including iron and steel; 5) ship-building; 6) cement plants; 7) textiles; 8) sugar; 9) natural gas; 10) heavy chemicals; 11) chemicals, pharmaceuticals and dyestuffs and 12) development of power from natural gas. While the basic industries certainly dominate the list, consumer goods industries, such as paper, textiles and sugar, also figure prominently. The obvious reason for this, as we have

(13) Om Prakash : " Industrial Development Corporations in India and Pakistan", The Economic Journal, London, March 1957, p.41

seen earlier, is that Pakistan was backward both in the sphere of light and heavy industries at the time of partition.

As indicated earlier, the main objective of the Corporation was to take up industrial ventures which did not receive attention of private enterprise and also to encourage private investors to participate in industrial undertakings. A review of its activities shows that in some cases it has undertaken projects in collaboration with private capital while in others it has launched public limited companies to attract private funds after completing the project. In other words, the P.I.D.C. does not supplant private capital. It encourages, supplements and guides private capital to come forward in industries which have sound foundations and an assured future. The P.I.D.C. hands over each and every project that it builds to private enterprise by promoting and floating joint-stock companies. It also ensures that the shares are distributed among the largest number of people. Even when an industry is established with the major part of the capital coming from Governmental contributions (or the foreign loans), the step is a matter of expediency rather than one based on socio-economic logic. Such an institutional pattern would be comparable to the industrial system of Japan as it evolved soon after the Meiji Restoration - where industrial units were initially sponsored through State initiative, but were gradually handed over to private entrepreneurs.

In order to acquaint the business executives with the latest technique of business management, the P.I.D.C has set up Institutes of Personal Training. The courses given in the Institutes cover such subjects as Labour-Management Relations, Management Technique, Financial Management, Industrial Engineering etc. The P.I.D.C. has so far provided training to over 2000 persons under different categories.

It may be added here that the P.I.D.C. has now been bifurcated into East Pakistan and West Pakistan Industrial Development Corporation. In other words, the corporation has been transferred from the Central Government to the jurisdiction of the Provincial Governments. This seems to have been due to the mounting political pressure from East Pakistan which apparently did not receive its due share of industrial development.

INDUSTRIAL PROGRESS IN PAKISTAN.

We have seen how little industrialization Pakistan had, even for an underdeveloped country, at her independence in 1947, and the manifold problems, including the dislocation of the economy, it faced following the partition of India. We have also sketched the salient features of the industrial policy of Pakistan and some of the measures adopted by her to industrialize a predominantly agricultural economy.

Let us now see what progress Pakistan has achieved in this direction.

A review of our Table No.3 reveals that Pakistan has made very good progress in industrial development. In mining, for example, the total output has increased almost three-fold from 1950 to 1961. But much greater progress has been recorded in the field of manufacturing. Manufacturing output rose almost by six times from 1950 to 1961 (June). We can see the pattern of growth of industrial output from the column number 3. The rate of expansion shows a clear and constantly rising trend throughout the entire period under consideration. The index climbed from 39.5 in 1950 to 204.5 (provisional) in 1961, showing an increase of over five times. From the base period in 1954, the total output was doubled by the first quarter of 1961.

Table No.3
INDEX OF INDUSTRIAL PRODUCTION.

Base : 1954 = 100.

<u>Year</u>	<u>Mining</u>	<u>Manufacturing</u>	<u>Industrial Production</u> (<u>Mining & Manufactur.</u>)
1950	66.7	37.7	39.5
1951	72.4	46.6	48.2
1952	89.1	58.6	60.5
1953	98.5	76.3	77.7
1954	100	100	100
1955	105.9	126.9	125.6
1956	123.3	143.9	142.6
1957	128.6	152.4	150.9
1958	146.3	162.4	161.4
1959	151.9	181.9	180.1
1960	178.9	192.4	191.6
1961 (Jan.-Mar.)(a)	193.8	203.1	202.5
1961 (Apr-June)(a)	198.2	204.9	204.5

(a) Provisional.

Source : Pakistan - Basic Facts, Ministry of Finance,
 Government of Pakistan, Rawalpindi, 1961, p.49

In his budget speech at the National Assembly on June 12, 1962, the Minister of Finance revealed a record of progressive gain in industrial output.(14) The index of industrial production reached a new peak of 213 in 1961 against 192 in 1960 and 180 in 1959. Industrial production has more than doubled since 1954. This improvement was due to more effective utilization of manufacturing units and increased investment. The Minister predicted that the rate of expansion is likely to gain further momentum as the new capacity installed during the past two years becomes fully operative.

He further noted that development outlays, in both the public and private sectors, attained new levels during the current year. The Government's development budget, approximately Rs. 2,630 million, was broadly in line with the Second Five Year Plan target. The response of private investors to the programme laid down in the industrial investment schedule was extremely encouraging. Under the schedule, sanctions for investments accorded to the private sector during the first eighteen months of the Second Five Year Plan period covered roughly 93 per cent of the total investment projected in the Second Plan period.

The satisfactory aspect of the situation is that the pace of development has been achieved in a framework of

(14) Budget speech, Pakistan News Digest, Karachi, June 15 1962, p.8

overall price stability. There might have been some increase but the cost of living index was not as erratic as before. The most significant factor influencing the price situation was the lower rate of monetary expansion during the last two years. This has resulted in stable prices, high rate of real investment and notable expansion in the economy.

Another indication of real progress in Pakistan can be seen in the rise of national income. During 1960-61 real national income rose by nearly 6 per cent, well in excess of the Second Plan target of 4.7 per cent per year; the per capita improvement was 3.8 per cent. By contrast, the rise of national income during the First Plan averaged only about 2 per cent per annum, allowing little improvement in per capita income. Judging from available indicators, a satisfactory rate of growth has been sustained during 1961-62.(15)

The progress of some individual industries like cotton and jute, textiles, cement, sugar, cigarettes, etc has been quite remarkable as shown in the table 4.

It will be seen that the production of cotton cloth increased from 88 million yards in 1948 to 629 million yards in 1960, showing an increase of 615%.

In 1947, no cotton yarn for sale was produced by any

(15) Budget speech, June 12, 1962 at the National Assembly, op.cit.

of the mills in the country. Production of yarn for the market started only in 1953 when the production was 118.5 million lbs which increased to 408.7 million lbs in 1960, or by 240%.

Production of jute manufactures did not start until April 1952, and since then has shown a phenomenal rise and it now rivals cotton manufactures in our export list.

In 1948, Pakistan produced only 30 thousand tons of sugar and was heavily dependent on imports. By 1960, the production of sugar increased to 145,400 tons; there has also been considerable increase in the production of cement, cigarettes, etc.

According to Professor Gustav Papanek of Harvard University, Pakistan has "experienced an extremely high rate of industrial growth".(16) In his research on the industrial developments in Pakistan, Professor Papanek found that in 1947 industry (firms using power and employing at least twenty workers) contributed about 1 per cent to national income. " Yet by 1959, industry's contribution to a much larger national income was over 6 per cent. Industrial assets had increased nine fold and value added more than ten-fold".(17) The high rate of industrial growth was sustained from reinvestment of a very large proportion of all earnings. At least part of the explanation for this

(16) Gustav Papanek " The Development of Entrepreneurship in Pakistan, Papers and Proceedings, American Economic Review" Vol.111, No.2, May 1956, pp.46-58

(17) Ibid.

Table No.4INDUSTRIAL PRODUCTION IN PAKISTAN
1948-1961(September).

Year	1*	2*	3*	4*	5*	6*	7*	8*
1948	88.1	-	-	324	30.4	-	-	0.3
1949	92.4	-	-	422	38.6	241	13	2.5
1950	106.3	-	-	413	32.7	1488	112	4.2
1951	127.7	-	-	499	42.8	2716	621	6.0
1952	174.2	-	9.7	530	64	3170	776	8.0
1953	251.6	118.5	44.1	595	85.7	3996	1376	10.8
1954	345.2	192.	53.3	671	75.5	4588	1902	11.1
1955	453.2	274.5	103.2	681	95.1	4833	2035	14.5
1956	500.4	300.4	142.4	773	107.7	5343	2187	16.7
1957	527.	316.9	148.8	1078	111.5	6481	2651	18.0
1958	576.2	345.1	172.1	1072	162.6	7468	2705	20.4
1959	618.5	386.8	232.6	986	167.2	8771	2778	27.1
1960	628.8	408.7	264.7	1120	145.4	9946	2951	34.3
1961	524.4	303.9	179.7	873	72.3	8837		33.9
(Jan.-Sept.)								

1* Cotton cloth : expressed in million yards

2* Cotton yarn : expressed in million yards

3* Jute:expressed in thousand tons

4* Cement: " " " "

5* Sugar : " " " "

6* Cigarettes : expressed in million Nos

7* Tyres : expressed in thousand Nos.

8* Hydrogenated vegetable oil : expressed in thousand tons.

Source : Pakistan-Basic Facts, op.cit. p.51

lies in the high rate of returns expected and the limits placed on consumption by import and other restrictions.

It will perhaps be of interest to see how Pakistan has fared in the growth of industrial output relative to several other countries of South East Asia. Table No.5 indicates that although the rate of expansion varies from country to country, the indices of production show a clearly rising trend in China (Taiwan), India, Japan, Pakistan and the Philippines throughout the entire period considered. However, if we exclude Japan, a highly industrialized country, Pakistan's growth rate ranks first in terms of the annual industrial output for the period from 1954-60.(18)

Growth in Industrial Assets
in Pakistan.

Year	Crores *	Index.
1947	58	17
1949	82	23
1951	128	36
1953	203	57
1955	351	100
1957	436	124
1959	502	143

* One crore rupees is roughly 2 million dollars.
Papanek, op.cit.

(18) Economic Survey of Asia and the Far East 1961, Bangkok, p.16

Table No.5

INDICES OF PRODUCTION OF MANUFACTURING INDUSTRY, 1951-60
(Selected countries : 1953 = 100)

Country	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
China(Taiwan)	58	75	100	107	120	125	143	153	175	200
India	95	98	100	107	116	126	130	131	143	160
Japan	75	81	100	110	119	147	174	175	220	280
Pakistan	62	76	100	132	167	189	200	222	250	269
Philippines	84	89	100	113	127	147	158	170	185	190

Source : U.N.- " Economic Survey of Asia and the Far East 1961",
Bangkok, p.16. (19)

Pakistan has also succeeded in developing a strong force of industrial entrepreneurs - the central figure in Schumpeter's analysis of economic development. It may be mentioned here that in 1947 entrepreneurs in Pakistan were mostly Hindus and foreigners, and the former migrated to India.

- (19) In most cases the rates of growth for manufacturing production starts from a small base. The indices often represent statistical rather than real gains, because they cover only data for production units which satisfy minimum criteria in regard to number of workers employed, size of capital, use of power, etc. As industrialization proceeds, and as smaller units previously outside the scope of these indices grow in size or get linked to a power grid, the whole of their output (and employment) suddenly appears in the indices rather than the much smaller annual increment causing thereby a disproportionate increase in index values.
See United Nations, Economic Survey of Asia and the Far East, 1958 (Bangkok, 1959) pp.14-15.

According to Professor Papanek, " The development of Muslim industrial entrepreneurs in Pakistan has proceeded at a phenomenal rate". (20)

Pakistan has made notable progress in the domain of industrial developments. One can appreciate it more if one keeps in mind the formidable difficulties the new nation had to face at its birth. National income has risen to Rs. 2380.2 crores in 1961-62 from Rs 1754.2 crores in 1949-50, an increase of 35.68 per cent. (one crore = 10 millions)(21) However, per capita, income has risen by only Rs 15 during this whole period of 13 years. One may add that the population of Pakistan has been increasing at the rate of 2.37 per cent per annum. The income from the industrial sector contributing to the national income has increased from Rs.123.6 crores in 1949-50 to Rs.320.1 crores in 1961-62, an increase of 158.78 per cent. Stated differently, the percentage contribution to national income from the industrial sector was 7.04 in 1949-50 and it rose to 13.44 in 1961-62 to a much higher national income. And the rise has been steady throughout the period.

On the other hand, the income from the agricultural sector has witnessed considerable fluctuations from year to

(20) Papanek, op.cit.

(21) Economic Survey of Pakistan 1961-62, Government of Pakistan, Karachi, pp.10-11.

year. Income derived from the agricultural sector was Rs.1,609.6 crores in 1949-50 and it rose to Rs.1,335.7 in 1961-62, an increment of 24.87 per cent in terms of absolute figure. The percentage contribution to national income from the agricultural sector was 60.97 in 1949-50 and it was 56.11 in 1961-62.

DISPARITY IN INDUSTRIAL DEVELOPMENT BETWEEN EAST AND WEST PAKISTAN. -----

Most of the industrial developments have taken place in West Pakistan with the result that East Pakistan still remains an agricultural economy whereas West Pakistan's economy is more diversified now because of the profound structural change it has undergone during the last ten years.

This disparity between two parts of Pakistan can be seen in table No.8. For example, in 1959-60, 65 per cent of the regional income of East Pakistan was still derived from agriculture, whereas the ratio was less than one-half in West Pakistan. More significantly, the industrial sector contributes 10 per cent to the total income in East Pakistan and 15 per cent in West Pakistan.(22) The industrial sector in East Pakistan consists mainly of small-scale enterprises

(22) M. HAQ : The Strategy of Economic Planning - A Case Study of Pakistan, Oxford University Press, Karachi, 1963. The analysis of disparity between two parts of Pakistan is based on this book.

Table No.6Per Capita Income, Investment and Consumption in
East and West Pakistan

(1959-60 Prices : in rupees)

	<u>Pre-Plan Period</u> <u>(1951-55)</u>		<u>First Plan Period</u> <u>(1959-60)</u>	
	<u>East Pak.</u>	<u>West Pak.</u>	<u>East Pak.</u>	<u>West Pak.</u>
Per capita income	262	314	259	334
Per capita external resources	-5	18	-2	23
Per capita investment	14	40	15	42
Per capita consumption	258	274	251	310

Table No.7Per capita income comparison

(In 1959-60 prices)

1951-52		1959-60	
<u>East Pak.</u>	<u>West Pak.</u>	<u>East Pak.</u>	<u>West Pak.</u>
256	302	265	343

Source : M. HAQ : The Strategy of Economic Planning - A case Study of Pakistan, Oxford University Press, Karachi, 1963.

Table No.6 p.103

Table No.7 p.92

Table No.8Structural Changes in East and West Pakistan.

	1951-52		1959-60	
	<u>East Pak.</u>	<u>West Pak</u>	<u>East Pak.</u>	<u>West Pak</u>
Agriculture as a % of regional income	68	50	65	46
Industry as a % of regional income	7	8	10	15
Urbanization (% of total population)	4.4	17.8	5.2	22.5
Exports as a % of regional income	12	10	9	6
Primary exports as a % of total exports	100	86	70	33
Large scale as a % of industrial sector	15	41	43	72

Table No.9Large-Scale Industrial Sector in East and West Pakistan.

(1959-60)

	Capital per Worker	Output per Worker	Wage rate	Gross Profit rate	Share of Wages in Output	Share of Profits in Output	Gross Capital Output ratio
	(Rs.)	(Rs.)	(Rs.)	%	%	%	
East Pak.	5,900	2,830	1,060	30	38	62	2.1
West Pak.	7,650	3,700	1,260	32	34	66	2.1

Source : HAQ : op. cit.

Table No.8 p.105

Table No.9 p.107

whereas large-scale industry contributes three-fourths of the industrial output in West Pakistan.

Industrialization is essentially an urban phenomenon. When a nation or a province embarks on a programme of industrialization, it simultaneously commits itself to the process of urban growth. In 1959-60 only 5.2 per cent of the total population lived in urban areas in East Pakistan and 22.5 per cent in West Pakistan. Exports from East Pakistan consist mainly of raw materials (jute and tea) and those from West Pakistan, manufactured goods. (See table No.8).

If we look at table No.9, we will notice the same familiar contrast. Capital expenditure per worker, output per worker and wage rates are all higher in West Pakistan. For example, in 1959-60 capital expenditure per worker and labour productivity were about 30 per cent higher in West Pakistan; while the wage rate was 20 per cent higher. One may conclude that higher capital intensity in West Pakistan has led higher labour productivity and higher wages. As a result, the share of profits in total output is also higher and the process of capital accumulation much faster.

This dualism in Pakistan is comparable, to some extent, to the dualism between subsistence and capitalist sectors in the Lewis model where capital productivity and wages are all higher in the capitalist sector and the rate at which labour is transferred from the subsistence sector

is governed by the rate of capital accumulation in the latter.(23)

In fact all economic indices reveal that East Pakistan is relatively less developed than West Pakistan. The regional breakdown of national income shows that per capita income of West Pakistan was 29 per cent higher than that of East Pakistan in 1959-60. The disparity between the two parts of Pakistan regarding per capita national income seems to have widened during the last ten years. During 1951-52 to 1959-60, regional income rose by 36 per cent in West Pakistan and 20 per cent in East Pakistan. Although the rate of growth of population was faster in West Pakistan than in East Pakistan, this did not prevent the disparity in per capita incomes from widening from 18 per cent in 1951-52 to 29 per cent in 1959-60.(See table No.7).

East Pakistan, with 55 per cent of the total

(23) W.A. Lewis : Economic Development with Unlimited Supplies of Labour. Manchester School, May 1954.

" The capitalist sector is that part of the economy which uses reproducible capital and pays capitalists for the use thereof... The subsistence sector is by difference all that part of the economy which is not using reproducible capital. Output per head is lower in this sector than in the capitalist sector because it is not fructified by capital. As more capital becomes available, more workers can be drawn into the capitalist from the subsistence sector and their output per head rises as they move from the one sector to the other".

population of the whole country, is enjoying at least 60 per cent less real income per head than West Pakistan. It has remained predominantly a rural society depending on agriculture for its sustenance, employment and exports. It is less diversified and far more vulnerable to fluctuations than West Pakistan. Its industrialization is rudimentary, its monetization limited and its financial structure inadequate. The structural change during the last ten years has been very modest and one-third of its labour can be regarded as unemployed. As we shall see in the next chapter, on the manpower resources in Pakistan, from 1951-61, the non-agricultural labour forces has increased by 55 per cent in West Pakistan and by 16 per cent in East Pakistan.

This glaring disparity developed between the two provinces of Pakistan in spite of the fact that most of the nation's foreign exchange is earned by East Pakistan. Throughout the last decade the trade balances of East Pakistan had shown a surplus; those of West Pakistan a deficit. Why then did East Pakistan lag behind West Pakistan ?

Many factors, including the policy of the Central Government, are responsible for this. The scope of this study does not permit a full discussion. Hindus were the entrepreneurial class in East Bengal (now called East Pakistan). In 1947 they migrated to India with their capital, and Calcutta, the industrial and commercial centre

of Bengal, remained as part of India. Muslim refugees from India belonging to the entrepreneurial class settled with their capital in West Pakistan. In its expenditures on social over-head, in its distribution of foreign aid, the Central Government favoured West Pakistan. It is also a region considerably richer in natural resources. And economic growth tends to be concentrated in the relatively richer region with its better infra-structure and aggressive entrepreneurs. Private savings from the poorer region will move to the richer region. Foreign investment will tend to flow to the richer region where some dynamism has emerged and returns seem to be safer and larger.

Regional disparities are not confined to Pakistan. One can find them in Canada, the United States, Italy and elsewhere. The existing disparities in Pakistan cannot be made to disappear overnight. The Government of Pakistan seems to be trying to rectify the situation. In the Third Five Year Plan the government has allocated more funds to East Pakistan and it is offering extra benefits to the business enterprises to be set up in East Pakistan.(24)

(24) Haq : op.cit. p.207

CONCLUSION :

As we have seen, Pakistan inherited little industry when India was divided, and had to face the consequence of the dislocation of Indian economy and population. Through foreign economic and technical assistance, through economic planning and statutory corporations such as the Pakistan Industrial Development Corporations and through other deliberate measures, Pakistan has achieved remarkable industrial progress.

However, as has been noted, most of the industrial developments have been concentrated in West Pakistan with the result that East Pakistan still remains an agricultural economy whereas West Pakistan's economy is more diversified now because of the profound structural changes it has undergone. To rectify this disparity, the Government of Pakistan has begun to devote greater attention to East Pakistan.

True, in the years since independence, Pakistan has made notable strides in her industrial development. But giant strides must yet be made before the present subsistence level of the masses can be improved.

Chapter III

THE LABOUR FORCE IN PAKISTAN.

In this chapter we shall examine the manpower resources in Pakistan because progress in any field is basically the result of human effort. It requires human agents to mobilize all resources to create and expand the wealth of a nation. The manpower resources of any country are determined by the size, rate of growth and characteristics of her population. We shall, therefore, deal briefly with the population growth in Pakistan.

The economic efficiency or the level of national output of a given population depends, among other things, on the labour force participation rates, its level of health, education, and skills. Hence, we shall analyze the component of the labour force in Pakistan, its occupational and regional distribution, its composition according to male and female workers. We shall also briefly study some of the difficulties one encounters in defining the labour force concept.

POPULATION GROWTH IN PAKISTAN.

The total population of Pakistan, according to the

1961 census, was 93.8 million.(1) In 1951 it was 75.8 million. In other words, during the last decade the population of Pakistan climbed by 18 million, almost equal to the total population of Canada. The population of Pakistan increased by 23.7 per cent in ten years, showing an annual increase of 2.37 per cent.

The total population of East Pakistan in 1961 was 50.8 million - 26.3 million males and 24.5 million females - which represents an increase of 21.2 per cent of total population, 20.1 per cent males and 22.5 per cent females. The total population of West Pakistan is 43 million, being 23 million males and 20 million females, showing a rise of 27.1 per cent of total, 26.5 per cent of males and 27.8 per cent of females. An interesting feature of the distribution of population between West and East Pakistan is this : West Pakistan with 84.9 per cent of the total area of Pakistan has 45.8 of the total population. East Pakistan, on the other hand, with only 15.1 per cent of area has 54.2 per cent of the population. The population density of West Pakistan is 136 persons per square mile; that of East Pakistan is as high as 925 persons per square mile.(2)

(1) Population Census of Pakistan, 1961. Census Bulletin No.2, Ministry of Home Affairs, Karachi, pp.3-7.

