

# Soccer Ball Production for Nike in Pakistan

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This paper looks at how Nike's soccer ball suppliers (previous and current) in Sialkot (Pakistan) fare in relation to the company's code of ethics. While minimum required working conditions are implemented, the criteria for social and environmental compliance are not met with. The multinational's decision to withdraw orders from the previous supplier ostensibly due to allegations of child labour and unauthorised subcontracting hit large sections of the workforce, especially rural, low-skilled and female workers. Is it fair for multinationals to cut and run in such cases or should they find a solution to save thousands of livelihoods?

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The sports equipment company Nike is one of the biggest concerns worldwide. In fiscal year 2006, Nike reported net revenues of \$ 15 billion, i.e., a tenth of Pakistan's total gross domestic product. It is ranked 158th in *Fortune's* global list of private corporations according to revenues [Nike 2007b]. It has received awards for responsible business conduct in the areas of environmental management, employee and community relations [Nike 2007b]. However, a wide array of civil society organisations do not rate the sportswear giant highly. The Oxfam-led NikeWatch campaign is the largest coalition of non-governmental organisations (NGOs) that crusade against poor labour standards in the factories, cottage industries, and home-based workshops of Nike's suppliers [Oxfam nd].

Apart from a few locations, Nike does not produce sports goods itself but outsources production of sportswear, footwear, and sports equipment to a global chain of manufacturers and their subcontractors. Whereas its own employees total approximately 30,000, the labour force in Nike's suppliers' factories is estimated to be more than 20 times larger than the company itself [Nike 2007b]. The spatial spread of production in "global value chains" with lead firms from industrialised countries that coordinate or govern the trade with nominally independent producers in developing countries has increased since the 1990s [Schmitz 2006]. In labour-intensive industries, such as in the textile and garment, as well as sports goods industries, the relationship between the lead firm and its suppliers may be characterised by a high degree of control of some operations in the chain [Schmitz 2006]. Therefore, in order to assess the lead company's performance, including social and environmental compliance, their suppliers have to be included in the analysis. Nike's code of ethics stipulates that "sales agents, consultants, representatives, independent contractors, external temporary workers and suppliers are expected to observe the same standards of conduct as Nike employees when conducting business with or for Nike" [Nike nd].

Pakistan does not loom large on Nike's supplier list. Currently, two firms supply the company with sportswear and sports equipment. However, Pakistan is the multinational's most important supplier of soccer balls. Seventy-one per cent of all soccer balls imported in the United States of America (USA) in the mid-1990s were produced in Pakistan [ILAB 2007]. Similarly, Pakistan is the European Union's main soccer ball supplier, although this position is contested by Chinese imports (Figure 1, p 58). The bulk of the balls are produced in and around the vicinity of Sialkot, a city of 3.5 million inhabitants, located in Pakistan's Punjab province close to the Indian border and the line of control that separates the India- and Pakistan-controlled parts of Kashmir. In the global

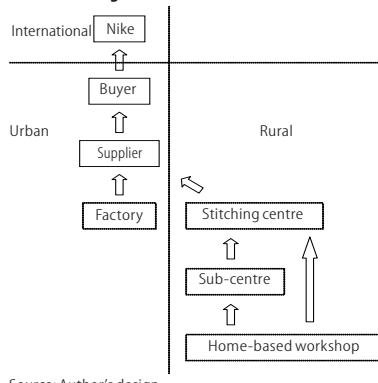
value chain for sports equipment manufacturing, the city of Sialkot is a famous name. It is estimated that about 80 per cent of the world's soccer balls are produced here by Nike and other sports brands [Montero 2006].

This report is based on a brief visit to Sialkot in September 2007. Interviews were conducted with workers in Nike's former soccer ball supplier's stitching centres, the new contractor's management, as well as with staff members of the Pakistan Institute of Labour Education and Research (PILER). One former stitching centre as well as the new supplier's factory premises were visited. PILER conducts research on and training for dismissed workers of the former supplier. Besides notes from interviews and observations, available newspaper articles and internet resources were analysed. In the following sections, the report provides an overview of the findings regarding Nike's suppliers' compliance. Treatment of workers and communities as well as environmental management are focal topics. Their gender dimensions are highlighted as a crosscutting concern. The report concludes with recommendations for ensuring social and environmental compliance.

## 1 Employment Access

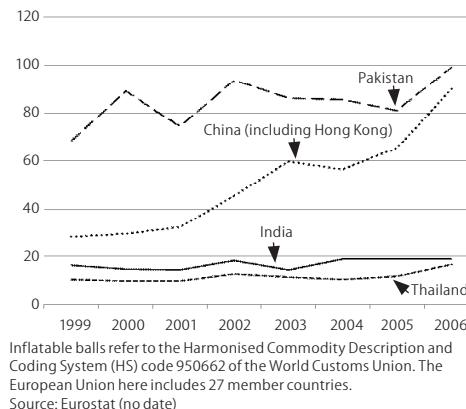
In 1996, Nike began purchasing soccer balls from the Sialkot-based sports equipment manufacturer Saga Sports. The company was one of the largest soccer ball producers in Pakistan [NEWS 2006]. Besides the Saga Sports factory in Sialkot, assembly took place in 13 stitching centres located up to 70 kms from the city. The majority of workers involved in soccer ball manufacturing for Nike worked in these centres (Figure 2 and Figure 4, p 61). Sub-centres belonged to some of them. Further, stitching took place in home-based workshops, albeit unofficially. The stitching centres that were established for soccer ball manufacturing for Nike were considered model facilities, amongst others because even those workers became direct employees of Saga Sports, and were offered a number of benefits similar to those employed in the company's factory and Saga Sports invested in local schooling [PRnewswire 1996].

**Figure 2: Spatial Organisation of Soccer Ball Manufacturing for Nike in Pakistan until March 2007**



Source: Author's design

**Figure 1: Inflatable Balls Imports to the European Union from Selected Countries (1999-2006, in million Euros)**



employment of child labourers were the main accusations raised against the supplier. Therefore, in November 2006, the multinational announced it would end ties with Saga Sports. The withdrawal of Nike from Saga Sports has meant unemployment for most of their 8,000 workers. Overall, an estimated 40,000 workers, three-fourths of them located in the villages surrounding Sialkot, are involved in soccer ball manufacturing in Pakistan [ILAB 2007]. The figures indicate the importance of employment in Nike's contracted supplier.

The contract with Saga Sports expired in March 2007 [Montero 2006]. Two months later, Nike announced it would resume soccer ball manufacturing in Sialkot through a new supplier, Silver Star Group. Production started in September 2007. At the time of writing this little can be said about the new suppliers' social and environmental compliance. The volume of the order from Silver Star is significantly lower than Saga Sports' production for Nike. Currently 850 workers are employed there, although the company has reported plans for expansion both within the factory and into renovated stitching centres.<sup>1</sup> During the interim period, orders were shifted to vendors of hand- and machine-stitched balls from China and Thailand [Nike 2006].<sup>2</sup>

Estimates regarding the share of former Saga Sports workers who found alternative employment in the factory of Nike's new supplier differ. Whereas Silver Star management claims that about two-thirds of all former Saga Sports workers have been recruited in their factory, observers assume 10 per cent to be realistic.<sup>3</sup> While Nike purchased from Saga Sports five times the volume of initial orders from Silver Star [Pakistan Times 2007], it is obvious that majority of dismissed workers have not been absorbed by the new soccer ball supplier. Information about their current employment status is not available.<sup>4</sup>

The availability of alternative employment opportunities appears to differ by region. In some regions, other soccer ball manufacturers have absorbed the surplus demand for soccer balls caused by Nike's withdrawal. Consequently, they have created jobs for stitchers. Other regions are characterised by a jump in unemployment as the rural labour market has no alternatives to offer. This is particularly the case for women who face a narrower choice in sectors and occupations considered appropriate for them. Besides, their greater mobility provides men with more employment opportunities in urban areas, in sectors such as trade and construction. Some workers and observers reported a drop in local piece rates per ball completed after Nike stopped orders from Saga Sports. This may be attributed to the greater competition of workers for available jobs and is indicative of their weak market power.