"Newsweek" (July 2, 1962, p.33) reported the following comments about the population problem : " Speaking of the population explosion and the need for birth control in Egypt, President Nasser declared : " This year, we have added to our number 800,000 persons, may God bless them. We cannot go on this rate ... I consider it the duty of the State to advise people on methods of birth control".

(2) Population Census of 1961, op. cit.

Table No.1 shows the decennial growth of population from 1901 for Pakistan, West Pakistan and East Pakistan. It is significant that in the first 30 years from 1901 to 1931 Pakistan's population increased by 13.7 million or by 30 per cent; in the second thirty years the increase has been nearly three times that of the first. These 30 years added 34.6 million souls, an increase of 58.5 per cent. East Pakistan grew from 28.9 million in 1901 to 42.1 million in 1951, adding 13.2 million in fifty years. However, in just ten years, from 1951 to 1961, it has added 8.7 million to its population. As for West Pakistan, its population nearly trebled since 1901 growing from 16.6 million to 42.9 million. Its growth in the decade 1951-61 has been more spectacular than that of East Pakistan.

Table No.1

Growth of Population in Pakistan : 1901-1961
(in millions)

Year	Pakistan	East Pakistan	West Pakistan
1901	45.5	28.9	16.6
1911	50.9	31.6	19.4
1921	54.4	33.3	21.1
1931	59.2	35.6	23.6
1941	70.3	42.0	28.3
1951	75.8	42.1	33.7
1961	93.8	50.8	42.9

Source: Population Census of Pakistan, 1961, op.cit.p.7

The size of the economically active population is determined by a variety of demographic, economic, and social factors, most important of which are those associated with the size and structure of the population. In an underdeveloped country like Pakistan, the children begin to work earlier and the men continue working to later ages than do those in the labour force in highly industrialized countries. This occurs in the underdeveloped countries primarily because of the low standards of living of the people. Let us now turn to the analysis of the civilian labour force in Pakistan, the central theme of this chapter.

LABOUR FORCE CONCEPT.

A precise definition of the concept of "Labour Force" is very difficult. It has many of its own difficulties, even in advanced market economies.(3) The part-time worker, the unpaid family worker, and the producer of goods and services that do not actually go through market arrangements, all provide problems of clear-cut classification. As Professor Moore of Princeton University points out : " the real difficulty is the impossibility of defining "labour" in any way that will refer to the same class of human activities in all societies".(4)

(3) Wibert E. Moore : " Persistent Problems of Labour Force Analysis", Population Index, 17 April, 1951, pp.78-91

(4) Wibert E. Moore : " The Exportability of the Labor Force Concept " in American Sociological Review, vol.18, No.1 February 1953, p.69

Speaking of the labour force in India, Professor Oscar A. Ornati wrote :

" Workers in India do not constitute a wage-earning class corresponding to the factory workers of Western countries. Employment relationships are less clearly defined. One can speak of an industrial and commercial labor force of workers dependent upon wages and employment from others only in a limited number of localities and only for the most recent part of India's economic history".(5)

One can say that the similar state of affairs exists in Pakistan. Like Indian workers, Pakistani workers alternate from being unemployed and available for work, to being self-employed in a trade and not available for hire, to activity on the land or in their native village, and then back to industrial or commercial employment or unemployment. It is, therefore, in many instances, extremely difficult to distinguish the "wage earner" and treat him separately in a statistical enquiry.

In order to overcome the manifold difficulties and to cover broadly all nations, the International Labour Organization uses the term " economically active population "(6)

(5) Oscar A. Ornati : Jobs and Workers in India, Cornell International Industrial and Labor Relations Reports, no.3, Ithaca, New York, 1955, p.8

(6) I.L.O Year Book of Labour Statistics, Geneva, 1960,p.1

The economically active population, which refers to the working population, is sometimes designated as the labour force. In short, it comprises all persons of either sex engaged in productive work in some branch of economic activity, during a given period of time. That is, this is a blanket definition that includes employers, self-employed, salaried employees and wage earners, unpaid family workers, civilians as well as members of the armed forces, persons engaged even part-time in economic activities and the unemployed persons (including those seeking work for the first time).

In many respects, Pakistan followed the I.L.O definition of the labour force. The data regarding economic activity in Pakistan were collected from all persons age of 10 years, or over. The 1961 census enumerators asked the following question: " Are you working for profit or to earn wages or salary or do you help any member of your family on the farm, etc ? "(7) If the answer to this question was "yes", the person was included in the "economically active" category. Students and housewives doing household duties only were treated as "inactives".

(7) Population Census of Pakistan, 1961. Economic Characteristics, Bulletin no.5 (Introduction).

" If the answer to the above question was "no", then enumerators were required to ask further whether the person was 'looking for work' or not. In case a person was looking for work... he was marked accordingly. In case the person was not working nor looking for work... he was denoted "inactive" in terms of the labour force concept'.

THE COMPONENT OF LABOUR FORCE IN PAKISTAN.

Census data on the economically active population are the most comprehensive of the various statistics used as measures of economic activity. They are particularly important for countries like Pakistan that have no other types of statistics in this field, e.g. social security records, adequate industrial censuses, or records of employment offices. The decennial population census in 1951 and 1961 provided data on the labour force and on some of its characteristics, and the manpower surveys conducted in 1954-55 and in 1958-59 provided useful extensions of those data on a few characteristics. In dealing with statistical data on Pakistan, as in most underdeveloped countries, it is important to keep in mind that they are only approximate and sometimes rather contradictory. However, they give a general picture of the situation.(8)

(8) United Nations and I.L.O. Statistical Year Books are compiled from information furnished by member governments. The U.N. Statistical Year Book, 1959, p.32, quotes the total population of Pakistan, based on 1951 census as 75,842,165. But the I.L.O Year Book of the same year, p.8 based on the same census gives total population of Pakistan as 73,880,344. Different Pakistani government publications quote different figures on the same subject.

The Planning Board of Pakistan, giving the figures on total number of workers in Pakistan on the basis of 1951 census as 22,392,000 adds the following interesting comment on the footnote : " Not all the labour force was directly enumerated by the census, in addition to those covered by Table 1, there were probably over one million more in 1951 about whom there is no specific information". The First Five Year Plan (Draft) vol.11,p.461

A study of the following tables on the components of the civilian labour force in Pakistan brings out many interesting features regarding the labour force itself and the character of the economy of the country. One of them is that the agricultural sector is predominantly larger than the non-agricultural sector. According to the 1951 census, the agricultural labour force in Pakistan was 16,902,827 or 76 per cent of the total labour force. The 1961 census revealed that although the absolute figures rose over a decade to 21,746,206, the percentage of agricultural labour to the total labour force showed a slight decline, being 74 per cent. But still it is dominant.

Table No.2 shows that while Pakistan's total population has increased by 23.7 per cent during a period of 10 years, the civilian labour force has increased by 31.35 per cent. During the same decade the labour force in the agricultural sector has risen by 28.65 per cent and in the non-agricultural sector by 39.65, rising from 5,489,857 in 1951 to 7,666,541 in 1961.

Table No.3 indicates a rise of civilian labour force in both East Pakistan and West Pakistan. In 1951 the ratio of agricultural labour force to total population in East Pakistan was 25.55, which rose to 28.20 in 1961. On the other hand, during the same period, this ratio declined from 19.92 to 18.79 in West Pakistan. In 1951 the ratio of non-

Table No.2

Distribution of Population by Economic Categories (1951-61)

P A K I S T A N.			
Economic categories	1951	1961	Percent Variation
Total population	72,993,118	90,282,674	23.69
Civ. Labour force	22,392,684	29,412,747	31.35
Agriculturists	16,902,827	21,746,206	28.65
Non-agriculturists	5,489,857	7,666,541	39.65
Others (including dependents)	50,600,434	60,869,927	20.29

Source : Population Census of Pakistan, 1961 Bulletin No.5,
Govt. of Pakistan, p.VI

Table No.3

Percentage Distribution of Population by Economic Categories, Pakistan and Provinces, 1951, 1961.

Economic categories	Pakistan		East Pak.		West Pak.	
	1951	1961	1951	1961	1951	1961
Total population	100	100	100	100	100	100
Civ. Labour Force	30.68	32.58	32.58	33.16	30.61	31.83
Agriculturists	23.16	24.09	25.55	28.20	19.92	18.79
Non-agriculturists	7.52	8.49	5.18	4.96	10.69	13.04
Others (including dependents)	69.32	67.42	69.27	66.84	69.39	68.17

Source : Ibid. p.IX

(Civilian labour force is here taken to include
persons 12 years and over to provide comparability
between censuses.)

agricultural labour force to the total population in West Pakistan was 10.69 per cent which rose to 13.04 per cent in 1961. During the same period this ratio in East Pakistan declined from 5.18 to 4.96 per cent. (This contrast will be seen more clearly in Table No.4)

Table No.4 is important because it reveals the disparity in economic development in the two separated parts of Pakistan. This perhaps partly explains some reasons for widespread resentments in East Pakistan against the Central Government in Karachi.

In 1951 the non-agricultural labour force in East Pakistan was 2,170,873. This figure rose to 2,521,879, showing a rise of 16.17 per cent. The non-agricultural labour force in West Pakistan in 1951 was 3,318,984. In 1961 it rose to 5,144,644, showing a phenomenal increase of 55.01 per cent over a decade.

The ratio of non-agricultural labour force to total civilian labour force in East Pakistan was 9.69 in 1951. This ratio declined to 8.57 in 1961. On the other hand, the ratio of non-agricultural to total civilian labour force in West Pakistan in 1951 was 14.82, rising to 17.49 per cent in 1961.

The reason for the sharp increase of non-agricultural labour in West Pakistan and ^{the} slight increase in East lies in the fact that West Pakistan has been more economically

Table No.4Regional Distribution of Non-agricultural
Labour Force in Pakistan, 1951,1961.

East Pakistan			West Pakistan		
1951	1961	Percent variation	1951	1961	Percent variation.
1* 2,170,873	2,521,897	16.17	3,318,984	5,144,644	55.01
2* 9.69%	8.57%	-1.12	14.82%	17.49%	+2.67

1* Non-agricultural Labour Force

2* Ratio of Non-agricultural to Civilian Labour Force.

Source : Computed from Census Report of Pakistan, 1961,
Bulletin No.5

developed than East Pakistan which still remains primarily
an agricultural economy.

The regional breakdown of national income reveals
that the per capita income of West Pakistan was 29 per cent
higher than that of East Pakistan in 1959-60.(9)
During 1951-52 to 1959-60, regional income increased by 36
per cent in West Pakistan and 20 per cent in East Pakistan,
rising from rupees 302 to 343 and 256 to 265 respectively.
Even though the rate of growth of population was faster in

(9) M.Haq : The Strategy of Economic Planning - A Case
Study of Pakistan, Oxford University Press,
Karachi, 1963, p.92.

West than in East Pakistan, this did not prevent the disparity in per capita incomes from widening from 18 per cent in 1951-52 to 29 per cent in 1959-60. The average per capita investment during the First Five Year Plan period (1955-60) was rupees 15 in East Pakistan and 42 in West Pakistan.(10)

COMPOSITION OF LABOUR FORCE ACCORDING TO
MALE AND FEMALE PARTICIPATION AND GEOGRAPHY.

Some jobs may be more efficiently performed by women than by men. However, the turnover in the women labour force seems to be higher in every country. Normally more male than female members of the population of working age are in the labour force. A country may expand its labour force by turning to its untapped female labour resources. In Canada, the United States and all other industrially advanced countries, one finds a growing number of women in the labour force, often replacing what was once "men's domain". This has enabled these countries to overcome the shortage of labour and expand their economic activity. However, it is doubtful that the majority of the potential female labour resources in Pakistan will be utilized in the near future.

(10) M. Haq : The Strategy of Economic Planning - A Case Study of Pakistan, op.cit, p.103

Our table Nos. 5 & 6 (and the footnote) on the distribution of labour force according to sex indicate that Pakistan's labour force consists overwhelmingly of men. The ratio of civilian labour force to total population in Pakistan is 33.46 - the ratio for the male labour force 29.29 and that of the female is 4.17. (According to the 1951 census the percentages were : 30.70, 28.90 and 1.80 respectively). In other words, according to the 1961 census, the male members of the labour force amounted to 87.54 per cent of the total civilian labour force in Pakistan, and the share of the female labour force was only 12.46 per cent.

Because of the nature of the geographical composition of Pakistan, let us analyze the male and female participation in the labour force in the country by provinces. In East Pakistan, out of 17.4 million civilian labour force, 84.86 per cent or 14.8 million are men, while the female section accounts for 15.14 per cent. In West Pakistan the male labour force shows even greater preponderance. It constitutes 91.21 of the labour force and the female 8.79 per cent; the numerical figures being 11.6 million for the male and 1.1 for female.

In East Pakistan 84.12 per cent (Table No.5) of the male labour force are in agriculture. In West Pakistan, on the other hand, 58.24 per cent of the male labour force are engaged in agriculture and 41.76 per cent in non-agri-

Table No.5

Numerical and Percentage Distribution of Civilian
Labour Force in Pakistan, According to Sex, Provinces
and Economic categories - 1961

(in millions)

	Both sexes	<u>East Pakistan</u>		Both sexes	<u>West Pakistan</u>	
		Male	Female		Male	Female
Labour Force *	17,4 100	14,8 100	2,6 100	12,7 100	11,6 100	1,1 100
Agricultural	14,8 85.26	12,4 84.12	2,4 91.64	7,6 59.31	6,8 58.24	0,8 70.45
Non-agricultural	2.6 14.74	2.4 15.88	0.2 8.37	5.2 40.69	4.9 41.76	0.3 29.55

* figures rounded - percentage is calculated from the
original figures.

Source : The Census Report of Pakistan, 1961, Bulletin No.5

Table No.6

Regional Distribution of Labour Force According to Sex,
1961.

	Both sexes	<u>East Pakistan</u>		Both sexes	<u>West Pakistan</u>	
		Male	Female		Male	Female
Labour Force	100	84.86	15.14	100	91.21	8.79
Agricultural	100	83.73	16.27	100	89.56	10.44
Non-agricultural	100	91.41	8.59	100	93.61	6.39

(Computed from the Census of Pakistan, 1961)

NOTE :

(1961) Ratio of Civilian Labour Force to Pakistan pop.	33.46
" " Male labour force to	29.29
" " Female " " " "	4.17
" " Male Labour Force to Labour Force (total)	87.54
" " Female " " " "	12.46

culture.

With regard to the female workers in East Pakistan, 91.64 per cent of them work on the land and only 8.37 per cent are to be found in non-agricultural pursuits. Compared with this, 70.45 per cent of the female labourers are engaged on land and 29.55 per cent in non-agricultural sectors of the economy. The higher rate of the female participation in non-agricultural field in West Pakistan may be due to the fact that West Pakistan is more industrially developed. And as a result, some works traditionally done by men may have begun to be done by women.

In Table No.6 we find that in East Pakistan 83.73 per cent of the labour force in agriculture are men and 16.27 per cent women. In the same sector in West Pakistan, 89.56 per cent are men and 10.44 per cent women. In the non-agricultural sector in East Pakistan, the male workers amount to 91.41 per cent and the female workers to 8.59 per cent. In the same sphere in West Pakistan the male workers form 93.61 per cent and the female workers constitute 6.39 per cent.

The foregoing analysis of the sex component of the labour force in Pakistan reveals that a large proportion of the female population is economically inactive. One of the reasons for this may be that household duties normally

performed by women do not qualify for inclusion in the labour force. In any event, the female labour force participation rate in Pakistan is among the lowest in the world. This seems to be largely due to social and cultural factors, which are subject to only gradual change. However, as the domain of education and industrialization in the country increases, so too will the female labour force participation, reducing, in the process, the social barriers to women's employment.

Occupational Distribution of the Labour Force.

The occupation of a person describes what he actually does in order to earn a living. The occupational composition of a people represents in part the economic organization of the nation and the level of technological development attained. To some extent, it also reflects the non-economic desires or interests of the people and, to a certain degree, administrative procedures regarding ways and means of classifying occupations. The proportion of all jobs that are white-collar jobs, for example, is an index of technological development. White-collar jobs are found to a greater degree in a technologically advanced country in which the use of machines and the extensive development of energy from coal, oil, waterpower, etc, have reduced the need for huge numbers of manual workers.

The collection of statistical data indicating the occupational distribution of the labour force in an under-developed country such as Pakistan is particularly difficult. This is largely due to the imperfect specialization of the economically active population. Division of labour is fundamentally limited in such economies by the narrowness of the markets, and people often pursue several occupations on a regular or a seasonal basis. Adam Smith wrote that division of labour is limited by the extent of the market: "When the market is very small, no person can have any encouragement to dedicate himself entirely to one employment." (11)

The low levels of skill and capital required by the different pursuits make it possible for persons to try their hands at different types of productive activities. This injects a considerable degree of fluidity into the occupational structure. No doubt relatively few men have subsidiary occupations besides their principal ones.

Our table No.7 shows the occupational distribution of the labour force in Pakistan according to the 1959 Manpower Survey. (From this information we have calculated the percentage distribution of different occupations relative to the total labour force and total non-agricultural labour force).

(11) Adam Smith: The Wealth of Nations, The Modern Library, p.17
 " In every improved society, the farmer is generally nothing but a farmer; the manufacturer, nothing but a manufacturer". (Smith,p.5)

Table No.7

OCCUPATIONAL DISTRIBUTION OF LABOUR
 ACCORDING TO 1959 MANPOWER SURVEY.
 (in million)

		Percentage of Total Labour Force	Percentage of Non-agricultural Labour Force.
Professional and Technical	0.9	3.34	10.23
Managerial, Adminis. and Clerical	0.6	2.23	6.82
Sales and Related	1.8	6.69	20.45
Agriculture	18.1	67.29	-
Mining	a*		
Transport Operation	0.2	0.74	2.27
Craft and Production Process	3.7	13.75	42.04
Services	1.6	5.95	18.18
Total :		26.9	

Source : Pakistan Basic Facts, op.cit, p.55

N.B. a* less than 0.1 million.

Professional and technical personnel accounted for only 3.34 % of the total labour force and 10.23% of the total non-agricultural labour force. Managerial, administrative and clerical personnel constitute 2.23% of the total labour force and 6.82 per cent of the non-agricultural work force.

Salesworkers form about 20.45 per cent of the total non-agricultural labour force, whereas the transport operation forms only 2.27 per cent. Skilled craftsmen dominate the sphere of the non-agricultural labour force. The total number of people engaged in ^{the} craft and production process is as high as 3.7 million out of a total non-agricultural labour force of 8.8 million or 42.04%. It also shows a sharp increase compared with the 1951 census when it was 27.92 per cent. Textile workers, as a general rule, account for much larger numbers of craftsmen than any other group of skilled workers. Two factors are probably responsible for the sharp rise. The textile industry greatly expanded during the last decade. Many of the skilled workers learned their skills on the job, without a prior academic background. The services accounted for 13.54 per cent of the non-agricultural labour force in 1951. In 1959 it rose to 18.18 per cent.

CONCLUSION :

In our analysis of the labour force in Pakistan we have seen that the population of Pakistan has risen from 75.8 million in 1951 to 93.8 million in 1961, an increase of 18 million or 23.7 per cent in ten years. During the same period the total labour force has increased by 31.35 per cent, showing a rise in both agricultural and industrial sectors of the whole economy. As has been noted, the ratio of agricultural labour force to the total population has risen in East Pakistan and declined in West Pakistan. We have also seen that the female labour force participation in the country is very low and will remain so until cultural and social barriers are removed with the spread of education and industrialization.

Our analysis of the labour force in Pakistan also revealed that during the 1951-61 period the non-agricultural labour force has increased by 16.17 per cent in East Pakistan and by 55 per cent in West Pakistan. This is not surprising for, as we have seen in the preceding chapter, there has been more industrialization in West Pakistan than in East Pakistan. There are two more significant features of the civilian labour force in Pakistan. The professional, technical, managerial and administrative manpower in the country is very small, as has been indicated in the analysis of the occupational distribution of the labour force. Secondly, the overwhelming

majority of the labour force (74 per cent according to the 1961 census) is still engaged in agriculture. From the foregoing analysis of the labour force, we have to ask ourselves an important question. Is the rate of economic development of Pakistan fast enough to absorb its growing labour force ? Before we look into the present and the future employment situation in Pakistan, let us analyze the labour market mechanism in the country.

Chapter IV.

THE LABOUR MARKET IN PAKISTAN.

In the three preceding chapters we were concerned with the analysis of the development of trade unionism, industrialization and the characteristics of the labour force in Pakistan. In this chapter we will examine such aspects of the labour market as employment, wages and productivity. To this end, our discussion will be divided into four sections. First, we will analyze prevailing hiring practices in the Pakistan labour market.

This will be followed by an examination of the problems of employment. Here we shall deal with the general nature of the problem in an underdeveloped country and the long-term employment problems in Pakistan. We shall also compare the employment situation between East and West Pakistan. In section 3, we shall analyze the wage structure, geographic wage differentials and money versus real wages.

In our final section we shall briefly discuss the productivity of labour in Pakistan.

I.- ORGANIZATION OF THE LABOUR MARKET IN PAKISTAN.

An economy is a system of interrelated markets, events in any one of which are ultimately conditioned by events in all the others. Price-quantity changes in the product market, for example, are inevitably reflected in the labour market, and vice versa. Furthermore, the market for one kind of labour is related to the market for every other kind by the ability and willingness of workers to change jobs in response to relative wage rates. What is a labour market ? Professor Gitlow offers a "grossly oversimplified " (to use his own words) definition as follows :(1)

" A labour market can be pictured broadly as an area where employers and workers meet and work out the terms and conditions of employment. The employers are doing the buying. They buy the effort, the ability and the skills that workers have to offer. The workers are doing the selling".