The significant reduction in the workforce manufacturing soccer balls for Nike has important spatial dimensions and associated implications for gender equality in access to employment. So far, Silver Star only produces in its factory located at the

periphery of Sialkot city. Gender norms prevalent in Pakistan constrain female mobility due to considerations of security and family honour and assign women the responsibility for domestic work. Even if transport costs are ignored, workplaces that are located far from their homesteads are consequently inaccessible for female workers. Besides the loss of much-needed rural employment through the centralisation of soccer ball stitching for Nike, this shift also implied a significant fall in job opportunities for women. About 80 per cent of the total female employment provided by Saga Sports and its sub-centres has been lost after the change of supplier.<sup>5</sup> The effort to effectively monitor and ensure social compliance in establishments dedicated to soccer ball production for Nike has thus ironically meant (even) less gender equality in recruitment, a stated principle of Nike's code of ethics [Nike nd].

**Box: Soccer Ball Stitching – Empowering or Inevitable?**

Sadia\*, a female stitcher, previously worked in Saga Sports sub-centre in Q.\* She found alternative employment in a home-based workshop for another export-oriented firm. There, she works jointly with about a dozen other workers, most of them young unmarried women like herself. The rate per completed ball is Pakistani rupees (PKR) 38, i.e. about 0.62 USD. She and her colleagues would commonly complete three balls per day as compared to four to six produced by their male colleagues. Asked why their daily output is lower than men's, they point to the domestic chores they have to perform in addition to the piecework. Sadia's family does not own any land, just a few water buffaloes. Most stitchers in this area are landless. Her brothers take care of the livestock, whereas her three sisters also stitch soccer balls. In her household, the daughters are thus the only providers of cash income. Besides this industry, employment for women is hard to find. One of Sadia's colleagues reports that she and her three sisters who also make soccer balls are the main income earners in the family. The young women are not excited about their working conditions: "We never wanted to take up this work". However, they are expected to support their parents financially. Their position in the household improves with the money they contribute, they earn more respect. After marriage, though, young women commonly stop this type of work. They hope that their husbands will then provide the cash income.

\*Name changed.

Source: Author's fieldnotes.

## 2 Compliance with Core Labour Standards

The core labour standards are a set of internationally recognised principles at work. They are enshrined in conventions of the International Labour Organisation (ILO) and encompass the effective abolition of child labour (ILO conventions 138 and 182), the elimination of discrimination in employment and occupation (ILO conventions 100 and 111), the elimination of all forms of forced or compulsory labour (ILO conventions 29 and 105), as well as the freedom of association and the effective recognition of the right to collective bargaining (ILO conventions 87 and 98). Apart from a clause related to discrimination, the Nike code of conduct includes most of these minimum requirements for decent work.<sup>7</sup>

Silver Star/Nike's health and safety as well as standard operation policies (sops) for the different production stages were on display in all units visited in September, commonly at least in Urdu, the national language, sometimes also in English. The sops were provided in pictorial form, also. The Silver Star management informed us that Nike's "core leadership standards" on management, environment, safety, and health are provided to a company before Nike engages with a supplier. If local laws differ from these standards, then the more stringent standard would be applied. For example, this is relevant with regard to minimum working hours. National regulation on working hours and overtime was changed in June 2006. The new law stipulates 12 daily

working hours as the maximum daily working time, which is significantly higher than the limit laid down in the ILO convention 1 (eight hours).<sup>8</sup> The policies on management, environment, safety, and health were not provided by Silver Star despite repeated requests. During the interview we were informed that they could be shared with Nike's approval. Nike has given instructions to Silver Star not to communicate with NGOs or the media without previous approval by the multinational. Twice a year the supplier would conduct a self-assessment, based on documentation, workers' interviews, etc. Nike has no representative based in Pakistan. A buying house acts as authorised intermediary between Nike and its two Pakistani suppliers.

**Child Labour:** The use of child labour in the production of soccer balls has been primarily documented in Pakistan and India. In 1996, an ILO study estimated that more than 7,000 Pakistani children between the ages of 5-14 were involved in soccer ball stitching on a regular basis. Most of these children were boys. Child labourers earn less than their adult colleagues. A recent study quoted Pakistani rupees (PKR) 2,030 per ball, \$ 0.33-0.49 [ILAB 2007]. This is about 25 per cent lower than adult stitching rates. A campaign was launched against child labour in the soccer ball industry leading to the so-called "Atlanta Agreement" with Pakistani manufacturers, the ILO, and UNICEF to stop using child labour. It came into force in 1997.

Nike's code of conduct prohibits the use of child labour, defined as a person under the age of 15 unless national laws state that the minimum age for work is 14 or the age at which compulsory schooling has ended. They rely on the system established by the Atlanta Agreement to monitor their child labour policy, in addition to any monitoring they might conduct on their own [ILAB 2007]. The monitoring mechanism established by the agreement involves the transfer of all stitching from home-based workshops to stitching centres where external monitoring is carried out by the ILO through unannounced visits [NEWS 2006]. In response, Nike created new stitching centres in order to better ensure children are not stitching soccer balls [ILAB 2007].

As a result of the attention that has been devoted to the issue of child labour in Sialkot during the past 10 years, all stakeholders, including workers, appear to be sensitised to the issue. Saga Sports was a signatory to the monitoring system established by the Atlanta Agreement [NEWS 2006]. Most former Saga Sports workers stated that under-aged children were not employed in the company's establishments. The same applies to the Silver Star management. However, employment of child labourers was the stated reason for Nike's withdrawal of orders from Saga Sports [Clark 2006]. Observers confirmed that children were stitching balls for Saga Sports. They were mostly located in home-based workshops, though.

**Bonded Labour:** There have been allegations of debt servitude in the Pakistani soccer ball industry. Although denied by Pakistani manufacturers, many families take loans or advances from subcontractors [ILAB 2007]. They bind workers to a particular employer and may make the vendors liable under the Bonded Labour Abolition Act 1992, which declares such advances as illegal.

Such advances have been reported from the Saga Sports stitching centres as well. However, if all workers become registered as full-time employees as required by Nike in their agreement with Silver Star, then this concern would become obsolete.

**Freedom of Association:** In the Saga Sports factory, a trade union had been formed. Apparently, it was unsuccessful in persuading the factory management to abide by commitments to Nike. The union was not considered independent of the management and stopped its activities when the problems between Nike and Saga Sports began. No trade unions or other organisations representing workers' interests had been formed in the stitching centres or sub-centres. Despite the lack of support by workers' associations, in some centres, workers protested against poor working conditions. Strikes were triggered by low piece rates, poor quality of the canteen food, or dissatisfaction with the transport facility. It appears that the propensity to complain was higher when workers originated from areas where land ownership is common, i.e., their fallback position was better. However, the management commonly did not respond to their demands but stressed "not to create any fuss".

Nike's agreement with its new contractor, Silver Star, requires that workers have full rights to freedom of association and collective bargaining. However, so far no trade union has been formed in its factory. According to the management, workers' committees have been established with PILER's consent. PILER assumes that the newly recruited workers' awareness regarding labour rights, including the right to association and collective bargaining should be raised before they conduct elections [Shah 2007].

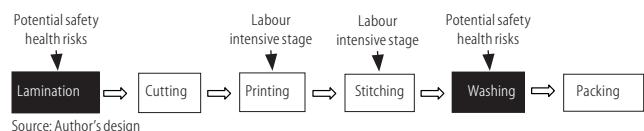
### 3 Decent Work and Wages

**Occupational Safety and Health:** As noted above, the Saga Sports factory and especially the company's stitching centres were assumed to be model establishments, amongst others from the point of view of occupational safety and health (OSH). The ones, in which our interviewees had worked were all equipped with a medical unit where a doctor, nurse, or compounder was either present permanently or visited regularly. However, the medical support was mainly confined to smaller problems, such as pains or stomach problems. Sub-centres did not provide medical facilities, but in case of minor problems, medicine for treatment would be sent over from the centre. New workers would undergo a health check. One respondent reported that if any illness was detected, applicants would not be offered employment at the centre. Bathrooms were available at the rate of one for about 30 workers. The adequateness of ventilation, lighting, and fire fighting equipment could not be assessed ex post, amongst others, because the centre visited was stripped of a lot of equipment after the closure.

The Silver Star factory appeared to be well ventilated and lighted. However, we visited after the peak summer months and in the late afternoon. Fire extinguishers were observed in all units as well as some buckets. Both electrical and manual fire alarms were present. Emergency exits were marked. We were

informed that fire fighting as well as health committees were formed and trained for emergencies. The company's brochure mentions primary medical facilities for staff, which may relate to the first aid boxes that were seen in some units. A doctor or other medical personnel were not present at the premises.