An efficient labour market is needed in any economy, developed or underdeveloped. Even in the highly developed countries the market mechanism is far from ideal. In Pakistan, labour markets are less efficient than in most other countries. Workers in Pakistan presently offer their labour under serious handicaps of ignorance, misinformation and uncertainty. In the search for the best available

(1) Abraham Gitlow : Labour Economics and Industrial Relations, Richard D. Irwin, Homewood, 1957, p.10

workers, employers also encounter similar handicaps. The matching of jobs and job-seekers, in Pakistan is haphazard, unsystematic and disorderly. Labour mobility is low, job information poorly disseminated, hiring practices most varied.

The area of hiring practices provides a good example of the type of defects to be found in many aspects of the labour market. The absence of a co-ordinated and systematic method of recruitment of labour has resulted in a myriad of hiring techniques in Pakistan.

CONTRACT LABOUR SYSTEM :

The practice of contract labour in Pakistan is a legacy from British India, and still has a powerful hold on the employment market. Previously, the contract labour was used in Pakistan in all seasonal factories such as cotton, ginning and pressing, jute pressing, in public and private construction. As industry grew, it also gradually spread to organized perennial industries. On the basis of the Manpower Survey of 1955, the Ministry of Labour stated that, out of a total of 98 industries included in the survey, 58 employed contract labour, and that out of the total employment of 978,691 workers provided by these 98 industries 208,384 or 21% were contract workers, hired and paid by contractors.(2) This manpower survey also revealed that the

(2) Government of Pakistan, Ministry of Labour, "Interim Manpower Survey", 1955, pp.32-35.

most prominent among those 58 industries which used contract labour included all major industries in Pakistan, from cotton textile to water transport.

The proportion of contract labour to the total labour force revealed in the 98 industries surveyed is certainly large. There is nothing undesirable about the system of contract labour in itself. On the contrary, it is useful and economical for certain types of work which require a large labour force only temporarily, such as construction. In other industries, too, it is often cheaper for a factory to give out contracts for certain processes such as the loading and unloading of the raw materials or the product.

The objectionable feature of contract labour, however, is the absence of any safeguard against the non-payment of wages. And non-payment is of frequent occurrence. The Ministry of Labour in its reply to the questionnaire of the I.L.O Labour Survey Mission stated :

" The practice of payment through intermediaries exists in big concerns. We have received a complaint from one of the Provincial Governments that incidents have occurred where the sub-contractor acted in an unscrupulous manner in refusing payment to the labourer employed under him. It is reported that such persons are indifferent towards any orderly maintenance of accounts and often erroneously consider themselves responsible to no one, neither the employer nor the worker, and seldom comply with the provisions of the (Payment of Wages) Act so far as regular payments are concerned. By the time an action is contemplated against these persons for violating the provisions of the Act, they are found to have executed their contract and are no longer connected with the factory, with the

result that it is very difficult to bring them round and make them pay to the workers".(3)

This kind of unscrupulous conduct of contractors or subcontractors is, in fact, quite common. Frequently, on the flimsiest pretexts, the wages of contract labour are withheld and with impunity. Thus a worker under this system may easily be a victim of the whims of a contractor and be subjected to undue exploitation. As a rule, the principal employer feels no responsibility in the matter of treatment meted out to contract labour, and thus escapes the relevant provision of the labour laws in Pakistan. The contractor, on his part, thinks that the workers are hired for specific jobs on terms which are acceptable to them. As a result, almost invariably contract labour is paid very low and is made to work for longer hours than the law permits. Moreover, neither the employer nor the contractor does anything to provide contract labourer with any housing, medical and recreational facilities.

In spite of some economic advantages arising from the system, the I.L.O Mission expressed hopes that its abolition in most industries will be forced by the weight of public opinion. And in those industries in which it must be temporarily continued it should be strictly controlled by making

(3) I.L.O Comprehensive Labour Survey, 1953, op.cit. pp.28-29

the principal employer jointly responsible with the provisions of the Payment of Wages Act and other labour laws. It recommended that a trial be given to an alternative method of employment for workers organized as co-operative unions and working on piece rates. The Mission felt that the full development of an adequate and efficient system of labour exchanges may be the best way to give the final blow to contract labour in the towns." (4)

RECRUITMENT THROUGH JOBBERS.

The method of recruitment of labour varies a great deal as between factories. In small and medium sized factories (namely those with a labour force less than 500) it is often the practice for the management to select their workers personally after an interview. The management of a few large factories recruit labour directly.

In a large number of cases, however, in the absence of a proper personnel department in the factories and a system of applications and interviews for filling vacancies, it is "jobbers" ("sardars" or "mistris" as they are popularly known) who are the deciding factors in the engagement of labour. These intermediaries operate in a manner, to some extent, similar to that of the "padrone" in the United States in the early years of this century. (5) In some cases, the recruiters

(4) I.L.O. op.cit.pp.30-31

(5) Selig Perlman and Philip Taft : History of the Labor in the United States, 1896-1932, The Macmillan Co. New York 1936, p.94.

simplify their own jobs by returning to their native villages to recruit relatives and friends. The latter feel that they would be protected from the wilderness of the new workplace by the familiar faces of the recruiters and of other villagers who had preceded them.

In a number of factories the manager and many heads of the departments are Europeans and Americans who are ignorant of the ways and habits of the workers. Even after many years in the country, they know very little about them and find it almost impossible to understand much less to appreciate the worker's problems and difficulties. Since they do not speak the language of the country, the jobber becomes an indispensable link in the chain of officials. He interprets the workers' requirements to the manager and conveys, in turn, the latter's directions and instructions to the rank and file.

In addition to his link with management and his authority to hire workers, the jobber in the factory is primarily a chargeman, responsible for the output in his department and supervision of workers under him. He acts sometimes as a mechanic and generally assists the unskilled workers. Because of his immense influence in hiring, firing and promotion, he abuses of his position, takes bribes and shows nepotism.

A trade union dealing with the organization of the workers is, as a general rule, not welcome either to the jobber or to the employer. The former objects to it because his income and influence are thereby affected and imperilled, while the employer regards it frankly as a nuisance from every point of view.

Frequently a jobber manages to build up a considerable following among his workers. His position is strong and he is able to take the workers out on strike when management is unwilling to grant him the powers or privileges he demands or he deems his due.

"Many times strikes have resulted when a sirdar (jobber) has been dismissed and management has been forced to retreat and continue the old system. In other cases, the power of these jobbers leads to corruption, and workers must buy the good-will of the sirdar to keep their jobs".(6)

Although, in many cases, he still has the ambiguous position of representing both management and the workers, in some of the more progressive modern enterprises, his functions are being changed to those of a foreman. The hiring of workers is gradually becoming the responsibility of the employment office, and the "labour office" looks after the welfare of the workers.

Of course the matching of the employer and the job seeker is least efficient in the older, pre-industrial trades,

(6) Oscar Ornati, op.cit, p.40

where the process is completely unorganized and defies analysis in the traditional labour market concept. It may perhaps be of interest to see the manner in which many skilled workers find their employment in Pakistan. It indeed varies with their crafts. For example, the carpenter walks the streets carrying his tools on shoulders and hawking his services. Shoemakers find work in the same manner, as do coppers and tinsmiths. Bricklayers, either hawk their services or live in particular sections of the city where they sit in front of their houses waiting for an employer to come and ask for their services. If the service of more than one bricklayer is required, the employer deals with a recognized leader with whom he will make the necessary arrangements.

EMPLOYMENT EXCHANGE.

At the end of World War II, Employment Exchanges were established in British India to assist war veterans to find civilian employment. Gradually, their authority was extended to help all persons in search of employment, and to correlate the available labour-power with job opportunities, both in government and in business

After partition, the number of Employment Exchanges was increased in Pakistan. Following the recommendations of

the I.L.O, a Manpower and Employment Organization has been made permanent since 1953. It is entrusted with the task of controlling the network of employment exchanges, and training institutes of the country. And also with watching the long-term manpower problems of a developing economy. The I.L.O made a manpower survey in 1955 and the Manpower and Employment Organization of Pakistan carried out its manpower survey in 1959. It may be pertinent to look into some of the major recommendations made by the I.L.O experts in 1953 on improving the system of employment exchanges in the country, as summarized in the first Five Year Plan :

- a) To provide a more adequate staff both in quantity and quality;
- b) To instal a systematic programme, both for training new employees and for retaining those now employed;
- c) To improve management methods and procedures, by instituting a straight line of responsibility and authority from top to bottom of the exchange organization, specifying clearly the duties of all officers, installing a regular system of inspection, forming advisory committees at regional and local levels, and by other means;
- d) To develop employment counselling within the existing framework of the employment exchanges, in order to guide school and college students and their parents in the wise choice of careers; and
- e) To improve labour clearing, employer relations, statistical reporting, agricultural and seasonal employment services and other special functions of the exchanges.(7)

(7) Government of Pakistan, The First Five Year Plan:1955-60, op.cit,p.466.

Employment exchanges are spread all over the country. Apart from the regional exchanges which function as a clearing house for the respective areas, the exchanges are classified in respect of their scope as Employment Exchanges and Employment Bureaus. Each exchange maintains details of qualifications and experience of all persons registered there and classifies them by occupations.(8) Vacancies notified by employers are also classified in the same manner. The following table will give an indication of the extent of the use of the service of the Employment Exchanges in Pakistan.

Table No.1

PERSONS REGISTERED AND PLACEMENT OF EMPLOYMENT EXCHANGES.
(1947-1958)

Year	Number of Persons registered	Number of persons placed in employment	Percentage of persons placed in employment to persons registered.
	(annual average)	(Annual average)	
1947	13,615	4,455	32.1
1948	15,515	4,952	31.9
1949	18,923	5,974	31.5
1950	19,256	3,818	19.8
1951	21,121	3,126	14.7
1952	20,312	3,354	16.5
1953	15,497	1,927	11.7
1954	17,258	2,399	13.9
1955	18,573	2,509	13.5
1956	23,184	3,609	15.5
1957	24,320	4,051	16.5
1958	30,086	5,310	17.6

Source : Pakistan Labour Year Book, 1959, pp.5-7

(8) M. Shafi : Pakistan Labour Year Book, 1959, op.cit. pp5-7.

A study of our Table No.1 reveals that the number of job-seekers registered with the Employment Exchange in 1958 has more than doubled compared with 1947, rising to 30,086 from 13,615. It is difficult to ascertain whether this sharp rise is due to the increased use of the placement service or due to the increase in unemployment, perhaps a combination of both. It is worth noting that, generally speaking, during the period under review, there is more or less a rising trend in the number of persons registered for jobs. On the other hand the percentage of persons placed in employment has been changing from year to year. For example it varied from as high as 32.7% in 1947 to as low as 11.7% in 1953. Compared with 1947-49 period the percentage of persons placed in employment to persons registered has tended to be much lower for all the years during the 1950-58 period (approximately less than 1/2 1947-49 level on the average).

The existing employment exchange system in Pakistan has been built along western lines suitable for relatively advanced stage of industrialization. The routine registration of large numbers of unskilled workers has not been effective as a means of finding employment for a substantial number. The solicitation of notices of vacancy from employers for unskilled jobs has brought little co-operation

from employers. Placement of work and the promotion of employment opportunities present special problems in a society which is primarily agricultural and where the vast majority of the labour force is uneducated, unskilled, and frequently unresponsive to new incentives.

The labour market in Pakistan is characterized by chronic unemployment and underemployment. It is fragmented by geography, language differences, and traditional social and employment patterns. Keeping these factors in mind, the authors of the Second Five Year Plan, in order to improve the situation, have made the following recommendations and these are expected to be carried out during the plan period :

- " Under the Plan programme less time and energy will be spent on the wasteful task of registering masses of unskilled persons for whom no jobs are available. Instead, principal emphasis will be given to establishment of good working relations with employers, analysis of jobs, identification of expanding fields of employment, and continuing estimates of manpower needs in local areas. The technical requirements for individual occupations are continually changing, but specific component skills and capacities can be identified by field work.
- " The systematic study of jobs will discover job families or groupings of related skills which are interchangeable between occupations. This knowledge will assist employers and the employment exchanges in meeting skill shortages and in making best use of existing skills which are in short supply. The obligations of schools and the employment exchange system in counselling field are mutually reinforcing. Employment counselling services for youth and new entrants to the labour market will be established by the exchanges".(9)

(9) The Second Five Year Plan (1960-65), op.cit.p.373

2.- THE PROBLEMS OF EMPLOYMENT IN PAKISTAN.

NATURE OF THE PROBLEM.

In the underdeveloped countries the major employment problem is quite different from that in the industrial countries. The major employment problem in Pakistan as well as in other Asian countries is essentially one of underemployment rather than of unemployment. A basic characteristic of the employment situation in the developing countries is that although most of the working populations are engaged in productive pursuits, the total amount of work done, measured in man-hours, is far below what the population is potentially capable of doing. While in the advanced industrial countries like the United States and United Kingdom, the problem is one of the mass unemployment in recession, in the developing countries it is one of underemployment; the phenomenon is chronic rather than cyclical ; it is primarily agricultural rather than industrial.

The underemployment of labour in the underdeveloped countries is one clear evidence of overpopulation (although it is prevalent in the underdeveloped but thinly populated countries of Africa and Latin America) and the abundance of the labour factor in relation to the other factors of

production. Professor Arthur Lewis calls this redundant supply of labour as "unlimited supply of labour" and defines it as follows :

" ... an unlimited supply of labour may be said to exist in those countries where population is so large relatively to capital and natural resources, that there are large sectors of the economy where the marginal productivity of labour is negligible, zero or even negative".(10)

A United Nations report states that for many regions of India and Pakistan, parts of the Philippines, and Indonesia the surplus agricultural population is between 20 per cent and 25 per cent.(11) Unemployment and underemployment in India may annually waste as many gross man-years of labour as is contributed by the entire labour force of the United States.(12) A general estimate is that in densely populated areas perhaps as much as 25 per cent of the agricultural labour force could be withdrawn without diminishing agricultural output.(13)

(10) W. Arthur Lewis : " Economic Development with Unlimited Supplies of Labour, The Manchester School, May 1954, Reprinted in the Economics of Underdevelopment by Agarwala and Singh, Oxford University Press, 1958, p.401

(11) United Nations, Measures for the Economic Development of Underdeveloped Countries, New York, 1951, p.9

(12) G. Wolf and S.C. Sufrin, Capital Formulation and Foreign Investment in Underdeveloped Areas, Syracuse, 1955, pp.13-14.

(13) N.S. Buchanan and H.S. Ellis, Approaches to Economic Development, Century Fund, New York, 1955, p.45
R. Nurkse, Problems of Capital Formation in Underdeveloped Country, Basil Blackwell, Oxford, 1953, p.35

According to the I.L.O Manpower Survey the number of the underemployed in Pakistan in 1956 was between 2.35 and 2.55 million persons, or 17 per cent of the whole labour force.(14)

The phenomenon of underemployment is not confined to the agricultural sector of the economy alone. It exists sometimes in factories, but mostly in casual jobs among workers on the docks, porters at railway stations, and messenger boys in offices, petty trades, domestic service and staffs of hotels and restaurants. Domestic service swells because such economies adjust themselves to the need for each person to provide as much employment as he can; social prestige requires each person to have servants if he can.

The increasing population pressure on the land has forced large numbers of people to leave the rural life to seek employment in the urban areas. But openings for productive employment in the urban areas are limited. Furthermore, not possessing the skill and resources needed for most trades, the newcomers are driven into a small number of occupations which are, therefore, characterized by an over-supply of labour, hired or self-employed. As a result, chronic underemployment, both visible and disguised

(14) I.L.O: "Report to the Government of Pakistan on a Manpower Survey", Geneva, 1956, p.41

exists in those occupations. The degree of underemployment, however, appears to be more serious in its disguised form. Another feature of this deplorable situation is that as a result of keen competition in the employment market, the levels of wages earned in those occupations are kept extremely low; and because of low wages the management is given little incentive to raise its standard of efficiency. Again, on account of low wages, workers are undernourished and their efficiency is low.

It is of course difficult to measure underemployment quantitatively in the industrial sectors, but there seems little doubt that a large proportion of the labour force is underemployed. In the handicraft industries, as in agriculture, enterprises are very small and are organized on a family basis. As population in that sector continues to grow, and because of the absence of alternative employment, the labour force tends to increase disproportionately in relation to the units of enterprise and the volume of output. Since, as in agriculture, there is a limit to the degree to which the methods of production can be made more intensive by increased input of labour, part of the increased labour force naturally becomes redundant. Even in the modern factory industries both disguised and potential underemployment exist. One indication of this is the low productivity of factory labour, which results not only from poor capital

equipment but also from management and inefficient deployment of labour.(15)

The I.L.O summarizes the major problems of employment in the less developed countries as follows: (16)

1. to provide productive work for the farm population during long periods of seasonal unemployment;
2. to prevent the annual increase in the employable population from further aggravating the situation of chronic agricultural underemployment which in many parts of these countries has already reached serious proportions;
3. to remove such amounts of agricultural labour from the land as are redundant in relation to existing labour-intensive methods of cultivation, and
4. to reduce the labour requirements of agriculture so as to enable each person engaged to cultivate a larger area of land, thus making employment more productive and laying the foundation for higher standards of living.

Thus far in general terms we have discussed the problems of unemployment in underdeveloped and overpopulated countries. Let us turn our attention to the specific case of Pakistan and analyze it on the basis of the meagre statistics available.

(15) United Nations Economic Commission for Asia and the Far East : Economic Survey of Asia and the Far East, 1950, New York, 1951, pp. 70-4.

Also see the Labour productivity of the Cotton Textile Industry in Five Latin-American Countries, United Nations, New York, 1951

(16) I.L.O, " Action Against Unemployment, Studies and Reports", New Series, no 20, Geneva, 1950, p.136

LONG-TERM EMPLOYMENT PROBLEM IN PAKISTAN.

Haq has made projections of the total labour force in Pakistan at five-year intervals for the period 1965 to 1985.(17) According to his estimates ("roughly calculated") the total number of unemployed in the country is about six million at present (see table No.2) In spite of the difficulties of estimation in this field, he thinks that unemployment has increased over the last ten years by about 2.6 million workers.

In 1950 the total labour force in Pakistan was 24 millions, out of which 3.7 millions or 15 per cent were unemployed. In 1960 the total labour force was 29.2 million, out of this 22.9 millions were employed and 6.3 millions or 22 per cent were unemployed. In other words, the level of unemployment in the country has increased from 15 to 22 per cent during a decade despite a sharp increase in industrial developments during the same period. (One may note that the population in Pakistan was rising at the rate of 2.37 per cent per annum in the fifties).

It appears from Haq's projection that employment in Pakistan will be rising quite rapidly. For example, the level of employment will be almost twice as much in 1985 compared with 1960, rising from 22.9 to 43.4 millions.

(17) M.Haq, Strategy of Economic Planning, Oxford University Press, 1963, pp.84-86,p.249.

Table No.2

EMPLOYMENT PATTERN IN PAKISTAN
(numbers in millions)

Fiscal Year	1 Total	2 Agri - culture	3 Industry	4 ser- vices	5 =2+3+4 Total	6 = 1-5 Total un- employed
1950(actual)	24.0	13.8	1.3	5.2	20.3	3.7
1955(actual)	26.5	14.2	1.7	5.8	21.7	4.8
1960(actual)	29.2	14.6	2.1	6.2	22.9	6.3
1965(target)	32.5	16.0	2.6	6.9	25.5	7.0
1970 "	36.2	17.4	3.6	8.3	29.3	6.9
1975 "	40.6	18.5	5.0	10.3	33.8	6.8
1980 "	45.2	19.5	6.3	12.7	38.5	6.7
1985 "	49.5	19.8	7.7	15.9	43.4	6.1

Table No.3

CHANGES IN THE EMPLOYMENT PATTERN.
(percentage distribution)

Year	Total Labour Force (million)	Employed Labour Force			Unemployed
		Agricul- ture	Manufac- turing	Services	
1950	24.0	58	5	22	15
1955	26.5	54	6	22	18
1960	29.2	50	7	21	22
1965	32.5	49	8	21	22
1970	36.2	48	10	23	19
1975	40.6	46	12	25	17
1980	45.2	43	14	28	15
1985	49.5	40	16	32	12

Source : M. Haq, The Strategy of Economic Planning - A Case Study of Pakistan, op.cit. pp.84 & 249

But the level of unemployment, as a result of increasing population and labour force will remain high.

In 1965, the number of the unemployed will rise as high as 7 millions, that is 22 per cent of the working force will have no work. In 1970, five years later, the situation will not be much brighter either, 6.9 million workers will be without any employment.

It may be noted from table No.3 that the percentage of the labour force engaged in agriculture is slowly declining and that in manufacturing and services is rising. In 21 years hence, in 1985, there will be 6.1 million unemployed workers, 12 per cent of the total labour force in Pakistan.

The level of unemployment is particularly alarming in East Pakistan. If the unemployment situation is much worse there than in West Pakistan, it is not surprising since most of the industrial developments in the past have taken place in West Pakistan.(18) An increase in direct employment in industry has a multiplier effect in the employment of more people in tertiary industries, like the wholesale and retail trade, insurance and banking, etc. In fact the total effect of secondary manufacturing industry on the economy is like that produced by throwing a stone

(18) See the Disparity in Industrial Development Between East and West Pakistan - the final section on the chapter (of this thesis) on the industrialization of Pakistan.

into a pool of water. The subsequent ripples extend outward in seemingly never-ending series. West Pakistan has less unemployment because it has reaped the benefits of manufacturing industries.

The estimates of regional unemployment shown in Table No.4 reveal that in 1949-50 3.4 million in East Pakistan and 0.3 million workers in West Pakistan were unemployed. In 1954-55 the comparable figures were 4.3 and 0.5 millions respectively. Although unemployment in this period rose in both parts of Pakistan, it rose more sharply in East Pakistan. In other words, 30 per cent of the labour force was unemployed during the period in East Pakistan and 4 per cent in West Pakistan. During the period of 1959-60, 8 per cent of the labour force was unemployed in West Pakistan whereas the ratio was as high as 33 per cent in East Pakistan. In terms of absolute figures, in 1959-60, 5.2 million workers in East Pakistan and 1.1 million workers in West Pakistan were out of employment.

In short, during the decade under review, the labour force in East Pakistan increased by 2.5 million and the employment opportunities by only 0.7 million. On the other hand, during the same period, the labour force in West Pakistan increased by 2.8 million and the employment opportunities by 2 million. (We have already noted that

the population growth was more rapid in West Pakistan than in East Pakistan during 1951-61). Since the possibility of creating additional employment in East Pakistan is quite limited, the unemployment situation will continue to become explosive unless there is a rapid industrialization of this region.

Table No.4

EMPLOYMENT SITUATION IN EAST AND WEST PAKISTAN.
(in millions)

	Total Labour Force	Employed	Unemployed	Unemployed as a % of total labour force.
1949-50				
East Pak.	13.3	9.9	3.4	25
West Pak.	10.7	10.4	0.3	3
1954-55				
East Pak.	14.5	10.2	4.3	30
West Pak.	12.0	11.5	0.5	4
1959-60				
East Pak.	15.8	10.6	5.2	33
West Pak.	13.5	12.4	1.1	8

Source : Haq, op.cit.p.108

It seems quite clear from the above analysis that the level of investment in Pakistan in the past has not been enough to absorb current additions to the labour force, let alone a reduction in the back-log of unemployment. The same is true of the targets of the Second Five Year Plan. The

additional labour force is expected to be 3.3 million workers while the Plan is not likely to create jobs for more than 2.6 million workers.

ACTION AGAINST UNEMPLOYMENT.

The unemployment situation is already deplorable and cannot deteriorate much longer without the consequence of social unrests. It is generally believed in Pakistan that the agricultural sector cannot absorb any more labour in view of the existing pressure on land. New employment opportunities, therefore, must be provided primarily by the progress of the non-agricultural sector. For example, the authors of the Second Five Year Plan declare : (19)

" During the next twenty-years, it is estimated that another 15 million people will join the labour force. The majority of these people will have to find non-farm employment to prevent population pressure on the land from worsening because the amount of land that can be brought under cultivation is limited."

However, this is only partially true, as Haq points out : (20)

" In West Pakistan, 21 million acres of land were classified as culturable waste in 1960 and this land can be put under the plough by providing irrigation reclamation and drainage facilities. It should be remembered that this area is about half as much as is already under the plough of West Pakistan. If only 15 million acres of this land are brought under cultivation over the next twenty-five years, at an average

(19) The Second Five Year Plan, p.23

(20) Haq, op.cit, pp.85-86.

rate of three million acres per each Plan period, this should provide employment opportunities for another 2.5 million workers. Similarly, even though the possibilities of bringing any new area under cultivation in East Pakistan are slight, there are good prospects of "extending the margin of cultivation by double-cropping the existing single-cropped area. Only seven million acres, out of a total cultivated area of 22.2 million acres in East Pakistan are being double-cropped at present. It should be possible to bring under cultivation another two million acres as well as to double-crop a total of about 16 million acres by 1985, thereby providing employment opportunities to another three million workers. These calculations are only rough ones, but they illustrate some of the theoretical possibilities."

There is no doubt that considerable agricultural employment opportunities can be created in West Pakistan through irrigation and control of salinity. The double-cropping practice in East Pakistan will create some employments but not sufficient to absorb the vast rural unemployed. One way to rectify the appalling unemployment in East Pakistan may be setting-up of Japanese-style mechanized, small-scale enterprises. Fisheries, fruit canning and food processing industries can be built in the rural areas of East Pakistan, especially where there is a concentration of unemployed manpower. The most effective remedy against growing unemployment in Pakistan lies in the acceleration of industrial developments in the country.

The speed of industrial development in Pakistan will be mainly governed by the supply of entrepreneurship,

capital and industrial skill. The basic aim of the economic policy, therefore, ought to be to expand the supply of all these three factors of production. A lag in the supply of any one factor would retard the whole process.

The surplus agricultural workers would need to acquire the necessary industrial skill before they could take up productive jobs in modern industries. For this reason it would be essential for the Government to initiate, with the co-operation of management and labour, national programmes of manpower training during the early stage of industrial development.

In addition to chronic underemployment, agricultural communities in Pakistan also suffer from long periods of seasonal unemployment. To alleviate this, opportunities may be provided in a number of ways.(21) First, measures may be taken to develop new rural industries and to modernize and expand the existing ones. Secondly, Government may undertake public work projects. Thirdly, various types of mixed farming may be introduced into rural districts. Finally, Government may take effective measures to facilitate seasonal migration of agricultural workers seeking jobs inside or outside the country.

Even when both chronic underemployment and seasonal

(21) I.L.O, "Action Against Unemployment", op.cit.pp.215-216

unemployment are reduced or eliminated, there still remains a need - from the point of view of income levels and productivity - to reduce substantially the high labour requirements involved in the present methods of cultivation practised in most of the underdeveloped countries. In addition to the underemployment and seasonal unemployment, under the present labour-intensive method of cultivation the maximum output that each person can be expected to produce is quite small. In order to improve the standard of living of farmers, it seems essential to introduce labour-saving devices into agriculture so that each fully employed agricultural worker will be able to produce considerably more than is possible at the existing level of technique. The introduction of labour-saving devices would, however, release additional numbers of workers from agriculture. That is why both new land settlement and the pace of industrial development in the underdeveloped countries should be rapid enough not only to absorb the existing surplus labour, the displaced handicraft workers and the annual increase in population of working age, but also to create new employment opportunities for workers to be released from agriculture as a result of the introduction of such devices.

If labour is super-abundant, as it is in India, China, or Pakistan, the main effect of introducing mechanization is to create still more unemployment at the expense of using up scarce foreign exchange to import the mechanical equipment and its fuel. Under such conditions the aim of economic policy should be to maximize output per acre, and not output per worker, unless the labour released from agriculture can find employment in non-agricultural sectors.

A similar case also exists in the industrial sector of the economy. If widespread unemployment and underemployment exist, a reduction in labour requirements in current production does not normally constitute any substantial economic advantage unless the labour saved is of a type which is in scarce supply. Of course a reduction in wage costs will be advantageous to the entrepreneur. But for the community as a whole a reduction in the demand for and employment of labour, for which there are no effective alternative uses, is of no economic advantage and may involve great hardship for many people and serious strain in the social fabric as a whole. (22) As Professor Hirschman has stated, economic development depends not so much on "finding optimal combinations for given resources and factors of production as on calling forth

(22) Philip M. Hauser (ed.), Urbanization in Asia and the Far East, (Tensions and Technology series), UNESCO, Calcutta, 1957, p.198.

and enlisting for development purposes resources and ability that are hidden, scattered or badly utilized".(23)

(23) Albert Hirschman, The Strategy of Economic Development, Yale University Press, New Haven, 1958, p.5

3. WAGES IN PAKISTAN.

The existing wage-structure in the country comprises, in the main, a basic wage-and-cost-of-living-allowance. Generally speaking, unskilled workers live on a subsistence level, and the primary objective of the trade unions is to agitate for increases in existing wage levels. However, the increasing demand for higher wages poses a problem for economic development planning. How much of the increase in national income should go to industrial wage-earners, in the form of higher wages, and how much to agriculturalists, businessmen, and other claimants ? Will a money wage increase come at the expense of industrial profits; if so, will this curtail the capital formation necessary for economic development ? These are agonizing and complicated questions to which nobody has definite answers.

The STRUCTURE OF WAGES IN PAKISTAN.

The term "wage structure" covers, on one hand, the pattern of wage differentials among occupations, types of wage earners, firms, industries and regions and, on the other hand, the various components of wage earnings. A student of labour economics must consider all these and other aspects of wages, the manner in which they are determined and the manner in which they are interrelated. A thorough examination of the anatomy of wages for any one country is a task of enormous magnitude.

At present the lack of adequate comparable wage data in Pakistan makes it virtually impossible to analyze systematically the wage pattern and the geographical and occupational wage differentials. In Pakistan there is at present no organization for the collection of systematic data relating to wages. The only annual data which relates to the trend of wages in different industries is contained in the annual returns under the Payment of Wages Act. These returns, however, show only the trend of wages in different industries per head and do not show individual earnings in different occupations. Again, these returns cover only those workers whose earnings are not above two hundred rupees per month. In spite of the lack of comprehensive wages statistics and recognizing the magnitude of difficulties, it still seems instructive to analyze whatever information is available.

As may be expected, the average monthly earnings vary from industry to industry. They also fluctuate from year to year.(24) For example in textiles, one of the most important manufacturing industries in Pakistan, the average monthly

(24) I.L.O Labor Year Book, 1962,p.279

The average earning per week or per month may fall short of normal rates of pay because of loss of working time through sickness, absenteeism, part-time work, etc, especially in periods of slack trade when some employed persons are unable to obtain full time work. On the other hand, earnings may be higher than normal rates of pay when overtime payments, efficiency premiums, bonuses and other cash allowances which do not enter into statistics of wage rates are prevalent.

Table No.5

AVERAGE MONTHLY EARNINGS IN MANUFACTURING INDUSTRIES (PAKISTAN).
1950-1959 (Selected Industries) - in Rupees.

Year	Textile	Index	Chemicals	Index	Paper Print. Pub-lish.	Index	Mine rals	Index	Skin hides	Index.
	I	*2	3	*4	5	*6	7	*8	9	*10
1950	61.9	100	65.4	100	72.0	100	60.5	100	77.9	100
1951	69.1	113.1	58.7	89.3	76.4	106.1	63.1	104.3	82.7	106.2
1952	57.0	92.1	59.7	91.3	96.6	134.2	71.7	118.5	113.3	145.4
1953	...	...	...	...	...	...	...	...	...	...
1954	74.9	121.0	57.7	88.2	96.6	134.2	98.8	163.3	60.5	77.7
1955	73.2	118.3	61.0	93.3	113.7	157.9	130.4	215.5	80.3	103.1
1956	73.9	119.4	66.2	101.2	115.3	160.1	179.8	297.2	78.7	101.0
1957	75.2	122.0	75.5	115.4	116.8	162.2	111.6	184.5	74.9	96.1
1958	73.4	118.6	78.7	120.3	127.3	176.8	143.6	237.4	132.1	169.6
1959	72.8	117.6	97.7	149.4	140.2	194.7	99.8	165.0	109.5	140.6

Source : I.L.O : Year Book of Labour Statistics, Geneva
1957,p.288
1962,p.361

* Calculated columns : 2,4,6,8,10.

earnings in 1950 was 61.9 rupees, 69.1 in 1951 and 57.0 in 1952. (See table No.5) The absolute average monthly earnings in 1959 varied from 72.8 rupees (in textiles) to 140.2 rupees (in paper, printing, and publishing). In addition, it will be noticed that after 1955 the average monthly earnings tended to rise in all industries but at a varying rate. For example, while compared with 1955 they increased by about .02% in a textile industry in 1958, in skin and hides it increased by about 66.4 per cent during the same period.

As for the general trend in the average monthly earnings, perhaps a clearer picture may be gained from the following table (computed from table No.5)

Table No.6

AVERAGE MONTHLY EARNINGS.

(Selected period) Index 1950=100.

Period	textiles	chemicals	paper printing publishing	minerals & metals	skins & hides
1950-52	101.7	92.5	113.4	107.6	117.2
1957-59	119.4	128.4	179.9	195.7	135.4

It will be noted incidentally that paper and printing recorded the highest increase in the average monthly earnings over the period and were also most stable cyclically. The

earnings in textiles recorded the lowest increase over the period and were marked by more volatile cyclical fluctuations.

Generally speaking, the average monthly earning is higher in India than in Pakistan. For example, in the textile industry the average monthly earning in India was 81.0 rupees in 1950 and 111.4 rupees in 1959, whereas in Pakistan it was 61.9 rupees in 1950 and 72.8 in 1959.(25) Again in the chemical industry in India it was 72.6 rupees in 1950 and 113.9 rupees in 1959, while in Pakistan it was 65.4 rupees and 97.7 rupees in the respective years. One of the reasons for this discrepancy is that the trade unions in India are generally stronger than in Pakistan.

GEOGRAPHIC WAGE DIFFERENTIALS.

A comprehensive analysis of geographic wage differentials in Pakistan is not possible because of the lack of adequate data on the subject. From the scanty information available, wages vary from one area to the other. Generally speaking, they are higher in West Pakistan than in East Pakistan.(see following table). Although they are higher in West Pakistan, some industries pay more in East Pakistan than in West Pakistan. For example, in Engineering, in 1956 wages in East Pakistan were 96% of the national average, whereas they were 70% in West Pakistan. In the textile industry wages are higher

(25) I.L.O Year Book of Labour Statistics, 1957, pp.286-288
1962, pp.359-361

in West Pakistan than in East Pakistan.

Table No.7

WAGE DIFFERENTIALS(26)
(Selected Industries : Year 1956)

	All Pakistan	West Pakistan	Karachi	East Pakistan
All industries	100	114	106	85
Textile	100	112	106	87
Engineering	100	70	105	96
Cotton	100	106	104	80

The reason why wages are generally lower in East Pakistan may be that West Pakistan is industrially more developed than East Pakistan. The relatively higher wages in Engineering in East Pakistan are due perhaps to the shortage of this skill in the province.

MONEY VERSUS REAL WAGES IN KARACHI.*

The worker's welfare depends, not on how much money income he receives, but on the purchasing power of this income - the amount of goods and services which he can buy with it. In this connection, economists have coined the term " real

(26) Pakistan Labour Year Book, 1959,p.43

- Index computed by the writer.
- The latest information given in the 1959 Labour Year Book on wage differentials does not cover more than the year 1956, the only other available year is 1955.

* No data available for the whole of Pakistan.

wages", which means how much the money wage will buy in goods and services. The object of statistical calculations of real wages is usually to discover whether the real wage level has been rising or falling over some period of time. One may want to find out, for example, whether a certain increase in money wage rates has been accompanied by an increase in real wages, or whether the money-wage increase has been cancelled out by a rise in the cost of the goods which workers buy.

The trend in both real and money wages in Karachi appears to vary from industry to industry. Compared with 1950, both money and real wages increased in 1950-53 and 1958-60 in Government and Local Fund Factories, Printing and Book Binding, and Wood, Stone and Glasses. On the other hand, both real and money wages decreased in Textiles, General Engineering, Chemicals and Dyes in 1950-53 relative to 1950; but in 1958-60 money wages increased in these industries, whereas real wages decreased. In Hides and Skins real and money wages decreased in 1950-53, whereas in 1958-60 both increased. With regard to Food, Drinks and Tobacco both real and money wages showed an increase in 1950-53; but in 1958-60 money wages were above the 1950 level whereas real wages remained unchanged.

It is interesting to note that money wages tend to rise more than real wages when both are rising, but real

wages tend to decline more than money wages when both are falling. It is important to determine why real wages declined in some industries whereas they increased in others during the same period in the same city. Whereas the cost of living may be important in determining wages in some cases, in others it is not.

Table No.8

MONEY VERSUS REAL WAGES IN KARACHI.
(Selected Periods) 1950=100.

Industry	1950-53		1958-60	
	Money (rupees)	Real (rupees)	Money (rupees)	Real (rupees)
Govt. and Local Fund Factories	111.7	106	145.3	116.9
Textiles	83.4	79.8	106	85
General Engineering	87.3	83.7	101	81.2
Chemicals & Dyes	87.1	83.3	119.7	96.5
Printing & Book- binding	151.5	143.3	254	206
Wood, Stone, Glass	132.5	125	169.7	137
Hides & Skins	85.6	82	136.7	118.2
Food Drinks, Tobacco	166.6	101	124	100

Source : A.R. Khan: " Wages and Prices in Karachi : A case Study". Monographs in the Economics of Development, no.8, 1961.

The table is computed by the writer for a clearer picture.

There is a clear indication that in industries where unions are strong real wages seem to increase persistently. For example, in Printing Presses, the union membership was highest in 1958-60, and real wages increased during the whole period considered. As for the Government and Local Fund Factories, continuous increase in real wages may be explained by the fact that the Government adheres to the cost of living in setting the wages.

FACTORS DETERMINING WAGES IN PAKISTAN.

Having seen the structure of industrial earnings in Pakistan as a whole and real wages versus money wages in Karachi, we may now turn our attention to the factors which lie behind these patterns. According to a study made by the Institute of Development Economics in Pakistan, some statistical significant relationships were found between the movement in the cost of living and the movement in wages.(27) An attempt was also made to explain wage movement with reference to supply of and demand for labour.

Although a high correlation was found between the movement in cost of living and wages, it is not possible to establish causal relationships between these two variables. Under certain circumstances the cost of living may induce the workers or the unions to demand a wage increase. On the

(27) A.R. Khan: "Wages and Prices in Karachi : A Case Study", op. cit.

Since Karachi employs 22% of the total labour force employed in the manufacturing industries (Pakistan) the author "believed that inferences are possible about the situation in other urban areas of Pakistan from the relationship found in Karachi".

other hand, a general increase in wages might provoke the employers to raise the general price level.

However, the correlation coefficient between wages and the cost of living movement in the Government and Local Fund Factories appears to suggest that Government-paid wages are mainly determined by the cost of living.(28)

Professor Reynolds lists three main reasons why even a carefully prepared consumer's price index does not provide an entirely satisfactory measure of changes in living costs.(29)

First, it measures only the cost of living to a limited extent, i.e. the way in which certain families lived during the base period. As people's income rise, however, there is also an increase in their standard of living, i.e. their idea of the way in which they should live. The second limitation of the index is that it measures the change in living costs for people at one income level. A third limitation of the retail price index is that it does not include changes in the quality of items on the budget list.

Generally, labour and management attitudes in the industrialized countries have been against an automatic tie between wages and cost of living. Labour's representatives are opposed to an automatic tie because it implies the

(28)A.R. Khan : "Wages and Prices in Karachi: A Case study", op.cit.p.16

(29)L.G. Reynolds : Labor Economics and Labour Relations, Printice-Hall 1959, pp.423-25.

acceptance by labour of a constant standard of living.(30) Moreover, an automatic formula for wages poses an implicit threat to a union's functions. If wages are adjusted automatically, workers may question the importance of their unions and collective bargaining. Management representatives are opposed to an automatic tie between cost of living and wages, firstly, because a national or local cost of living index is not a good index of a particular firm's wage payments, since it ignores other significant variables influencing the individual firm's economic position (productivity, ability, to pay, comparative wages). Secondly, an automatic, economy-wide tie between the cost of living and wages would greatly add to inflationary and deflationary movements.(31)

Although the above arguments contain some strong points, there are some good points in an automatic tie between the cost of living and wages. This arrangement reduces the frequency of collective bargaining negotiations, which involve the serious possibility of industrial strife. It may also reduce the time and trouble involved in collective bargaining during periods of rapid price change, and long-term contracts are possible since labour is freed from the pressure of declining real living standards. Such a device may be useful in the present state of industrial development

(30) A.L. Gitlow : Labor Economics and Industrial Relations, Richard Irwin, Homewood, 1957, p.436

(31) Ibid. p.437

in a country like Pakistan, since the cost of living wage adjustments aim at correcting reduction in real wages and since the trade unions are still very weak in Pakistan.

To establish the influence of supply and demand of labour on wages the index of placement was used by the study in Karachi as an indicator of demand for labour and the index of unemployment registration was used as an indicator of supply. It is not surprising that the author himself admits that no meaningful conclusion can be drawn from this investigation. (32) The index of placement and the index of unemployment are poor indicators of supply and demand of labour because not all employers make use of placement services and not all unemployed workers are registered. Also those who secured jobs on their own may not notify the placement office.

Apart from these weaknesses, perhaps one cannot expect wages, particularly in underdeveloped countries, to be significantly influenced by the supply and demand for labour. "Wage rates for the most part are institutionally determined..." (33). In this connection, it may perhaps be appropriate to quote Professor Ross on labour market competition. (34)

"The buyer and seller of labour do meet within some fixed geographic area, but the price at which the

(32) A.R. Khan, op.cit.p.21

(33) A.R. Khan, op.cit.p.2

(34) Arthur M. Ross: "Collective Bargaining", The American Economic Review, Dec.1947. Reprinted in Readings in Labour Economics and Industrial Relations, New York 1956, p.276

exchange takes place is often ultimately determined by other agencies hundreds of miles away without necessary knowledge or concern for each of the particular markets... Locality, an essential characteristic of the labour market so far as supply and demand are concerned, is of limited relevance for wage determination".

Wage movements are determined not only by the particular conditions prevailing in the labour sub-market, but by more pervasive social and economic forces. Among these, it is generally agreed that the level of national income is the most important. There are other forces at work. One is government policy, which may be actively sympathetic to labour, - as is the case in most of the under-developed countries, - and is seeking to raise the wages of all labour through minimum wage-laws. At any particular point in time in any country the wage level and existing differentials may be established through the combination of several variables such as specific market factors, unionism, the level of national income, the general condition of the economy and the Government policy. Wage-rates in any case have to be adjusted to changes in the demands for different kinds of labour, changes in the purchasing power of money, changes in the general prosperity and activity of industry. Economic forces may press wages downward and social forces may hold them up. As Professor J.R. Hicks has most aptly pointed out : " It has never been the general rule that wage-rates have been determined simply and solely by supply and demand". (35)

(35) J.R. Hicks: "Economic Foundations of Wage Policy", The Economic Journal, September, 1955, p.389.

4. PRODUCTIVITY OF LABOUR IN PAKISTAN.

CONCEPT :

Productivity, wages and other costs are closely related economic variables. The term "productivity" means the ratio of output to any or all inputs used in production. Output and input are generally measured in terms of physical volumes because the purpose of productivity analysis is to find out the efficiency with which resources are utilized.