**Figure 3: Stages in the Soccer Ball Production Process**



The production process of soccer balls within the Silver Star factory starts with the lamination of cloth with polyurethane (PU). Workers involved in the PU lamination are exposed to strong fumes with unknown potential health effects. Those observed all wore masks with the exception of their supervisor. Some of the workers did not wear shoes despite the presence of large, partially open PU bins. Cutting of PU panels is the next stage in soccer ball production. At Silver Star, cutting as well as lamination is done both manually and as an automated process. One hand-operated machine requires one worker. The operator has to use both hands in the process of cutting, otherwise the machine would not respond.

Other than laminating and cutting, printing is labour-intensive. The observed workforce in Silver Star's printing unit totals approximately 60 persons. However, automation of this production stage is on the anvil. The workers apply paint of different colours and shapes in layers on a sieve that transfers the desired prints on the PU panels. This work is associated with strong fumes originating from the paints applied. All observed workers wore protective masks. The unit is located in the middle of the building with potentially negative effects on the circulation of fresh air.

Stitching is the most labour-intensive work associated with soccer ball manufacturing. It causes significant ergonomic problems. All interviewed workers reported muscular pain in their shoulders and neck, especially after long working hours. We did not encounter any specific measures to improve occupational safety and health of the Saga Sports stitching centres in this respect. In the former centre visited, workers sat on the ground on small chairs made out of metal tubes. It appears that the chairs were too hard to sit on for an extended period. Foam was wrapped around many of the tubes, especially on the backrest and on the seat. The workers did not perceive other work-related risks for their health and safety. A key informant pointed out the respiratory problems associated with stitching of a particular, but not very common, type of ball. These balls have cloth on the synthetic leather panels. Loose fibres can enter the workers' respiratory system and cause health problems, from cough to tuberculosis (TB). No masks were provided. Silver Star's stitching halls are equipped with separate bathrooms for women and men. Overall, one washroom is provided for 25 workers.

After the completion of the ball, and the quality is checked, it is washed with chemicals, deflated and packed. The potential OSH risks especially from manual washing of the balls as well as in lamination and printing are to be explored. None of the resources consulted elaborated on these.

**Living Wage:** The majority of workers at Saga Sports were stitchers, most of them employed in the decentralised stitching centres (Figure 4). As mentioned above, they were paid piece rates per ball completed. The rate for an ordinary soccer ball was PKR 40 (\$ 0.66) for both female and male workers in the stitching centres. This appears to be comparable to slightly higher than what other companies manufacturing export quality balls offer. However, workers reported a lower piece rate of PKR 35 in at least one sub-centre. Piece rate deductions for poor quality, broken equipment, etc, were common. This practice is of doubtful legality, using the landmark Supreme Court judgment for brick kiln workers that banned contractors, commissions and deductions. The rates remained unchanged for six years despite an increase in the consumer price index of about 40 per cent during the same period. During the decline of Saga Sports, rates went down further.

Saga Sports former workers reported around nine hours of daily work, including breaks for tea and lunch. However, given the nature of the piecework, people were allowed to come and go. Stitchers usually completed between three and six balls per day. Overall, men reported a higher daily output than women. The stated reason for this difference was that female stitchers had to balance income-generating work with domestic responsibilities. This would lead to monthly earnings varying between PKR 3,000 and 6,000 (the table). Benefits provided to the workers, such as transport and meals raised the gross salary.

Stitchers producing a lower daily output would thus hardly be able to generate a monthly income that matched the minimum wage. The national minimum wage for unskilled workers before July 2007 was PKR 4,000 (\$ 66). According to ILO, assemblers of leather products belong to the second of four skill levels, for which the ability to read information such as safety instructions, to make written records of work completed, and to accurately perform simple arithmetical calculations is essential [ILO 2006]. The classification of stitchers as unskilled workers is thus questionable. Also, it is disputed whether the minimum wage in Pakistan represents a living wage. It does not even cover daily caloric intake let alone housing, clothing, education, medical, and other necessary expenses [PILER 2005]. The slack period during the monsoon rains also posed considerable problems for workers who depended on the daily income source of soccer ball stitching. Permanent employees in supervisory and managerial positions obtained a salary of PKR 4,000.