The improvement in the productive efficiency of an economy may result from many different sources: 1) technological change and the increased use of capital per unit of output; 2) improvements in managerial and labour skills; 3) changes in methods, processes and materials; 4) shifts in the relative importance of industries with different levels of productivity; and 5) shifts from less to more efficient plants.(36)

The most commonly used productivity measure is "output per man-hour".

" This is a 'partial productivity' measure since it is a ratio of output to only one class of input, although

(36) Charles A. Meyers, " Central Issues in Wage-Price Relationships", Wages, Prices, Profits and Productivity, The American Assembly, Columbia University, p.3

labor is the most important input... In order to measure changes in productive efficiency generally, output must be related to all associated inputs. The total productivity ratio reveals the net savings achieved in the use of inputs as a whole, and thus the degree of advance in efficiency of the productive process".(37)

No matter how productivity is measured, it is the joint contribution of all the productive agents employed. The 'labour productivity' measure is most commonly used because it is easier to calculate. An upward movement in the productivity index is not necessarily a measure of labour's contribution to changes in the efficiency of production. The most important ^{factor} influencing the over-all productivity is the technological change and increased use of capital.

PAKISTAN :

The measurement of the total productivity involves enormously difficult methods of estimation. It would be too much to expect such a measurement in Pakistan at the present time. Even for a measurement of labour productivity in the country, there has not been thus far any comprehensive study of the subject. This does not

(37) John W. Kendrick, " Productivity, Costs and Prices : Concepts and Measures", Wages Prices, Profits and Productivity, Ibid.p.39-40.

mean that Pakistan is not concerned about it. Pakistan felt the urgent necessity to combine all the efforts towards promoting productivity, and with this objective the Pakistan Industrial Productivity Centre (P.I.P.C.) was set up in 1956.

The P.I.P.C. which started actual operations in January 1958 was created, in the words of its Deputy Director

" to provide technical and managerial consulting services to industrial enterprises with emphasis on small and medium sized concerns. The objectives are to increase the efficiency of processing techniques, introduce improved manufacturing and management practices, aid in the creating of new essential products, promote the greater use of indigenous raw materials, and improve the working conditions. These should result in lower costs and higher standard of living".(38)

To accomplish its aim the Centre employs various methods. It organizes seminars, offers training courses which may use films and other visual media illustrating industrial techniques in advanced countries. It provides technical advice to industrial undertakings and keeps them informed on new developments in the industrial field. The centre receives advice and literature from the International Co-operation Administration, and European Productivity Agency and the International Labour Office.

(38) Z. Ahmad, " Pakistan Industrial Productivity Centre's Work", The Dawn, Karachi, October 27, 1959.

The I.L.O sent its experts in 1959 to advise on the improvement of the operation of the Pakistan Industrial Productivity Centre and also to analyze the general situation in the textile industry in Pakistan.(39) Another I.L.O Productivity Survey Mission was sent to assess the general operations of the jute industry in Pakistan.(40) Since all the developing nations in Asia face similar problems, they have formed the Asian Productivity Organization, with central offices in Tokyo, to pool and exchange knowledge on improving productivity.

Dr. Haq has made an estimate of changes in the average labour productivity in Pakistan, with five years interval from 1950 to 1985, by dividing the annual national income by the total employed labour force. Table No.9 indicates that the average productivity of labour is rising in both agricultural and industrial sectors, but the rise in the latter is much more rapid. For example, from 1950 to 1960 the index of productivity rose by 12 in agriculture and by 43 in industry. Again, in 1985, 35 years after (1950), the index of productivity increased by only 51 in agriculture and by 248 in industry.

The slow increase in productivity in agriculture and the rapid increase in industry may be due to the fact that the nation has been paying more attention to the industrial

(39) Report to the Government of Pakistan on Productivity in the Textile Industry, Geneva, 1959

(40) Report to the Govt. of Pakistan on a Productivity Survey Mission in the Jute Industry, Geneva, 1960.

Table No.9

CHANGES IN THE AVERAGE PRODUCTIVITY OF LABOUR IN PAKISTAN .
(1950-1985)

Year	Agricultural Sector				Industrial Sector.			
	Total Income (million rupees)	Employed Labour (million)	Average Productivity per worker. (Rs.)	Index	Total Income (million rupees)	Employed Labour (Million)	Average Productivity per worker (Rs.)	Index
1950	12,750	13.8	925	100	1,450	1.3	1,150	100
1955	14,200	14.2	1,000	108	2,320	1.7	1,360	118
1960	15,250	14.6	1,040	112	3,450	2.1	1,640	143
1965	17,400	16.0	1,090	118	5,050	2.6	1,940	169
1970	20,000	17.4	1,150	124	8,150	3.6	2,250	196
1975	23,000	18.5	1,240	134	13,750	5.0	2,750	239
1980	25,300	19.5	1,300	141	21,450	6.3	3,400	296
1985	27,800	19.8	1,400	151	30,700	7.7	4,000	348

Source : Haq : The Strategy of Economic Planning - A Case Study of Pakistan, op.cit,p.250

sector than the agricultural sector. For example, the agriculture in East Pakistan has so far remained stagnant. However, the increase in output per man-hour in the industrial sector does not necessarily reflect the contribution of production workers to changes in efficiency. It may be due to the technological improvement and the increased use of capital per unit of output. However, because of the contributions of the Pakistan Industrial Productivity Centre, it is possible that production workers are gaining more skill and efficiency.

CONCLUSION :

Economics is the study of market processes. Of all markets, the labour market is probably the most imperfect. As mentioned at the outset, the matching of job and job-seekers, an imperfect process even in mature economies, is haphazard, unsystematic and disorderly in Pakistan. Job information is poorly disseminated, hiring practices are most varied. An examination of hiring practices in Pakistan has shown the abuses committed by intermediaries such as contractors and jobbers. In addition, neither the principal employer nor the contractor does anything to provide contract labour with housing, medical and recreational facilities.

The writer, who has witnessed the treatment meted out to contract labour and the indifference of employers to the welfare of workers, fully agrees with the recommendation of the I.L.O that the contract labour system be abolished wherever possible and that the organization of co-operative unions and working on piece rates be established. And in those industries in which it must be temporarily continued, it should be strictly controlled by making the principal employer jointly responsible with the provisions of the Payment of Wages Act and other labour legislations. As for the jobber, his hiring power should be withdrawn and large business enterprises should establish their own personnel department to recruit workers and to look after their welfare.

Our analysis of job placement through Employment Exchanges has shown that the system of registration of large numbers of unskilled workers has not been very successful in raising the efficiency of the labour market. Since the government is a big employer, it should hire workers through the Employment Exchanges and encourage business to do the same.

Our study of the employment situation in Pakistan has revealed, as is to be expected in an underdeveloped and overpopulated country, the existence of chronic underemployment and unemployment. The phenomenon of underemployment

is not confined to rural areas alone. It is widespread also in urban areas. Unemployment in Pakistan is equally serious. About 22 per cent (7 millions) of the labour force is currently unemployed. The level of unemployment is particularly alarming in East Pakistan. During the period 1959-60 33 per cent of the labour force (5.2 millions) were unemployed in East Pakistan. In West Pakistan the relative figure was 8 per cent or 1.1 million. In other words, industrial development in the country has not been rapid enough to absorb the growing labour force. The growing unemployment in East Pakistan may spark social unrests unless the deplorable situation can be corrected in the near future.

In the final two sections we have seen that both wages and productivity are low. The majority of wage earners in Pakistan are in a very weak position in the labour market. As indicated in chapter 1, unions are too weak to give any effective support to the masses of workers. Moreover, opportunities for employment, as has been noted, are increasing very slowly while the population is rising very rapidly. The resulting keen competition for jobs keeps wages low. The picture is made more bleak by the presence of an almost inexhaustible supply of unskilled and illiterate workers. The masses of workers live on a low subsistence level. Their poverty is well-known.

Low productivity is a characteristic of under-developed countries. There is a relationship between the wage level (or income level) and productivity. The amount of work that a worker can be expected to perform depends on his health, on his energy and vitality, which in turn depend on his consumption level. And the consumption is a function of income. In other words, the low productivity and low wages of workers are the cause and consequences of the same phenomenon, poverty. Since labour is overabundant in nearly all localities, employers tend to utilize it carelessly and wastefully. Since labour is so cheap, there is little incentive for employers to invest in its training or development. The realization of high productivity involves a co-ordinated attack on many fronts. Management can increase productivity by providing training to unskilled workers both on and off the job. It may well find that costs for free medicare and nutritious meals can be easily recovered by the resulting increase in productivity. While a given increase in wages might be beyond the industry's capacity to pay at the existing level of productivity and efficiency, it might be borne if productivity were raised. The general economic objective of wage policy in Pakistan should be to establish a level and structure of wages conducive to accelerated economic growth. Low wages, low productivity, chronic unemployment and underemployment are indeed serious labour problems. But there are still others. We may now proceed to discuss some of them.

Chapter V

LABOUR PROBLEMS IN PAKISTAN.

Labour problems are a particular type of social problem. In every form of society from the most primitive to the most advanced there is a labour problem, the nature of which depends, among other things, on the degree of industrial development. However, there are certain labour problems common in both industrially advanced and under-developed countries. In this chapter we shall, first, outline briefly some of the more important of these common labour problems. After this, we shall discuss the particular type of labour problems to be found in Pakistan - a country in transition from the traditional to the industrial economy. Here we shall analyze some of the major labour problems hindering the pace of industrial growth, such as workers' connection with the land and their difficulties in adjusting to the rhythm of an industrial way of life.

This will be followed by a general discussion of the problems of adapting workers to industrial occupations and of the various agencies and programmes designed to assist them in this regard.

Finally we shall examine the pattern of industrial strife in Pakistan.

NATURE OF THE LABOUR PROBLEM IN GENERAL.

Labour problems, as noted above, are a particular type of social problem. Social problems arise from a lack of harmonious relationships among the individuals or groups, in a society. There is a continuous power struggle in society among innumerable groups and organizations, each seeking to maintain and improve its position. Industrial conflict is one of them.

Labour problems are not, it must be stressed, the problems of a single plant or an individual employer. In fact most labour problems are complex. As Professor Dale Yonder has so aptly put it :

" No simple social action will remove it and solve all difficulties. Numerous factors contribute to creation of the problem; numerous values must be appraised and balanced in any reasonable and appropriate proposal for its solution".(1)

Professor Sumner Slichter, one of the most eminent scholars on labour, believes that there are two ways of looking at labour problems - the scientific approach and the ethical approach. Under the scientific approach, one studies trade unions, child labour, unemployment, " in order to find out what is or what might be, without speculating about what should be".(2)

(1) Dale Yonder : Manpower Economics and Labor Problems, McGraw-Hill Book Co. Inc. New York, 1950,p.13.

(2) Sumner H. Slichter, "What is the Labor Problem", in Readings in Labor Economics and Industrial Relations, J.B. Lippincott Co. New York, 1956,p.23.

He is investigating how the economic and physical conditions and the administrative policies created by the wages system affect the wage earners - their health and safety, their disposition to organize unions, their philosophy and ideals - in a word, how the institution of working for hire affects the lives of the hirelings.

Slichter says that^a labour problem is also a problem of ethics, a matter not simply of what is or what might be, but of what should be. It exists because man is not only the end, but also a means of production. Out of this dual capacity arises a conflict between his activities as a producer and his interests as a man. As he put it :

" From the ethical point of view, therefore, the labour problem is concerned with two principal things : with the effect of the prevailing economic institutions - and in particular the wages system and the conditions which accompany it - upon the conflict between life and work, and with the institutional changes needed in order to harmonize men's activities as laborers with their interests as men".(3)

Whether one adopts a scientific or an ethical approach, most labour problems are complex. Hence no single situation can explain the depth and magnitude of the problem. Similarly, no simple social action can eliminate it or solve all difficulties. Since numerous factors contribute to the creation of the problem, numerous values must be appraised for any appropriate suggestion towards its solution.

(3) Sumner H. Slichter, op.cit, pp.23-24.

Furthermore, labour problems are dynamic, in the sense that they change from year to year, generation to generation. They do so because the goals of a growing society change and because the social and economic structure undergoes changes, modifying old structures, attitudes and problems and thereby creating new ones. As a result, no single labour problem deserves to be designated as the labour problem. Such a reference is inaccurate because it obscures reality.

In the very opening sentence of his book Economics of Labor, Professor Richard Lester writes : " Labor problems center around the purchase, sale and performance of labor services." (4) Thus labour problems involve a certain segment of the civilian labour force. They grow out of the economic activity of that part of the working population which offers its services for hire to others and receives its compensation in the form of wages or salaries.

It seems to be quite natural that when people sell their services and spend their working lives on the premises of the purchaser of those services, a varying amount of dissatisfaction, discontent, and industrial unrest should occur. Sellers of labour services are interested in higher wages, healthy working conditions, some voice in industrial

(4) Richard A. Lester : Economics of Labor, The Macmillan Co. New York, 1941, p. 3

affairs, an opportunity to advance, and protection against arbitrary treatment and loss of wages.

" From these issues arise such particular problems as unemployment, hours of work, minimum wages, work accidents, promotion, the settlement of grievances and labor organization. Each of these particular problems grows out of the wage system, under which workers support themselves and their families by selling their labor to employers".(5)

Throughout history, the issue of wages has constituted probably the greatest source of industrial conflict all over the world. The reason for this is the conflict of interests between buyers and sellers of labour. Sellers of labour, like all sellers, want to secure the highest possible price for their wares.

Both workers and management jointly produce a product or service. The distribution of income derived from this joint product has always been a source of friction in any country, be it in Canada or in Pakistan; how much should go to the worker and how much to management is a question which still remains unanswered. Each group views wages in a completely different way. To the worker wages constitute income, and higher income means higher standards of living and frequently higher social status. (Workers are also vitally interested in steady income). At the same time the wage rates paid to workers will largely determine the cost of production for the producer and will influence his ability to meet

(5) Richard A. Lester, op.cit. pp.3-4.

competition. Thus, high wages, unless offset by high productivity or increased prices, may adversely affect the profit level of the employer. With wage rates so important to both employers and employees, it is natural that many conflicts crop up over this issue.

The level of wage rates and steadiness of work are not the only aspects of labour problems. Professors Bloom and Northrup call labour problems " basically psychological problems". They involve problems of human beings - of their individual inner needs and motivations, of their interactions with other human beings. They maintain that the difficulties between labour and management can be ultimately explained in terms of the individual's desires for self-expression, prestige, security and self-betterment.(6)

Dominant human motives need to be satisfied if labour and management are to be able to live together in peace. Many employers ignored the psychological motives of workers. They erroneously assumed that higher wages, short hours and better conditions of work should make the workers docile and self-content and act as a deterrent to unionism. In adopting this policy, employers misjudged the basic personality of their workers, and unions consequently were able to gain a foothold even in the most paternalistic establishments.

(6) Gordon Bloom and Herbert Northrup : Economics of Labor Relations, Richard Irwin, Homewood, 1958, pp.16-17

Labour unions usually, therefore, mean more to their members than merely devices for securing higher wages or better working conditions. There are human or psychological causes of labour conflict as well as material or market causes. Psychological problems of industry increase with the growth of large-scale production, giant corporations and extreme job specialization. In modern industry, division of labour has turned many jobs into monotonous, routine tasks that are uninteresting and require little thought.(7) Physical factors such as light, noise and cleanliness of the workplace may affect the psychological or mental well-being of workers.

As to the matter of creating psychological problems, the nature and quality of supervision is an obvious one. A less readily recognizable source of many maladjustments centers around the right of workers to organize unions for collective bargaining purposes. On this issue feelings of management and labour, and even between different groups in the labour force, run so high as to make almost any programme or policy one which may leave many people displeased.

Closely linked with the psychological problems is the problem of insecurity. In the words of Professor Glenn

(7) Richard Lester, op.cit. p.10.

Miller,

" The problem arises out of the economic, social, and personal difficulties that are a product of the inability of individuals to find gainful employment. Failure to find work means a sharp decrease in or a complete stoppage of income. The loss of income in turn results in a decrease in the consumption of goods and services... Every curtailment of consumption means a decrease in the demand for labor to produce goods and services and further unemployment or underemployment." (8)

Prolonged unemployment means waste of human resources, and human suffering. A lower level of living may mean more illness, unrest, crime, poorer educational opportunities, and it may, directly or indirectly, impose an economic burden on society, sometimes immediately, sometimes in the long run.

PARTICULAR LABOUR PROBLEMS IN PAKISTAN.

Some of the major labour problems we have seen are universal, they are universal in the sense that they exist both in the highly industrialized countries and the countries in the process of industrialization such as Pakistan. A predominantly agricultural society now in the period of transition, Pakistan faces additional labour problems : workers' connection with agriculture, adjustment problems and absenteeism of industrial workers. In short, one of the

(8) Glenn W. Miller : Problems of Labor, The Macmillan Co. New York, 1951, p.5

fundamental labour problems in Pakistan and the countries in a similar situation is the problem of committing the labour force to the industrial life, the rhythm of the machine process and the consequent necessity of rigid discipline.

WORKERS' CONNECTION WITH AGRICULTURE.

In West Pakistan industries are more highly centralized than in East Pakistan. They are mostly located in the urban areas. In East Pakistan, on the other hand, factories are located in semi-rural and rural areas by reason of favourable transport conditions, and, in particular, the wide network of rivers, availability of the main materials such as jute, hides and skins, and the recent development of hydro-electric power in some rural and semi-rural areas.

According to the UNESCO investigation, forty-eight per cent of the factory workers surveyed in Dacca(East Pakistan) continue to reside with their families in the village while supplementing the family income by employment in factories, and fifty-three per cent still possess some agricultural land.(9) In Narayanjanj, which has recently been developed as an urban centre, factories are located in the rural areas itself, so that land is being cultivated in the immediate vicinity of the factory, and the working shift

(9) UNESCO : The Social Implications of Industrialization & Urbanization, pp.107-108.

has been so arranged that in each working period of four hours there is an interval of four hours for agricultural operations, the factory workers getting more time off during the peak agricultural seasons to work on their farms.

The exact nature of the factory workers' connection with agriculture in the Indo-Pakistan subcontinent has given rise to some misunderstanding. Speaking of the relations of the Indian factory worker with agriculture, the Royal Commission on Labour in India wrote in 1931: "The points we desire to emphasize at this stage are : 1) on the one hand, the factory population generally speaking is not divorced from the land, as in the West, 2) on the other hand, it cannot be regarded as composed of a mass of agriculturists serving a short term in industry." (10) This remark seems to describe aptly the case of the labourer in East Pakistan working in the perennial industries.

However, the same Commission observed that agriculture has naturally supplied the bulk of industrial population. Some factory workers may have direct interest in agriculture, in that they derive some pecuniary benefit from it. More have indirect interests, to the extent that members of that very variable group, the joint family, or other close relations have agricultural holdings. (11)

A substantial proportion of the workers or their families possess some land, that is, they derive a pecuniary

(10) Government of India- Report of the Roayl Commision on Labour in India, 1931, p.13

(11) Ibid. 2.

benefit from agriculture. In fact, there is a far more intimate connection of the industrial worker with agriculture than the Report of the Royal Commission would suggest. This is especially true for factories that have sprung up in some semi-urban or rural areas and draw quite a few labourers from the neighbouring villages. In such cases the contact of the worker with agriculture would necessarily be very intimate. The worker who possesses some land combines factory work with agriculture, working on the latter in spare time. Professor Husain of Dacca University, who conducted a survey of industrial workers in East Pakistan for the UNESCO, gives the following quotation of a proprietor of a factory :

" We have found that lack of experience can be overcome with proper training. In fact, we insist on the local labour from the neighbouring villages who have close connection with agriculture and give them holiday on Thursday so that they be able to go to the " haat" (bazaar) on these days to sell their products." (12)

In this connection, it must be mentioned that some workers living in the village but not possessing any land, nevertheless, supplement their income with factory work at harvest time by harvesting on a contract basis. Again, while factory work is slack, they may engage in agricultural operation. And the worker who comes from a very distant area may also leave the city during the harvest season.

(12) A.F. Hussain : Human & Social Impact of Technological Change in Pakistan, Dacca, Pakistan, 1956, p.227

ADJUSTMENT PROBLEMS AND ABSENTEEISM OF INDUSTRIAL WORKERS IN PAKISTAN.

The worker in Pakistan is a first-generation factory worker having no industrial background, with strong attachments to his village. He usually comes from a close familiar and well-knit environment of a village. He is a product and a victim of tradition and joint-family system. Being used to a tightly-knit family environment, the industrial worker coming to the city for the first time becomes lost in the tempo of city life, its indirect contacts, impersonal ways and indifferences. This may not apply to all who leave behind their family far away from the city, but the majority feel cut off for the greater part of their existence from the family which, to them, was protective, affectionate and loving.

Whatever the reason is for leaving the village, a large number of workers in Pakistan are not interested in factory work. They tend to resist adjustment to the type of life which goes with industrial employment. In the value scheme of the majority^{of} workers, factory labour does not offer any scope for the expression of their individual personalities. Some stay in the factory until they have earned enough money to solve their "temporary financial crisis" in the village. Others stay in the factory until illness, nostalgia, or unemployment drive them to the village where they can stay

for weeks or months until obliged to return to the city to earn money again. Some workers go back to the village at the time of harvest or the religious festivals. They may go back to the village knowing that, upon their return to the city, the chances for reemployment will be poor. Occasionally the worker leaves the factory not to return to the village but merely to rebel against the factory discipline and limitation on leisure, toil of learning and the like. They have a strong temptation to become a "peanut entrepreneur" such as opening a newspaper stall, grocery or a restaurant.

With some exceptions, most employers in the urban centres do little to meet the needs of migrants for adequate housing, sanitary facilities, and other amenities, which might help the recent migrant from the village to accept industrial employment as a permanent way of life. This indifference and nonchalant attitude on the part of the employer towards the basic welfare amenities and the lack of human relations in the factory are as bad as the workers' attachment to the village. These factors go far to explain the "incomplete commitment", high absentee rate, the high rate of turnover and low standard of performance of many industrial workers in Pakistan.

ABSENTEEISM.

The basic cause of absenteeism in Pakistan, evidently, is the fact that the large number of industrial workers

are still part-time peasants and, until they sever their strong connection with the soil, their attendance will be irregular and their adjustment to modern industrialism insecure. If a majority of Pakistani industrial workers hold partially committed views of industrial employment, nobody will be surprised to find rates of absenteeism and labour turnover much higher in Pakistan than in the advanced countries. It is unfortunate that the Government of Pakistan does not keep any record of this important element.(13) Although the provincial Government of East Pakistan keeps a record, it is incomplete since most of the factories do not submit their reports.

The extent of absenteeism reflects the degree of adjustment of the workers to factory life. The I.L.O Mission on Labour Problems in Pakistan reported that the most common complaint of employers in Pakistan about their labour force was that "to make up for leave and absenteeism payrolls must carry 10% more workers than is necessary to man a process on any day".(14)

(13) On the section on absenteeism, Pakistan Labour Year Book (1959) has three sentences : The collection of absenteeism statistics from the employers at present is on voluntary basis. The response, however, has not been very encouraging. None of the Provincial Governments except East Bengal (East Pakistan) maintain any serial statistics of absenteeism".p.5

(14) I.L.O Report quoted by A.F.A. Hussain, op.cit, p.227.

A number of factories submit returns on absenteeism to the Labour Department of the Government of East Pakistan.

According to official statistics, on an average, nearly 10% of the workers in the reporting ⁿperennial factories in East Pakistan absent themselves over the year.(15)

Since absenteeism is not recorded by causes, there is no means of knowing whether a worker is absent because he is sick, is idling or has gone home for a few days. However, a common reason for the absenteeism of the workers is their visiting home in their village. During the sowing and harvesting seasons of jute and paddy in East Pakistan, absenteeism goes up markedly. Since a large number of industrial workers belong to agricultural families, they go home to help their families in agricultural operations. An employer has to grant them leave because otherwise they would go just the same.

No doubt there is a connection between absenteeism and the agricultural background of the workers. But the village tie is not the only cause for absenteeism in Pakistan. High rates of turnover and chronic absenteeism are due in many cases to low physical stamina, which can be traced to nutritional as well as psychological factors. Exceptionally poor housing, available to most workers, is also an important contributing cause. During the heavy monsoon the worker may have to stay home to bail the water out of his "bustee"(shack).

(15) I.L.O Report quoted by A.F.A. Hussain, op.cit .

Were he gone to work, he might find, not unexpectedly, his home washed away upon returning. Lack of hospital accomodations also has been found to affect absenteeism.

PREFERENCE FOR OCCUPATION.

The preference of a person for any particular occupation, although dependent on a number of factors, may serve as a rough indication of his attitude towards " new technology" and the extent of adjustment he has achieved in relation to this technology. In his investigation for UNESCO, Professor Husain of Dacca University found that of the non-agricultural workers interviewed 31.1% expressed their preference for factory work, 40.2% for trade, 18.9% for farming and 9.8% on other occupations. (16)

It is clear that the largest single group of workers showed their preference for trade to any other occupation. Of those preferring trade 51.3% did so because they maintained that it was an independent profession, 39.0% thought it would provide them with better income and prospects than other occupations. The remaining 9.7% gave miscellaneous reasons. (17)

PREFERENCE FOR FACTORY WORK :

Of those who preferred factory work, 40.7% did so because they liked the nature of factory work, 20% did so for

(16) Husain : op cit. pp.217-18

This section on the preference for occupation is based on the study made by Professor Husain.

(17) Ibid.

the stability of income from factory employment, 17.9% did so for better income and prospects, 10.3% thought there was hardly any other employment opportunity for them besides factory work, 11.1% gave miscellaneous reasons for preferring factory work.(18)

Professor Husain relates some interesting opinions expressed by workers preferring factory jobs. A great majority of workers, who are mostly illiterate, work in the factory to give their sons education to qualify themselves for white collar jobs. " It is only because their standards of education and their resources do not make it possible for them to take up some white-collar job or some business, they seem to stick to factory work. However, most workers would probably consider factory to be definitely better than the work of the landless labourer".(19)

In addition to regular income and the prospects of economic advancement which is lacking in rural area, some think that factory and town life is more comfortable and interesting than rural life.

Some are of the opinion that factory or town life makes one smart, increases one's intelligence, gives one refinement and better manners. However, some workers complained that they were subject to too much of discipline and supervision in factory life, and also too much "pushed

(18) Husain: op.cit.

(19) Ibid. pp.218-19

around" by their supervisors. In contrast to this, in the village life one can work in one's own time and there the agricultural worker is treated well by his employer.

Dr. Husain concludes that a number of workers seem to be quite adjusted to factory and town life. He quotes a foreman in a semi-urban cotton mill saying that on balance he (foreman) thinks the advantages of factory life outweigh the disadvantages. This foreman thinks that " industrialization is essential for the country. But there should be a parallel development of trade unions and amenities for the workers." (20)

PREVIOUS OCCUPATIONS, PARENTAL OCCUPATION AND LITERACY AND OCCUPATION PREFERRED.

In his investigation professor Hussain found that the preference for occupation expressed by the workers surveyed have some bearing on their past occupation, parental occupation and the level of literacy. (21) Thus, of factory workers preferring farming, 58.0% previously worked as a farmer or as an agricultural labourer, 21.6% have been in factory work from the beginning, 3.4% were in trade, while 17.0% came from other occupations. Of those preferring trade, 17.6% came from trade, 27.8% from agriculture, 39% from factory work (i.e. starting

(20) Husain, Ibid. pp.220-21

(21) Husain, Ibid. pp.223-224.

their career in factory) and 15.5% from other occupations. Of those preferring factory work, 37.2% had started work in a factory, 39.3% came from agriculture and 23.5% from other occupations.

There also appears to be some connection between the parental occupation and occupation preferred by the workers. For example, among factory workers who preferred farming, 77.3% had agricultural as the parental occupation, 8.0% had trade and 6.8% factory work as the parental occupation. Of those preferring trade, 62.0% had agriculture, 11.2% had trade and 9.6% had factory work as the parental occupation. Of those who preferred factory work, 55.9% had agriculture, 9.8% had trade and 7.7% had factory work as the parental occupation. (It was also found that only 21.4% of those possessing land indicated a preference for farming, while the great majority of them preferred non-agricultural employment).

Literacy seems to affect considerably the preference for occupation by a worker. Thus, among the literate factory workers, 50.2% indicated a preference for trade, 28.4% showed a preference for factory work and 11.8% showed a preference for farming. Among illiterate factory workers, on the other hand, 35.1% preferred factory work, 28.4% preferred farming and 26.3% preferred trade. Literates seem to have little liking for farming. They seem to have less liking for factory

work than illiterates. The white-collar job carries greater prestige than the work of the skilled artisans. The literates appear to prefer trade predominantly to any other occupation, which probably indicates that they are ambitious to a degree and rather dissatisfied with factory life.

Finally, Professor Husain's findings indicated that the preference for factory shows an upward trend with the length of service in factory of the workers. Thus, while among workers with less than 4 1/2 years of service, 25.4% indicated a preference for factory work, among workers with more than 4 1/2 years of service 37.3% indicated such preference. (22) Ignoring the fluctuations in the preference for factory work in the first five years of service, the general trends probably suggest an increase in the adjustment of the workers to factory life and work with the passage of time.

THE PROBLEM OF COMMITTING THE LABOUR FORCE TO INDUSTRY.

The commitment of labour to industrial employment is of paramount importance for the industrial progress of Pakistan. The creation of a labour force voluntarily committed to the system of incentives, discipline, and mobility characteristic of industrial employment in Western economies has generally

(22) Husain, Ibid.

been regarded as a significant problem in the industrialization of underdeveloped economies. What do we really mean by a committed worker ? Professors Kerr, Dunlop, Harbison and Myers, eminent authorities on labour economics, define him as follows :

" A committed worker is one who stays on the job, who has severed his major connections with the land. He is a permanent member of the industrial working force, receiving wages and being dependent for making a living on enterprise managements which offer him work and direct his activities at the work place."(23)

The question naturally arises as to why commitment is important. It is important because the fully committed worker requires less supervision, and certainly less disciplinary supervision; and, in general, his performance is better than the uncommitted or partially committed. The worker who has accepted the norms appropriate to industrial employment behaves more predictably in optional or choice situations than the one who is governed entirely by external circumstances. This reliability of behaviour is especially noteworthy in crisis situations.(24)

Some obstacles in the process of commitment to the industrial way of life are bound to occur in Pakistan. The majority of workers recruited to industrial employment, as we have seen, come from the agricultural sector of the country.

(23) Kerr, Dunlop, & all, INDUSTRIALISM AND INDUSTRIAL MAN, Harvard University Press, p.160, p.170

(24) Feldman & Moore : Labour Commitment and Social Change in Developing Areas, New York, 1960, p.2

Hence they have to undergo a major cultural and psychological transformation. Work patterns and rhythms have to conform to the economic and technological imperatives of the factory system. So great is the strain of this transformation that, in the initial stages of industrialization, at least, the ability of many workers to adapt to industrial work will prove inadequate. This initial difficulty in adjustment contributes to high labour turnover, excessive absenteeism, inadequate work performance and resentment against factory discipline.

Often undernourished and uneducated, the worker is at a loss when he is abruptly transplanted from rural to urban areas. He has difficulty in understanding the concept and importance of time. He finds the discipline of industry, the rhythm of technical civilization, difficult to understand and is puzzled by the specialized nature of industrial work. The problem of the new arrival may also be aggravated by his language problem. He may speak only a native dialect, while his foreman may speak Bengali or Urdu and his manager only English. Housing shortages and the impersonal character of the city life may further add to his problems. This combination of factors may be so overwhelming that he may develop hostile attitudes towards the factory life. So formidable is the process of transformation in the initial stage that the newly recruited worker with agricultural background definitely needs outside assistance.

AGENCIES TO AID LABOUR COMMITMENT. -----

To help the present and potential industrial labour force to adapt ~~mitselfes~~ to the industrial way of life, a country needs, in the transitional period, all-out efforts on the part of many agencies available in the society. They are: trade unions, employment exchanges, various communications media, professional societies, education, counselling and management of industrial concerns.

Unions : -----

Trade Unions and other occupational groups, whatever their initial primary emphasis, should broaden their bases of affiliation and their services to members and thus their relations with other groups. Unions may act as employment agencies, credit unions; they may provide community centres and recreation facilities for their members. For the illiterate workers, unions may arrange for night schools. Unions can give the worker a sense of direction and status in a new environment as an industrial citizen. In short, unions can be one of the most important agencies to help the workers in the process of commitment.

Management : -----

Another important agency which can play a great role in workers' commitment to the industrial way of life is management. By its control over the organization of the

productive process, its proximity to workers and its power to determine working conditions, management is in a unique position to ease the physical integration of workers into the process, to interpret the new order to them, and to make it possible for them to realize some of their goals and aspirations. In brief, it is largely up to management to make adaptation appear worth the cost. This requires skill in training workers so that they may reach high levels of technical proficiency as quickly and painlessly as possible, and the availability of rewards commensurate with an increase in proficiency. The worker in modern industrial society as well as the developing societies should be treated as a partner in production rather than a factor of production.

Unfortunately, at the initial stage of industrialization, when workers need most help they seem to get the least from management. As it has been found in Pakistan, the managers, with few exceptions, make very little effort to build a settled labour force. Usually the management is apathetic to the welfare of workers, especially unskilled workers who are redundant.

However, as industrialization proceeds, the enterprise managers become more interested in a permanently committed labour force. High rates of absenteeism, turnover and low levels of skill become burdensome. Some attention is paid to the welfare of workers, such as providing accommodation for the family of the worker. The managers may devise systems

of rewards and punishments to reduce turnover and absenteeism. Managers are most likely to make an investment in building a committed labour force where expensive machinery and processes are utilized, where the skill requirements of labour are relatively high, where the quality and quantity of production is important, and where the work load is distributed fairly evenly throughout the year. The conditions are likely to prevail in newly industrializing countries like Pakistan which are placing increasingly heavy emphasis on new factories with modern technology.

EDUCATION.

In addition to non-industrial socio-cultural background workers in Pakistan suffer from lack of education. The magnitude of the problem can be seen from the fact that, according to the 1961 census, 80% of the total population in the country are illiterate. It is, therefore, imperative for the industrial development of Pakistan that more resources be allocated to education.

Education is likely to facilitate entry to the modern market, for it gives greater awareness of alternatives to the current situation and stimulates new wants. Education also helps adaptation by developing and appreciation of order, discipline, and precision as well as stimulating greater material and social aspirations. In the school we find an

agency of status mobility and symbolic focus for social action and reform. Schools provide a potential bridge from pre-industrial to industrial life.

Economists have long been aware of the importance of education. Adam Smith, for example, stressed the importance of education at various points in The Wealth of Nations. He specifically included "the acquired and useful abilities of all the inhabitants or members of society" in his concept of "fixed capital".(25)

"The acquisition of such talents, by the maintenance of the acquirer during his education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realized, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise of that of the society to which he belongs."

Alfred Marshall emphasized the importance of education "as a national investment" and in his view "the most valuable of all capital is that invested in human beings." (26) Investment in education and human resources development contribute to economic growth. And economic growth makes it possible for countries to invest resources in educational development. As Jerome Wiesner has so aptly put it : "A good educational system may be the flower of economic development but it is also the seed."(27)

(25) Adam Smith, An Enquiry into the Nature and Causes of the Wealth of Nations, Cannan ed. Random House Inc. 1937, book 11, pp 265-266

(26) Principles of Economics, 8th ed. Macmillan & Co Ltd, London 1930, pp 216, 564. John Vaizey, in The Economics of Education, Faber & Faber, Ltd, London 1962, chapt.1 "What Some Economists said about Education", summarizes the view of English economists and Karl Marx on the economic importance of education.

(27) "Planning Policies for Investing in Scientific and Technological Education", Human Resources, Training of Scientific and Technical Personnel, Washington, 1962, p.132.

POLITICAL ENTREPRENEURS.

Nationalist leaders, whom we may call loosely political entrepreneurs, can play a vital role in the sphere of labour's commitment.(28) In addition to private entrepreneurs, political entrepreneurs are also concerned with economic development. The first task of nationalism was to achieve independence by the use of effective organizational power. Nationalist leaders can channel their organization to industrial production. Political entrepreneurs in underdeveloped countries made a great contribution to political awakening of their society in their struggle for independence. Now, they can instill similar enthusiasm among the people for rapid industrialization, for ever-increasing output.

In the pre-independence era, political leaders set independence as their target and the people followed them; in the post-independence era, their target is industrialization. People will work hard to achieve it if its benefit is explained to them. Moreover, the political system performs, among others, the functions of adopting and changing the

(28) It is now generally accepted that the Western pattern of private entrepreneurship is a necessary but not a sufficient condition for economic development in the underdeveloped areas. We assume that these countries want to maintain or develop the Western type of liberal democratic political system as opposed to a totalitarian form of government.

economic system, order-maintaining and transforming the system in the society. It may rebuild the institutional fabric so that it may better withstand the shock of change.

Political parties with a mass base can affect the rate of flow of commitment. Unions and political parties may generally serve to commit workers to the industrial way of life and subject them to disciplined action.

However, it makes a great difference whether these organizations are oriented towards protest or production.

Generally a " protest approach" impedes full commitment to and acceptance of industrial life, whereas a " production approach" can aid commitment and acceptance.(29)

As we have seen in chapter 1, trade unions in the developing areas have always been a political force, closely associated with political parties. Thus, both unions and political entrepreneurs may work together for a common goal - rapid industrialization of the country to provide more employment, to improve living conditions of the people.

An efficient labour market can also be an important source to accelerate labour commitment. In addition, the communications media such as radio, television, newspapers and posters can be effectively used to educate the public, to tell the workers and the nation the goal set by political entrepreneurs and the means to achieve it. Films on factory

(29) Clark Kerr: "Changing Social Structure", in Feldman & Moore, p.356

workers in the West can be shown to their counterparts in the East.

We have sketched some of the important agents capable to accelerate the flow of industrial commitment in the underdeveloped countries. There are other factors too. As Professor Polanyi so aptly put it, in his book, The Great Transformation; "Civilizations, like life itself, spring from the interaction of a great number of independent factors which are not, as a rule reducible to circumscribed institutions", (30) This especially applies to industrial civilization which the underdeveloped countries, like Pakistan, are endeavouring to achieve. For example, agricultural developments affecting life in rural areas can have a major impact on industrial commitment, as the enclosure system in England and the collective farm system in Russia proved.

WORKERS' PROTEST IN PAKISTAN.

We have seen that the transition from the agricultural to the industrial way of life involves social as well as technical revolution. It involves changes in economic goals, decay of old skills and retraining for new ones, disintegration of traditional patterns of reward and punishment, urbanization and the concentration of population in the new industrial

(30) Karl Polanyi : The Great Transformation, Rinehart & Co, Inc. New York, 1944, p.4

centres and reorientation to new work discipline. The break with traditional society patterns is difficult to absorb even in the smoothest of transitions. The initial shock may be compounded by harsh circumstances.

Frustration and discontent may be universal among the new industrial workers. The direction of discontent varies. The old rhythm is disrupted and commitment to the new may be partial. The accumulation of mass frustrations, of hardship, deplorable housing and sanitary conditions, lack of recreational and educational facilities, low wages, high rate of unemployment and underemployment are additional labour problems in an overpopulated and developing country like Pakistan. All these embrace economic, psychological and social factors.

When workers are discontent, they protest to solve their problems, to ameliorate their conditions. In other words, workers' protest is a response to dissatisfaction and discontent. Professor Siegel calls protest a testimony to the conscious gap between the workers' view of "what is" and "what should be". A "protest is the communication of discontent through some overt demonstration or expression". (31) These manifestations of discontent are indicators of tension and are intended as generators of change. They are both the

(31) Abraham J. Siegel : " Method and Substance in Theorizing About Worker Protest", in Aspect of Labor Economics. A Report of the National Bureau of Economic Research; Princeton University Press, Princeton, 1962, p.23.

symptom of workers' discontent and the means resorted to for assuaging discontent. The most universal weapon workers employ to meet their demand, to improve their conditions is to strike against the employer. In the following pages we shall analyze a decade of workers' protest - the extent of industrial unrest in Pakistan from 1948-1957.(32)

A DECADE OF INDUSTRIAL DISPUTES IN PAKISTAN.

Our table No.1 shows the trend of change in the number of work stoppages, number of workers involved and the man-days lost during the period 1948-1957.

The index of work stoppages rose from 100 in the base period in 1948 to 126 in 1949, rapidly declining to 56 in 1950. From 1950 to 1952, the work stoppages recorded a very sharp rise, from 56 in 1950 to 167 in 1952, almost a three-fold rise. Although, during the period 1952-53 the index recorded a slight decline, it remained quite high relatively to our base year. It again increased in 1954 but showed a substantial decrease in 1955. In 1956 it recorded a very steep rise and almost doubled, rising from 132 in 1955 to 263 in 1956, and remained on the same peak in 1957.

(32) S. Ahmad : " The Extent of Industrial Unrest in Pakistan - A decade in retrospect".

" Pakistan Labour Gazette", vol.vi, no.4 October-December 1958, pp.431-453.

The analysis of industrial unrest in Pakistan from 1948 to 1957 has been based on this article.

With regard to the index of workers involved, it followed the same trend as that of work stoppages. From 1950 to 1952, it rose almost continuously following the trend of the index of work stoppages but the rise was less steep than the latter and it remained far below 100. In 1954 it recorded a steep rise and stood at 191. But it declined to 116 in 1955. Thereafter it rose steadily through the year 1956, reaching a peak of 519 in 1957.

The index of man-days lost declined from 100 in 1948 to 75 in 1949, to 61 in 1950 and to 57 in 1951. In 1949, it moved in the opposite direction of the other two indices. During 1950, the magnitude of the fall in the man-days lost was far lower than the decline in the number of work stoppages and workers involved. This shows that the intensity of the industrial disputes in terms of man-days lost was the highest in 1950. In 1952, the index of man-days lost rose at a higher rate than the index of workers involved. The intensity of industrial disputes in terms of man-days lost in 1952 was almost the same as that in 1950. It declined in 1953, rose very steeply in 1954 when it stood at 218. In 1955, it fell to 89. The simultaneous decline in the other indices reduced the intensity of industrial disputes in terms of man-days lost per worker from 4.3 in 1954 to 2.9 in 1955. From 1955 onward, it rose very steeply and stood at 598 in 1957. During 1957, the rise in the index of man-days lost was greater than the other two indices and consequently the intensity of the industrial disputes in terms of man-days

lost per worker increased from 2.9 in 1955 to 4.3 in 1957.

The curves representing work stoppages, workers involved and man-days lost in Chart No.1 show that the trends in these three magnitudes were in most cases asymmetrical. To understand the asymmetrical movement in these magnitudes one has to study the relationship between them. There is little direct relationship between these magnitudes. For example, an increase in the stoppages of work in one year may not necessarily always mean an increase in the number of workers involved and the number of man-days lost over those of the preceding year. The total number of workers involved in a given work stoppage depends upon the size of the undertaking, and the number of workers indirectly involved.

If the number of work stoppages increases in one year relatively to another and if the industrial undertakings involved are of smaller size having little connection with other subsidiary industries, the number of workers involved directly and indirectly is likely to be small. In such cases, the increase in the number of work stoppages may actually reduce the total number of workers involved in comparison with the preceding period. Sometimes a strike in an undertaking may be partial. Technically, this is also included in the number of stoppages of work. Such stoppages include only a portion of the workers employed in an undertaking. If in any year the increase in the total number of work stoppages includes an increasing number of partial strikes, the increase in the number of workers involved will be relatively less.