At present, the salary package for Silver Star's permanent workers guarantees the minimum wage of PKR 4,600 for unskilled workers (since July 2007). It includes transportation facilities for all workers, incentives during the harvest season, child-care for married women, leave encashment, as well as bonus

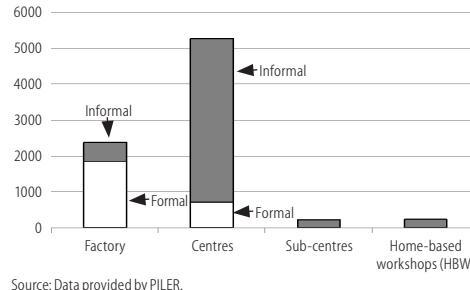
twice a year. The overtime rate appears to be biased downwards by using "base salary" to compute the overtime rate. This base salary is sometimes lower than the minimum wage. Silver Star seems to observe maximum working hours. Workers in Silver Star's factory work 26 days per month, getting holidays on Sundays.

**Table: Gendered Earnings in Soccer Ball Stitching in Pakistan, 2007**

Company	Sex	Daily Output	Piece Rate (PKR)	Monthly Earnings (PKR)	26 Monthly Working Days Assumed
Capital	Male	6	51	7,293	
Forward	Male	7	35	6,370	
Capital	Male	4	51	5,304	
Saga centre	Male	4	40	4,160	
Anwar Khwaja	Female	3	38	2,964	
Saga sub-centre	Female	3	35	2,730	

Source: Author's fieldnotes.

**Figure 4: Employment in Saga Sports Establishments by Formality, 2007**



Source: Data provided by PILER.

**Contributions to Social Security Systems:** Saga Sports contributed to the national social security system for its permanent employees, which formed about a third of the workforce before Nike's withdrawal. This entitled them to social security in the event of sickness, employment injury, maternity

and disablement, employment old age benefits (EOBI), and gratuity payments. After the closure of Saga Sports establishments and the dismissal of workers, most of them received their gratuity. However, in a number of cases, the payment has not been made and/or cheques bounced. Nike announced that all workers would be provided with the same benefits as Saga Sports factory workers when the transnational company started to order soccer balls from the Pakistani supplier. However, as noted above, the majority of workers were employed informally and thus not registered. As noted above, Silver Star has committed itself to provide all workers with the same benefits as permanent workers.

#### 4 Precarious Contracts

Informal employment refers to workers who are not registered and/or not covered by labour-related legislation. In the context of Pakistan, a large number of sectors are exempted from coverage through labour laws, such as agriculture, military, healthcare and other public services [Ali 2005]. Similarly, non-permanent workers such as seasonal, home-based, and contract workers,

independent of the sector they are employed in, are commonly not issued a letter of appointment. This means that they are not eligible for benefits such as social security or pensions or other EOBI. Overall, Sialkot's leather-stitching industry is largely informal and household-based [Pakistan Times 2007].

Figure 4 reflects that more than two-thirds of the approximately 8,000 workers in Nike's former supplier were employed informally. Although most factory employees were on regular contracts, stitchers were pieceworkers. They formed the overwhelming majority of workers outside the factory and of total employment devoted to soccer ball stitching for Nike. Informalisation as well as geographical dispersion of employment prevents the organisation of workers. One of the stated reasons for Nike's withdrawal from Saga Sports was the widespread outsourcing of its products from Saga Sports facilities, resulting in the production of Nike soccer balls in home-based workshops in the Sialkot area. Nike has a policy against such practices because

of the potential for using child labour and the inability to ensure safe working conditions in home-based settings. Overall, observers estimate that about 5 per cent of the workers producing for Saga Sports were home-based workers.

The more informal the workplace, the greater was the share of female workers in Saga Sports establishments. Whereas very few women worked in the factory in Sialkot, about 16 per cent of the labour force in the stitching centres were women and girls. Furthermore, half of the stitchers in the sub-centres were female. It is likely that this share was even higher for home-based workers, due to the greater attraction of a workplace that can be combined with domestic responsibilities of women. This results in an invisible but double discrimination with regard to gendered earnings [NEWS 2006]. Due to lower stitching rates in sub-centres (and possibly home-based workshops), women are at a disadvantage given their greater concentration in informal workplaces. Besides, the same domestic obligations that cause this concentration constrains women's working time and thus the amount of balls they can produce per day. The table gives examples of the resulting gender gap earnings.

Silver Star reports providing stitchers who were previously recruited as contract workers with permanent contracts. This was done on Nike's request as it requires all workers in its new contract factory to be registered as full-time employees who are paid hourly wages and are eligible for social benefits [Nike 2007a]. However, screen-printing, washing, as well as lamination is still done by contract workers.