Table No.1

INDICES OF WORK STOPPAGES , WORKERS INVOLVED AND
MAN-DAYS LOST IN PAKISTAN FROM 1948-1957,

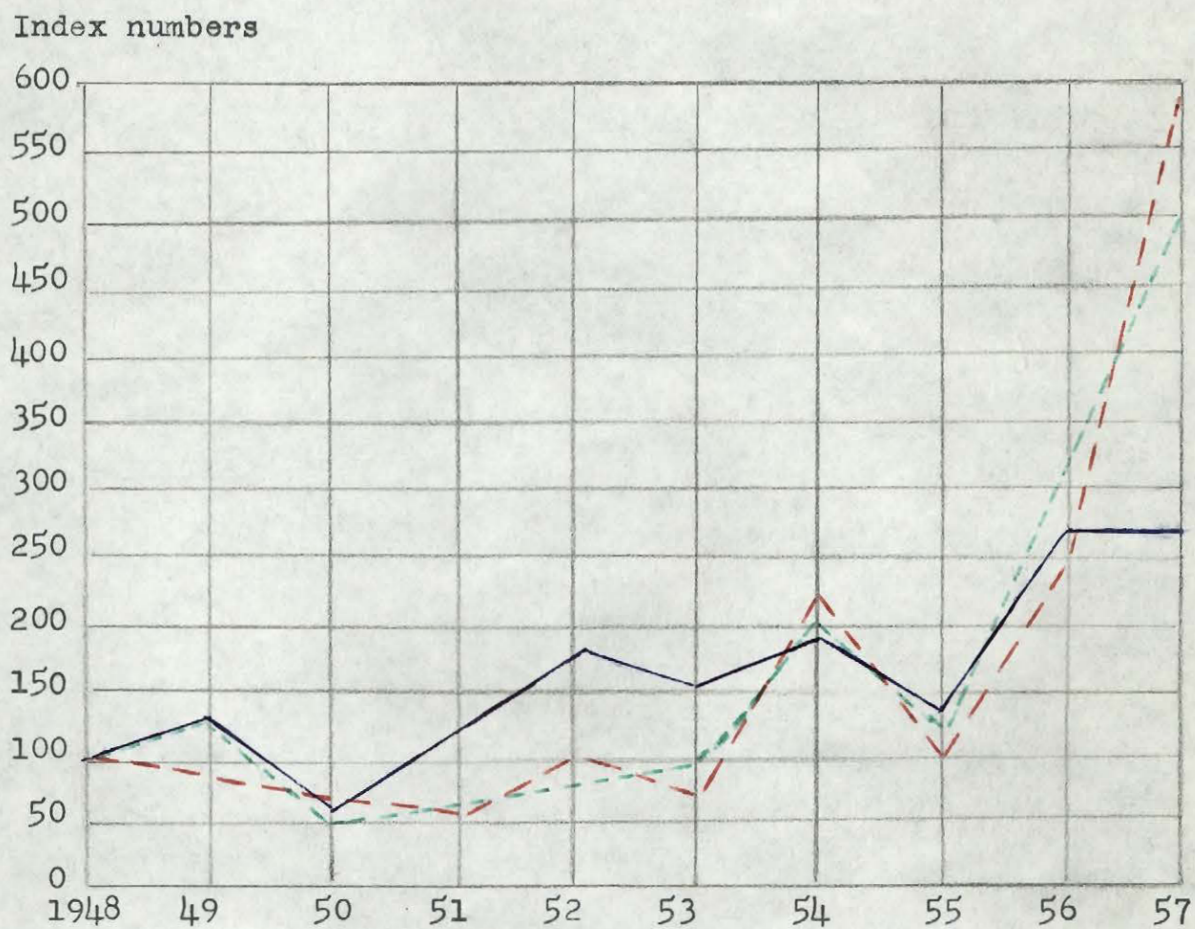
(1948 = 100)

YEAR	WORK STOPPAGES	WORKERS INVOLVED	MAN-DAYS LOST.
1948	100	100	100
1949	126	123	75
1950	56	46	61
1951	112	63	57
1952	167	77	93
1953	151	93	66
1954	184	191	218
1955	132	116	89
1956	263	309	277
1957	263	519	598

Source : S. Ahmad : " The Extent of Industrial Unrest
in Pakistan - A Decade in Retrospect".
"Pakistan Labour Gazette", volVI,no.4,
October-December,1958,p.444

A DECADE OF INDUSTRIAL DISPUTES IN PAKISTAN, 1948-1957

Chart No.1



Work stoppages —

Workers involved .. - - -

Man-days lost - - - - -

The average man-days lost per worker in Pakistan on account of work stoppages will hardly come to one day per annum. The average loss due to work stopages in other countries of the world rarely exceeds one day per worker per year. (33) For example, in India, during the period 1947 to 1954, the man-days lost per thousand persons employed in Mining Manufacturing, Construction and Transport ranged between 550 in 1952 and 330 in 1947. The time loss per thousand persons employed during the same period and in the same industries ranged between 100 and 190 man-days in the United Kingdom and 850 and 2,290 in the United States. This is not surprising in a free enterprise economy.

During most of the years under review the work stoppages relating to the wages issue such as demand for higher wages, resistance to wage decreases and delayed payment of wages constituted about 50 per cent of the total. (34) Demands relating to " Personnel" were the next important reason for stoppages of work. " Personnel" causes may comprise protests against dismissal on disciplinary grounds, on account of trade union activities, retrenchment methods, behaviour of the management and lay-offs by employers on the pretext of reduced incomes.

(33) International Labour Review, I.L.O. July 1955, p.87

(34) S.Ahmad, op.cit.p.449

During the period 1948-57, personnel causes accounted for nearly 32 % of the total work stoppages. The majority of the remaining 18% of work stoppages was due to miscellaneous causes such as union recognition, medical facilities, supply of uniforms, provident fund, etc.

In conclusion, taking the period as a whole it can be observed that the majority of work stoppages occurred because of purely economic reasons. In a period of soaring prices, the rate of profits sharply rises and the level of wages lags behind. The possibility of industrial disputes for higher wages increases. Such a situation prevailed in Pakistan during the later half of the decade under review. The second most important factor leading to work stoppages was what has been loosely described as " personnel causes". This aspect of the work stoppage is mostly governed by the attitude of management and the way industrial management is organized in individual undertakings. It seems there is a lot of room for improvement of the attitude of management vis-à-vis their employees, thus improving the human-relations aspect in industrial relations.

Another important feature of the study of a decade of industrial disputes in Pakistan needs mention.

From what has been found out about the causes and nature of industrial disputes, it can be safely maintained that work stoppages had little to do with political factors.

The political aspect of work stoppages is an exogeneous factor as far as the workers are concerned. This does not mean that trade union leaders are inactive in national political life. It simply means that they are not causing industrial disputes for their personal political ambition - a commendable attitude indeed.

CONCLUSION :

The characteristics of a country's labour problems are determined by its political, economic, social and cultural set-up. Labour problems are complex. They have psychological, political, sociological and economic aspects. One of the most important causes of labour conflicts, throughout the history, has been the wage issue. This arises because, among other things, the employer and his employees jointly produce a product for sale. And each wants as much of the proceeds as he can get. Labour problems exist, as we have seen, because man is not only the end but also a means of production. Out of his dual capacity arises a conflict between his activities as a producer and his interest as a man.

In the preceding chapter on the labour market, it may be recalled, we have seen that the defect in hiring practices, the indifference of employers towards the welfare of the workers, chronic underemployment and unemployment, low wages and low productivity all constitute serious labour problems in Pakistan. In this chapter we have observed additional labour problems hindering the rapid industrial growth of Pakistan. They are workers' connection with the land, high rate of absenteeism, high labour turnover. The rural background and illiteracy of workers pose complex labour problems. Modern industrialization in Pakistan has not yet created for

itself a stable industrial proletariat. The commitment of the industrial labour is yet lacking. We have suggested that trade unions, management, political entrepreneurs, efficient labour market, adequate housing, education and the communications media all can contribute greatly to assist the labour force to commit itself to the industrial way of life.

Pakistan is in the throes of the transition from a primarily agricultural to modern industrial state. The process of economic transformation cannot be smooth, as it did not in societies that have achieved industrial supremacy. The labour problems that plague Pakistan though formidable are not new. In contrast to the laissez-faire policy of the governments in the Western countries in their early stage of industrialization, the governments in today's emerging nations play an active role both in industrial development and in industrial relations. We may now proceed to examine the role of the government of Pakistan in labour relations.

Chapter VI

THE ROLE OF GOVERNMENT IN LABOUR RELATIONS.

The pattern of labour-management relations in Pakistan has increasingly been determined by government. Difficulties in developing a committed industrial labour force, rivalries and weakness of the trade union movement in Pakistan, the failures of a majority of employers to deal fairly with workers or with trade unions, and the urgent need for rapid industrialization have all encouraged government intervention in order to contain, channel and redirect incipient and actual labour protest.

In this chapter we shall be concerned primarily with the process of government intervention in industrial relations. To this end, we shall first trace briefly the development of government intervention in British India. An analysis will then be made of present government labour policy in Pakistan, with emphasis on and an appreciation of disputes settlement techniques.

ROLE OF GOVERNMENT IN BRITISH INDIA.

The earliest legislation in India was not actually a labour legislation but a legislation expressive of a foreign government's concern with the maintenance of order and security. In this category belonged the Workmen's Breach

of Contract Act of 1859 and the Employers' and Workmen's Dispute Act of 1860.(1) The first comprehensive regulation of adult male labour was the Factory Act of 1911, limiting the working day in textile factories to twelve hours. Further progress was suspended until after the First World War, when labour legislation in India received fresh impetus due to various economic and political pressures.

Government's labour policy during the period of 1919 to 1940 was that of a passive regulator of labour in industry. All legislative and government intervention was designed essentially to achieve two aims : 1) to ensure labour the minimum of protective legislation against the more violent abuses of the industrial environment; and 2) to ensure that labour-management frictions did not overtly disturb the peace and security of the state.

During the Second World War, the Government of India, by a series of regulations promulgated under the Defence Act, was empowered to prohibit strikes or lock-outs, and to alter working and employment conditions and wages paid to workers. Thus, even before the Indian independence in 1947, the government was gradually adopting an increasingly active role in industrial relations.

(1) See for example:

R.K. Das : History of Indian Labour Legislation, Calcutta 1941.

A.C. Chatterjee : "Federalism and Labour-Legislation in India", International Labour Review, January-June 1944.

P.S. Narasimhan : "Labour Reforms in Contemporary India", "Pacific Affairs", March 1953.

Independence hastened the process, and so radically altered the tone and content of government policy as to usher in a new phase in the development of industrial relations in India and Pakistan. During the war years, compulsory adjudication marked the beginning of the direct government intervention in industrial relations in India. The post-war years saw an unprecedented wave of acute industrial unrest, which was partly due to a mass-awakening and the release of pent-up emotions latent during the war, and partly as^a sequel to high expectations generated by the promise of freedom. Economic conditions were going from bad to worse. Industrial production dropped to alarmingly low levels during 1946-47 period. It was at this time the Industrial Dispute Act of 1947 was passed by the government of India, to prevent further deterioration of industrial output and labour-management relations.

THE ROLE OF GOVERNMENT IN PAKISTAN.

When India was partitioned, Pakistan automatically adopted the entire labour legislation of British India. Some of this labour legislation was in urgent need of revision. For eight long years, however, successive civilian governments largely ignored the field of industrial relations and no

revisions were made.(2) Not until August 1955 was there any formal policy statement on government labour policy. Belated though it was, this policy contained an ambitious list of specific objectives to promote industrial peace in the country. Unfortunately, most of these objectives were never acted upon.

It remained for the Martial Law Government of Ayub Khan to enact many of the labour welfare provisions which had remained only as statements of purpose with earlier regimes. His government has reflected the desire for order which is common to the soldier and bureaucrat. But because of its power and the lack of legislative restraint, the government managed to enact many labour welfare measures. At the same time the government has hedged these welfare measures sufficiently to prevent the disruption of economic growth.(3)

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- (2) M. Shafi illustrates this procrastination of the governments :

" Revision of the Payment of Wages Act was being 'finalised in the light of the discussion'. Final amendment of the Trade Unions Act was yet to be prepared after the discussions'. Legislation on minimum wages was 'under consideration'. A Bill on Workmen's State Insurance was 'being drafted by an I.L.O expert'. Central Legislation for shops and commercial establishments was 'under examination in consultation with Provincial Governments'."

M. Shafi : Labour Policy of Pakistan Government, Bureau of Labour Publications, Karachi, 1960, p.18

- (3) When the military regime overthrew the inefficient and corrupted civilian government in October 1958, it did not quite know how to handle industrial problems. It adopted the easy way out. It issued decree (Martial Law Regulation, no.29) banning all strikes and lockouts, and any violation of the martial law was punishable by imprisonment. However, as the regime consolidated its own position in the country, it adopted more liberal policy. Once it was able to acquaint itself with the problems of labour relations in Pakistan, the regime issued progressive labour policy.

LABOUR POLICY :

On February 28, 1959, a revised labour policy was announced which reasserted the importance of economic development, industrial peace and healthy trade unions. It promised speedy action to establish industrial courts for arbitration of industrial disputes, compulsory recognition of trade unions, a broader social insurance system, a more effective system of welfare officers in factories, and adequate housing for industrial workers. Most of these promises have been implemented. Before we analyze some of the important aspects of the policy, it may be of interest to note the broad principles of the revised labour policy :

- 1.- The Policy of the Government of Pakistan in the field of labour shall be based on I.L.O Conventions and Recommendations ratified by Pakistan.
- 2.- The growth of healthy trade unionism is essential for a stable social structure, wherein there will be industrial and social peace, with greater production and equitable distribution of wealth.
- 3.- A sound and healthy relationship between the employers and employees is a pre-requisite for the increased productivity.
- 4.- Industrial peace is essential for economic progress. Agitations and tensions in industrial and commercial undertakings and other fields of human endeavour should be discouraged. The settlement of disputes between management and labour should be secured through constitutional means, such as Joint Consultation, Voluntary Arbitration, Conciliation, Mediation and Adjudication.

- 5.- Simultaneously with the stepping up of production, suitable measures should be adopted for providing social amenities to workers of all categories, calculated to meet, as far as possible, their requirements of health, education, recreation, housing, wages and similar other needs in relation to their work.
- 6.- Suitable measures should be adopted for reducing unemployment in the country.
- 7.- The state will continue to maintain employment agencies and work on a programme of employment information.
- 8.- The Government would give due importance to research and collection of statistics concerning working and living conditions of the workers, and also encourage employers and employees to do the same.
- 9.- The Government would take suitable steps to ensure proper employment of seamen in the country and abroad. It will also take steps to ensure their regularity of employment, fair wages and social amenities.
- 10.- Social welfare is not the responsibility of the State alone. Private industries and organizations should also pool their resources in a co-operative manner to provide for social welfare on commercial, industrial and other private establishments in order to raise adequate funds to organize welfare measures for the employees.
- 11.- The Government of Pakistan will welcome scientific and technical assistance in the fields of labour and employment from friendly countries.(4)

The above eleven principles contained in the preamble constitute the objectives of the labour policy. However, these principles are not binding for all times and the government of Pakistan has reserved the right to amend or to alter them. Nor is it binding on authorities to implement them within any specified time.

(4) Pakistan Year Book, 1958-59, pp.82-83.

The first principle is that the labour policy of the government shall be based on I.L.O Conventions and Recommendations ratified by Pakistan. Pakistan has ratified 27 out of 115 Conventions adopted so far by I.L.O. and their provisions have been incorporated in the labour legislations of the country. On ratification the provisions of a convention become binding on a member-nation which undertakes international commitment to abide by it. The policy cannot be based on a ratified Convention but the ratification is based on the policy. It may be noted that a member-nation can repudiate any convention it has ratified on giving due notice to the International Labour Office.

The second principle is very important, for it states that the growth of a healthy trade unionism is essential for industrial peace and greater production. In the words of Lt.General W.A.Burki (then Labour Minister) at the 99-nation International Labour Conference at Geneva in 1961:

" The labour policy (of the Government of Pakistan) recognises that industrial peace is essential for economic and social progress and that the healthy growth of Trade Unionism is necessary for the formation of a stable industrial structure wherein there will be industrial peace ensuring greater production and equitable distribution of wealth. It provides for the development of a healthy labour movement and ensures that the workers are not exploited by outsiders for their personal or political ends. It lays down that suitable steps should be taken to promote joint consultation, collective bargaining and expeditious settlement of disputes." (5)

(5) "Pakistan News Digest", vol.9, no.113, July I, 1961, p.6

What precise meanings are to be attached to the phrase "healthy" trade unionism is debatable. Some believe that ^a docile and submissive trade union movement is "healthy"; this kind of trade unions exists in the Soviet Union where the trade union is an instrument of the State. Others think that a strong, militant and assertive labour movement, such as is found in North America and Western Europe, is healthy. However, the statement of General Burki and the Preamble refer to collective bargaining. This is important, for it clearly indicates what constitutes a "healthy" labour movement. This assertion is reinforced by the fact that Pakistan has ratified the I.L.O Convention No.98 concerning the right of labour to organize and bargain collectively.(6)

Another point in the labour policy of Pakistan - one for which the military regime deserves praise - was the amendment of the outdated Trade Unions Act of 1926 enacted in the colonial era. The new Act, known as Trade Unions (Amendment) Ordinance, 1960, provides, as we have seen in chapter 1, for compulsory recognition of trade unions by employers. The trade union, having the support of the majority of the workers in an establishment and a membership of at least 10 per cent of total numbers in that establishment should be recognized.

(6) The precise wordings of the clause are as follows :

" The employers and workers should negotiate with each other the terms and conditions of employment and conclude collective agreements in fulfilling the commitment made by Government in ratifying the I.L.O Convention (no.98) concerning the Right to Organize and to Bargain Collectively".

Article 4 of the I.L.O Convention no.98 reads as follows :

" Measures appropriate to national conditions shall be taken, where necessary, to encourage and promote the full development and utilization of machinery for voluntary negotiation between employers or employers' organizations and workers' organizations, with a view to the regulation of terms and conditions of employment by means of collective agreements".

This Ordinance has eliminated one of the universal causes of industrial disputes, the union recognition issue.(7)

If the employer fails to comply with these provisions of the law the trade union thus aggrieved can approach the Labour Court for the redress of its grievance. The Labour Court in Pakistan in this respect acts like a Labour Relations Board in Canada for the purpose of certification. If there is more than one union in any establishment claiming recognition, it will be for the Labour Court to decide which of the two is representative of the workers. Union leaders in Pakistan have hailed the provision of compulsory recognition as the "Magna Charta" of Labour.

The Trade Union Ordinance of 1960 is, to some extent, comparable with the National Labour Relations Act (Popularly known as the Wagner Act) of the United States. The Wagner Act, passed in 1935, laid the foundation for a national labour policy that was at once a wage policy and a policy governing labour relations. It guaranteed the workers' right to organize and bargain collectively; it set up the National Labour Relations Board to certify unions as bargaining agents after employee elections, and it defined as unfair labour practices such acts as firing workers for union activity.

The Labour-Management Relation Act of the United States (frequently referred to as the Taft-Hartley Act) concerning

(7) A recognized trade union is entitled to negotiate with the employers on matter of employment, and terms and conditions of work for all members of the union either by correspondence or by personal, direct negotiation.

unfair labour practices also influenced the labour legislation in Pakistan. Unfair labour practices by the employer recognized by law in Pakistan are : 1) interference with restraint, or coercion of workers in their right to form and join labour organizations; 2) interference with or support of a union; 3) victimization, discrimination against, or dismissal of a union officer because of his union responsibilities; 4) discrimination against a worker giving evidence under the ordinance. Unfair labour practices on the part of unions are : 1) engaging in irregular or illegal strikes, instigation to such strikes, and failure to take action against members who engage in such activities; 2) coercion of a worker to join a union against his will; 3) causing an untruth to be told in any report required of the union under the ordinance.(8)

DISPUTES SETTLEMENT TECHNIQUES IN PAKISTAN.

In the preceding section we have seen that the Government of British India played a passive role in labour-management relations. It was only during the Second World War that the Government changed its "hands-off" policy and gradually intervened in the domain of industrial relations. In 1947, however, the Industrial Disputes Act was passed, and in the same year along with partition, Pakistan inherited it. This principal

(8) Willis D. Weatherford, Jr.: "Pakistan" in Labor in Developing Economies, Walter Galenson, ed. University of California Press, Berkeley, 1962, p.66

piece of legislation was the instrument of government intervention in industrial disputes in Pakistan, until 1959.

In 1959, a new Industrial Disputes Ordinance was promulgated by the martial law regime. It was subsequently modified in 1960. The new Ordinance repealed the Industrial Disputes Act (India) of 1947 but reinstated in modified form some of its provisions including those concerned with conciliation. It may be mentioned here that the martial law regime incorporated in the Ordinance some of the important the recommendations made by I.L.O Survey Mission of 1953.(9)

This ordinance provides a land mark in the history of labour relations in Pakistan.(10) It provides for three agencies for the settlement of industrial disputes in the country :

- 1) Works Committees comprising representatives of employers and employees are to function in all industrial establishments employing 50 or more persons. The purpose of the Works Committee is to promote measures for securing and maintaining good labour-management relations.
 - 11) Conciliation Officers are to hold conciliation proceedings whenever an industrial dispute is apprehended or has actually arisen.
 - 111) Industrial Courts are set up for adjudication of disputes referred to them. An Industrial Court is to consist of a Chairman and two members, one representing the workers and the other the management. The Chairman shall be a person who is or has been a Judge of a High Court or a District Judge.
- (9) One of the five members of the I.L.O Mission to Pakistan was the Hon. Mr. Justice Arthur Tyndall, Judge, Court of Arbitration, New Zealand. His name is singled out because some experience in labour relations in New Zealand is reflected in the Mission's recommendations.
- (10) Labour Code of Pakistan, Bureau of Labour Publications, 1960 Karachi, pp.232-288 - Our analysis of the techniques of the settlement of industrial disputes in Pakistan are based on the final form of the Industrial Disputes Ordinance as reproduced in this Labour Code.

ROLE OF CONCILIATION.