## 5 Company Contribution to Public Goods

**Environmental Management:** Silver Star claims that their soccer balls are toxic free. According to their image brochure, no Azo or dispersed dyes, formaldehyde, heavy metals, organotin compounds, pthalates, PVC are used in their soccer ball production. In the Silver Star factory, waste of the laminated sheets as well as polyethylene bags is sold and recycled. No wastewater treatment plant has been established or planned as, according to the interviewees, the wastewater does not reach the environmental protection agency (EPA) pollution limits. In their assessment of potential soccer ball suppliers, PILER concluded that Silver Star did not realise its legal obligations with respect to environmental management and did not have plans for safe disposal of waste. According to the management, Silver Star has applied for registration with the EPA. However, they failed to explain what effects such a registration would have on the company's environmental management. The Silver Star management stated that chemical waste accumulated in their factory is handed over to the Sialkot Cleaner Production Centre (CPC), a collaboration between the government of Pakistan and Norwegian development aid for improved environmental management in tanneries.

**Education and Training of Workers:** When Saga Sports first stitching centre was opened in 1996, the company announced building of schools in the surrounding areas, paying of tuition fee for all stitchers' children and books and other supplies to existing schools [PRNewswire 1996]. In the former stitching centre visited,

a school for workers' children was attached to the stitching halls. A worker formerly employed in this centre reported little benefit of the school, though, as children could not be brought from far to the centre's school. Also, after the closure of a nearby sub-centre for female stitchers, the classroom was utilised as a workplace for those stitchers. Nike's new supplier reported that a matriculate level of education, i.e., 10 years of schooling, would be desirable as an entry requirement for new workers. However, job experience matters more for recruitment. After one week of training, workers perform their duties.

**Corruption:** Nike's code of ethics prohibits embezzlement or misappropriation of property by its suppliers. Making bribes, kickbacks, or other improper payments is prohibited for Nike employees [Nike nd]. A few interviewees mentioned allegations of corruption in the Saga Sports management. Also, "everyday forms of corruption" at the level of stitching centres might have been common. Threats to make deductions from the stitchers' earnings for broken needles, for instance, were perceived as a strategy to extract bribes from the workers.

## 6 Stakeholder Participation

In Pakistan, the Responsible Business Initiative (RBI) acts as third party social auditor of Nike's suppliers in Pakistan. RBI supports the implementation of social and environmental compliance in Pakistan's business community through research and capacity building. The RBI does surprise audits as well. The Fair Labour Association (FLA), an American non-profit multi-stakeholder initiative that engages in monitoring of labour standards, has conducted an audit of Saga Sports which confirmed the allegations of the occurrence of child labour against the company raised by Nike.

Immediately after the withdrawal from its supplier in November 2006, Nike stated it was engaging with governmental, non-governmental, and industry stakeholders to "secure support for affected workers and jointly explore sustainable, fresh approaches to local manufacturing and social enterprise models in Sialkot" [Nike 2006]. The company has worked with the ILO, the World Federation of Sporting Goods Industry, and other stakeholders, including Pakistan government officials [Nike 2007a]. After its withdrawal from Saga Sports, Just Solutions, a European non-governmental organisation, requested PILER on behalf of Nike to study the situation of dismissed workers and provide legal aid as well as training for awareness-raising and skill enhancement. Besides, PILER provided inputs when Nike's new contractor was selected and is involved in monitoring its social and environmental compliance.

Observers found Nike's efforts to find an amicable solution with Saga Sports to save thousands of jobs and livelihoods, disappointing. For example, the chief executive of the Independent Monitoring Association for Child Labour (IMAC) wonders if the wrong Saga Sports did warrant Nike leaving Sialkot [Montero 2006]. The fact that, in contrast to other branded sports goods companies such as Adidas, Nike has no direct representation in Pakistan was perceived as an obstacle in the endeavours to resolve the problems. Nike's intermediary in Pakistan, a buying

house, does not appear to have the required expertise in social and environmental compliance issues. The Christian Science Monitor raised the question: "Child labour is universally condemned, but is it fair for multinationals to cut and run when incidents arise of children working? Or do companies have an obligation to work to fix these problems themselves?" [Montero 2006]. The perceived lack of commitment was seen as an indicator of the real reason behind the transnational company's withdrawal, one of them being related to cost cuts.