Conciliation service in Pakistan is provided by the government for the direct and immediate benefit of both employees and management. The government may, by notification in the official Gazette, appoint conciliation officers for mediating and promoting settlement of industrial disputes. A Conciliation officer may be appointed on a permanent or ad hoc basis.

The conciliation machinery may start functioning when one or both parties to the dispute appeal to the government for a conciliation service. However, the government may step into the industrial dispute on its own initiative if it considers such action is in the public interest.

Where any industrial dispute exists or is apprehended, the conciliation officer, for the purpose of bringing about a settlement of the dispute "without delay", is empowered to investigate the causes of dispute and endeavour to induce the parties to reach a "fair and amicable settlement of the dispute". If the conciliation officer succeeds in settling the dispute, he submits a report to the government together with a memorandum of the settlement signed by the parties to the dispute.

If, on the other hand, no settlement is reached, the conciliation officer will issue a certificate to this effect to the parties within 14 days, in the case of a public utility service, and within 28 days, in other cases, counting from

the date of the commencement of conciliation proceedings. This period may be extended by mutual consent of the parties to the dispute. When a certificate of no settlement has been issued to a party, it may apply to an Industrial Court for adjudication of the dispute.

Furthermore, it is obligatory on the part of the conciliation officer to specify in the certificate (in the case of "no-settlement") all the points of dispute between parties. He may, where he so considers necessary, also give his own views thereon.

INDUSTRIAL COURT.

The next stage is compulsory arbitration by the Industrial Court. Either party to the dispute may apply to it for adjudication after he has received a "certificate" from the conciliation officer. The Industrial Court, for the purpose of adjudicating and settling any industrial dispute, is deemed to be a Civil Court and conducts its hearings according to the Code of Civil Procedure. It can summon any person to appear before the Court and can order the production of any document considered necessary for adjudication purposes. A copy of every order passed by the Court is sent to the government " which shall arrange for its enforcement". All questions arising for decisions at any

sitting of the Court shall be decided by the Chairman in consultation with the members of the Court, but the advice of the members on any such matter is not binding on the Chairman. The proceedings before the Court shall be held in public. If necessary the Chairman may hold it in "Camera". Lawyers are banned from participating in the proceedings either on behalf of management or workers' organizations.

The decisions and awards of the Court shall be given in writing signed by the Chairman and shall be immediately forwarded to the Government. It will be published in the Official Gazette within one month from its receipt. The decision of the Court is considered to have been given on the date on which it was communicated to the parties. The Court may indicate on its award the time within which the award shall be implemented. If it is not implemented within the specified date, this will constitute a breach of the award. The party committing such a breach is punishable under the law.

It is important to note that the awards of the Industrial Court are final and cannot be questioned in any manner by or before any judicial or other authority including the High Court and the Supreme Court of Pakistan. The awards become binding only when published in the Official Gazette, and not otherwise. However, if the Government is a party to the dispute, it may not publish the award of the Court in the

Official Gazette if it considers inexpedient on public grounds to give effect to the whole or any part of the award. In such cases the award shall be placed before the legislature which may confirm, modify or reject the award and the decision of the legislature in this particular case is final.

PROHIBITION OF STRIKES AND LOCK-OUTS.

Public Utility Services:

The strike or lock-out in a public utility service is not prohibited. But a legal strike in a public utility service seems to be well-nigh impossible. The law requires a six-week notice for any strike or lock-out in this case. As soon as a strike or lock-out notice is received by a conciliation officer, conciliation proceedings are automatically deemed to have commenced; thereby rendering any strike or lock-out illegal. (Any strike is prohibited during the pendency of any conciliation and arbitration proceedings). Moreover, a conciliation officer may step in if a strike or lock-out is apprehended.

If conciliation proceedings end in failure resulting in the issuance of a certificate, a party cannot resort to strike or lock-out before applying to the Industrial Court for adjudication. Once such application is made, there starts another round of prohibition of strikes or lock-outs during adjudication proceedings. As mentioned earlier, the award of the Court is binding and cannot be appealed even in the

Supreme Court of the Country. The net result of various sections and the scheme of the Industrial Disputes Ordinance is to make it almost impossible for a legal strike or lock-out to take place in public utility services.

General Industrial Establishments :

Work stoppages in any general industrial establishment arising out of industrial disputes is not banned.(11)

However, the law prohibits strikes and lock-outs during the following periods :

- a) during the pendency of a conciliation proceeding before a conciliation officer and seven days after the conclusion of such proceedings;
- b) during the pendency of proceedings before a Court; or
- c) during any period in which a settlement or award is in operation, in respect of any of the matters covered by the settlement or award.

It may be noted that strikes or lock-outs in respect of matters not covered by a settlement or award will not be illegal. But there are no similar words in clauses (a) and (b) which cover all strikes and lock-outs on any grounds whatsoever. There is nothing in these two clauses from which the Court can infer that a strike or lock-out is permissible where the subject-matter of the dispute is different from that of the dispute pending before a conciliation officer or a Court. The object of the clauses (a) and (b) is probably to ensure a calm atmosphere during the conciliation and adjudication period.

(11) Article 19 of the Industrial Disputes Ordinance.

The Industrial Court may, by order, prohibit the continuance of the strike or lock-out if it is already in progress at the time of application to the Court for adjudication (Article 20). The violation of the ruling of the Court makes the strike or lock-out illegal. Also the contravention of the Articles 18 and 19 (we have discussed above) amounts to an illegal strike or lock-out, as the case may be. Persons responsible for an illegal strike or lock-out are liable to six months imprisonment or a fine, or both. (12)

The law expressly prohibits any financial aid in furtherance or support of any illegal strike or lock-out. Any violation of this law is a criminal offence. (13) Any person who incites or instigates others to take part in or otherwise acts in furtherance of an illegal strike or lock-out commits an offence under the Ordinance. The maximum penalty for such offences is six months imprisonment or a fine not exceeding one thousand rupees, or both. (14)

We have already seen what constitutes an illegal strike and the severe punishment for illegal strikers and for those who instigate strikes and those who financially or otherwise support them.

For a government with so much arbitrary powers reserved to itself, it may not be too difficult to find an excuse to declare a strike illegal. To do this, the Government does not necessarily have to rely on grounds covered

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- (12) One hundred rupees (\$25. approximately) for a workman committing illegal strike (Art.23); One thousand rupees for any employer committing illegal lock-out and one hundred rupees daily for the duration of the illegal lockout
 (13) Art. 25 of the Industrial Disputes Ordinance.
 (14) Art. 24 of the above Ordinance.

under the Industrial Disputes Ordinance. It may go beyond them. Either through the official decree or the Industrial Court, the Government may declare an existing strike illegal and direct the workers to return to their jobs.

APPRAISAL OF CONCILIATION PROCESS IN PAKISTAN .

The Industrial Court, particularly its chairman, has been given sweeping powers. As has been stated before, the decisions or awards of the Court are final and binding, and cannot be questioned even in or by the highest judicial authority in the country, the Supreme Court of Pakistan. Since the Chairman - a High Court Judge - may tend to be guided more by the legal niceties than the complex human relations involved in industrial disputes, it may be advisable to enlarge the personnel of the Industrial Court in order to minimize human failings. The matters that sometimes come before the Court may have far reaching effects on the economy and the society as a whole. The Government of Pakistan in this instance may follow the Swedish example. The Labour Court in Sweden is composed of seven members appointed by the Crown. Two each are nominated by management and labour, and three, including the Chairman, by the Government. The Chairman and vice-chairman must have legal training and judicial experience, and the third public member must be a recognized expert in labour relations. Members or their alternates usually disqualify themselves in cases where they

have a direct business or trade union interest.

Another point to be noted in this connection in Pakistan is that the Ordinance simply states that the Industrial Court shall adjudicate industrial disputes. But no guiding principles have been enunciated on which the Court is to base its adjudication. This leaves the Court to use its own discretion in deciding each case, having regard to fairness and social justice. The concepts like 'social justice', 'fairness' and 'just' are relative. Every individual may have his own ideas as to what constitutes 'social justice' and so on. The Court with its enormous authority will impose its verdict on an industrial dispute. In the final analysis, the Court means its Chairman; whether a judge, untrained in the complex problems of labour relations, can always deliver a just award is debatable.

The conciliation officer, too, has been given immense authority. He can intervene in any industrial dispute not only when a strike or lock-out has begun but also when such a situation is apprehended. It will be recalled that in the case of failure of conciliation, the conciliation officer will issue a 'certificate' of non-settlement to the parties concerned. (And the next step is for the Industrial Court). It is obligatory on the part of the conciliation officer to specify in the certificate all the points of dispute between

the parties. He is also authorized to give his own views in the certificate. There is no remedy for any party aggrieved by his views expressed in the certificate. Another important feature demonstrates the degree of arbitrary and discretionary power reserved by the Government, which is the biggest employer in the country not only because of its growing civil service personnel but also because of its growing and direct role in the industrialization of the country. If the conciliation proceedings have ended in failure and if the Government is a party to the dispute, it can bar a union from petitioning to the Industrial Court for adjudication by publishing an order in the Official Gazette, within twenty-one days of the issue of the certificate declaring, that the dispute in question is "frivolous or vexatious or reference of such dispute or matter to the Court is inexpedient on public grounds".

The new Ordinance assures that more disputes will go to the compulsory arbitration stage. The reason for this was to give government a greater influence over the settlement and to speed decisions. The result is guided industrial relations in a guided economy under the political system of the "Guided Democracy". It was hoped that guidance would stimulate higher production.

The Industrial Court and the Conciliation Service represent the State's chief participation regulating the labour market. Theoretically, there are only two parties to conciliation and arbitration proceedings but in fact the Government is present as a third party in the person of the conciliator or the judge. The government, through its officials, exercises its enormous authority. These officers frequently warn the parties that some possible settlement would not be in the best interest of economic progress in the country, and thus discourage them. The net result is that tripartite bargaining has replaced the usual collective bargaining; labour deals with management through government.

To sum up, it is undeniable that the Industrial Ordinance in Pakistan robs the primary parties of some of their freedom in the Western-styled collective bargaining. Government restraints will, in all probability, continue to limit genuinely free collective bargaining for some time to come. "What is important now, however, is the establishment of orderly processes by which grievances and disputes can be settled, and the form that this takes matters less than the substance." (15) Pakistan's industrial relations policy is geared to increasing economic development.

(15) Bruce H. Millen, The Political Role of Labor in Developing Countries, The Brookings Institution, Washington, D.C. 1963, p.123.

The Government, through conciliators and arbitrators, has kept in mind the urgency and requirements of rapid industrial development, and this has had a strong influence on the type of labour agreements which they encourage. During the transition period, some checks introduced by the government seem unavoidable. In the long-run, the gains to be derived from political stability and economic development would seem to hold out the greatest hope for an increase in the standard of living of the people of Pakistan.

Chapter VII

SUMMARY AND CONCLUSION.

Pakistan is a new nation : underdeveloped, over-populated and agrarian. It suffers from acute shortage of the capital, entrepreneurship, skilled manpower, advanced technology, and natural resources all of which are so vital for the industrial development of a nation. In fact, the industrialization process itself is new, having started a little over a decade ago.

We set out to investigate the nature and magnitude of labour problems encountered in this type of society in the midst of transformation from a traditional to an industrial way of life. To this end, we have examined the development of trade unions, problems and progress in industrialization itself, the characteristics, components and occupational distribution of the labour force, the various aspects of the labour market (such as hiring practices, employment situation, wages and productivity), and the causes of labour problems and unrest, and finally the role of the Government in labour relations in Pakistan.

As we have seen, industrial workers comprise a small minority of the total labour force in Pakistan. In spite of its relatively small size, the industrial labour force

is growing in number and in importance with the industrial expansion. Because of their concentration in a few urban centres and their control over some of the vital sectors of the economy, industrial workers are receiving increasing attention of the Government and the public alike.

Only a small segment of the industrial work force has been so far unionized. The percentage of such workers gaining benefits from collective bargaining is still smaller. In other words, the development of trade unions has failed to keep pace with the rapid industrial expansion. In this respect organized labour has failed to assist workers when they needed it most.

The majority of unions are relatively weak in terms of a stable, dues paying membership. Because of their financial weakness, the unions cannot extend welfare benefits, they have no strike-funds, and cannot maintain full-time officials. Workers tend to be indifferent to unions because they feel they receive little help from them. Moreover, rivalries among unions, organizational weakness, widespread illiteracy, the uncommitted character of a large number of workers, and the hostile attitude of employers, have all hindered the growth of a vigorous trade union movement in the country. Since they have failed so far to become an effective instrument to assist workers, unions frequently

have to rely on the support of the Government and public opinion in order to deal with employers.

Industrial development, as discussed in chapter V, is hindered, in Pakistan, by the fact that modern industrialization has not yet created for itself a stable industrial proletariat in the country. A large segment of workers, mostly those recruited from villages, consider industrial work as supplementary to agrarian pursuits. Even those who have already been in industry for several years still yearn to return to the village. In short, many workers in Pakistan are what may be termed semi-proletarians, dividing their time between factory and farm. Their rural background, their illiteracy, their close attachment to the village and their difficulties in adjusting to the industrial way of life largely explain the high rate of absenteeism, high turnover and low performance of workers.

Commitment of the labour force is vital because it entails the permanent acceptance of industrial employment and the acclimatization of the work force at all levels to factory conditions, urban living, formalized rule-making procedures and other demands inherent in industrial order. Some Pakistani workers experience such great difficulties in adjusting to this new way of life that they are anxious to quit at the earliest opportunity. The most important sources of difficulty are mainly in areas of working conditions, food, housing, sanitation, the impersonal character of urban living and treatment by supervisors. If Pakistan desires to accele-

rate her industrial development and to transform her surplus agricultural labourers into efficient industrial workers, she will have to solve this crucial problem of labour commitment.

Pakistani employers are, in general, largely indifferent to their workers' welfare. The writer witnessed this when he worked in the industrial city of Chittagong. In contrast to the native employers, foreign (Western) employers not only pay relatively higher wages but often also provide more welfare amenities. In industries where management has provided their workers with housing, medical and other facilities, labour turnover and absenteeism have sharply declined, and the quality of performance has improved. This amply demonstrates that, given necessary incentives, workers, in spite of their background, can become an efficient and stable industrial proletariat. In industries in which management fails to do so, the Government should make provision, perhaps through the imposition of a welfare tax on these industries. In fact provision for this is contained in the Government's labour policy declared in 1959.

In addition to material benefits, much remains to be done in the field of human relations. The employer-employees relationship should be such that work helps employees to achieve some of their aspirations as individual human beings. Mutual respect is one of the vital ingredients of industrial

peace. Unfortunately, too often management in Pakistan is authoritarian and mistreats workers. It should be obvious that a favourable and healthy atmosphere is conducive to increasing output. The quality of management and supervision has to be improved for higher and more efficient production.

Most of the Pakistani employers, like the workers, are first-generation participants in industrial activity, having been previously engaged in commercial ventures. As a result, the new industrial elite tends to adopt a short-term view of their employees. For example, because of a redundant supply of labour in the country, the employers' policy is to pay no more for labour than is needed to command a numerically adequate supply. The temptation of the employer to take advantage of the supply price is overwhelming, whatever his short-run and long-run competitive position. In spite of their years of service, workers demanding higher wages may be fired and replaced with new recruits at a lower wage. Management in these instances tends to overlook the importance of experience and skill acquired on the job. But they should obviously consider not only the wage rate but also labour costs- which depend on labour efficiency as well. They must learn that low-wage labour is not necessarily cheap. In his preface to the Wealth of Nations, Adam Smith wrote : "the wealth of a nation is the annual product of its labour". He was concerned

then with what makes labour productive - that is the wealth of the nation.

The rate of industrial growth has not, so far, been fast enough to absorb the rising population. Mass unemployment and underemployment are found both in rural and urban areas. How to reduce the surplus labour supply, how to cope with unemployed masses is a very serious labour problem. If held on the land, disguised unemployment mounts; if held outside the factories in crowded urban areas, the unemployed tend to become a source of social tension and an instrument of political agitation. These are agonizing dilemmas facing an overpopulated country with limited material resources.

The most effective remedy against growing unemployment in Pakistan lies in the acceleration of industrial development. The speed of industrial development, however, will be governed by the supply of entrepreneurship, capital, industrial skills, and the gradual transformation of the labour force. The basic aim of the economic policy of Pakistan, therefore, ought to be to expand the supply of the necessary factors of production and also to assist in the conditioning and development of a truly industrial atmosphere. A lag in the supply of any one factor will retard the whole process.

The rate of industrial growth is not likely to be fast enough for a long time to absorb all the rural and urban unemployed masses. Any tangible success of birth-control being ruled out, a short-run "solution" is to keep the surplus

agricultural labour in the rural areas.

Measures may be taken to ensure effective utilization of surplus labour in rural areas. A considerable volume of employment opportunities can be created in labour-intensive public works programmes such as irrigation, drainage, and road construction. (1) In addition, the Government should take steps to develop new rural industries and expand the existing ones.

There are about 21 million acres of cultivable waste land in West Pakistan. This vast land could be put to use by proper irrigation technique. Such vast public works programme will create a large volume of employment. Since West Pakistan is relatively more developed than East Pakistan, it is relatively underpopulated, a large number of surplus agricultural workers could be brought over to West Pakistan to settle on the newly reclaimed land. Such a project would relieve the population pressure in East Pakistan, and at the same time could contribute to national unity.

As has been repeatedly emphasized, most of the labour problems that plague Pakistan may be traced to a single

(1) In 1961-62, a pilot works programme was instituted in the Comila District in East Pakistan. The programme provided 45,000 man-days of employment for unskilled labour and substantial amount of works for masons, carpenters and others. On the basis of the pilot works programme, the Government launched a province-wide experimental programme the following year. This project provided two million man-months of works. The infusion of purchasing power had a visible impact on the total economy and is estimated to have created an additional million man-months of indirect employment.

phenomenon - her economic backwardness. The obvious suggestion for their solution, therefore, would be a rapid economic growth. Economic growth, among other things, is the result of human effort. " Men will not make effort unless the fruit of that effort is assured to themselves.."(2) How much of the fruit of the efforts of industrial workers should go to them is a dilemma of the developing nations. Should the workers and their trade unions be concerned mainly in getting a bigger slice of the cake for themselves, or is it enough that they ensure that the cake itself grows bigger ?

Pakistan is heavily committed to a programme of economic development, more specifically to a policy of rapid industrialization : to raise the standard of living of her people. Government leaders and economic planners have a vested interest in the smooth realization of the targets set in the economic plan. Effective unions, if left to pursue short-run interests of undue demand for wage increases, may retard the rate of industrial growth.

The workers in Pakistan live at a low subsistence level. Higher wages may have a favourable effect on the workers' productivity through a rise in the standard of living reflected in better physical efficiency. The circular relation

(2) W. Arthur Lewis : The Theory of Economic Growth, Allen and Unwin, 1955, p.57

between low wages and low productivity may be broken by training workers to increase their efficiency and rewarding them accordingly. The necessity for higher wages does not justify the pursuit of a wage policy on the part of the union, which may jeopardize the national economic growth at this critical time.

In a planned economy like Pakistan, faced with a desperate task of industrial development, the trade union wage policy should be consistent with, and co-ordinated with national economic planning. Labour's demand for wage increases loses much of its validity and long term justification if it is not related to increases in productivity. Essentially the problem is one of apportioning priorities between the distribution of a given level of income and a better distribution of the increased income.

From the preceding chapter on the role of the Government in labour relations, we have seen that the Government is vitally interested in labour problems because of their bearing on economic development and play an active role in order to contain, channel incipient and actual labour protests.

The policy of the Government of Pakistan is to encourage growth of collective bargaining and development

of a healthy and vigorous trade union movement, as witnessed by a number of steps taken for the effective implementation of the Government's labour policy. It has amended the Trade Union Act of 1926 by the Trade Unions (Amendment) Ordinance, 1960. Under the Ordinance it has been made obligatory for an employer to recognize a union as a bargaining agent if the union represents the majority of the workers in the establishment. If an employer fails to comply with the provision, the union can go to the Industrial Court for redress. The trade union leaders have hailed this Ordinance as "the Magna Charta" of the organized labour.

The Industrial Disputes Ordinance, it may be recalled, lays down a comprehensive mechanism for conciliation of industrial disputes. It also provides for the setting up of a Works Committee in establishments employing 50, or more, workers. The functions of these committees are to promote measures for securing and preserving amity between employers and workers. In essence, the Government policy has been to establish a political and economic structure which will encourage industrial and social peace and ensure greater protection.

The Government is likely to continue its active role in labour relations. Both labour and capital are social powers. It is the duty of the Government to preside over such conflicts to ensure that they do not threaten the overriding national objective - the rapid industrialization of Pakistan.

In spite of many measures adopted by the Government, the country is still beset by labour unrest. The early decades of industrialization present a paradox : while the society begins to grow richer, it simultaneously grows angrier. A rising working class and a rising capitalist class tend to be aggressive. The benefits of the increasing output are not spread evenly over all members of the community, but are confined mainly to those who more actively participate. Also the present wave of labour strife may, to a considerable degree, be a protest against the failure of Pakistan to industrialize at a pace acceptable to the rising aspirations of a growing population.

To sum up, labour problems grow out of, and in turn, influence many broader issues. The key to the solutions of labour problems in Pakistan lies in her rapid economic growth, more specifically in her rapid industrial development. The need for it is urgent even desperate if Pakistan is to survive and progress ultimately as a politically democratic and economically viable nation. Problems are many; resources are limited; the task is enormous. The process of transformation is never painless. This is a challenge to the people of Pakistan they cannot afford to ignore. What is needed is a total mobilization of all national resources : the mobilization one normally finds during a war-time emergency. In fact, Pakistan must now consider herself in just such an emergency in which poverty, disease, illiteracy and unemployment must ultimately be defeated by the combined forces of unions, workers, management, Government and political parties. In a war of this nature, those who feel the impact most are the men on the front line - labour. Their welfare, their aspirations, and their problems should not be neglected if the war is to be won.

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