## 7 Summary and Conclusions

**Minimum Standards Necessary:** The findings regarding Nike's business conduct as observed in its two suppliers of soccer balls in Pakistan can be summarised as follows. On the one hand, in the implementation of minimum requirements for decent working conditions, Nike appears to excel other companies in the soccer ball industry in Pakistan. The medical facilities for workers, even in the rural stitching centres, transport facilities to enable especially female workers to access their workplace as well as their effort to provide all workers with the same benefits as permanent workers are some of the examples for comparatively better working conditions.

On the other hand, in the past as well as in the current situation, the multinational does not appear to match international and its own standards for responsible business operations. Monthly earnings appear to be even lower than the national minimum wage; obvious discriminatory practices were applied in recruitment depending on medical tests. Environmental management emerges as another weak area. When Silver Star's social and environmental compliance was assessed by PILER before Nike's decision to place orders with the company, they concluded that they are not in satisfactory compliance with labour and environmental standards established by the Nike code of conduct.

The details about Nike's business conduct in soccer ball production in Pakistan provided above have illustrated that being a pioneer in the sector does not guarantee that minimum criteria for social and environmental compliance are met.

**Employment Access for the Vulnerable – Especially Women:** The overview over soccer ball manufacturing for Nike in Pakistan underscores another inconvenient fact. In its decision to withdraw orders from Saga Sports due to allegations of unauthorised outsourcing to home-based workshops and child labour employed in its establishments, the company has opted for huge unfettered employment losses as the price for social compliance. This decision has hit vulnerable workers hardest: rural workers with hardly any employment alternative in the sluggish rural economy; low-skilled workers who face harsh competition for jobs and low earning prospects; informal workers, who did not receive any compensation after they lost their jobs.

Women are highly concentrated in all mentioned groups. Gender norms that limit the sectors and occupations considered appropriate for them, assign them the bulk of domestic responsibilities and restrict their circulation, leave them with very little choice

for income generation. Whereas the provision of regular contracts to all workers involved in soccer ball manufacturing for Nike as well as the provision of childcare for married women workers, in particular, as envisaged by Silver Star is an excellent step to improve working conditions and to widen this choice, it is not sufficient if long distances and inflexible working hours mean that women are effectively barred from access to employment. Therefore, in their assessment of gender dimensions of codes of conduct, Barrientos, Dolan and Tallontire aptly conclude (2003: 1517): "Codes of conduct designed solely around ILO core conventions and relevant national labour legislation (...) may cover gender issues related to formal employment. But they are less likely to be sensitive to the gendered needs of workers combining productive with reproductive work, and to the needs of those in informal forms of employment, with women forming the majority of both these groups (...)."

**Employment Security in Global Industrial Restructuring:** One reason for the comparatively lower labour costs in developing countries, which make outsourcing of labour-intensive production processes to the global south attractive is the lack of provision of public social security. In such an environment, the focus of corporate responsibility needs to be broadened beyond minimum standards at work to access to work. We argue that this implies a special responsibility of transnational firms for their workers' employment security in developing countries.

The year 2006 Nike "Saga" indicates that this issue is of increasing importance for workers, employment and, thus, development in the global south. After its withdrawal from Saga Sports, Nike substituted Pakistani soccer ball supply partially by machine-stitched balls originating from China and Thailand. In this context, the multinational company as well as other stakeholders stated that the use of hand-stitched balls is declining [Pakistan Times 2007; ITGLWF 2007]. The technological upgrading of the soccer ball industry puts thousands of jobs in the industrial cluster of Sialkot at risk, unless the industry modernises [Pakistan Times 2007].

Given the lack of public safety nets for workers likely to lose their employment in the name of industrial upgrading, the transnational players leading and benefiting from this restructuring, should strengthen their workers' resilience. At the local level, this implies major efforts for existing workers and their communities' education and skill enhancement. Exploring of alternative employment opportunities as envisaged in Nike's "social enterprise model" mentioned above, for instance, requires innovative minds that are hard to find if less than one-third of the rural population of Sialkot district completes 10 years of schooling. Workers' bargaining power needs strengthening through a catalytic environment for unionisation. To reach out to female workers in this respect, support for trade union activities needs to be combined with childcare provision in order to stimulate women's participation. The findings reported above also indicate that workers' propensity to claim their rights depends on their fall back position, including the availability of alternative employment. The labour market in rural Pakistan is not conducive in this respect. The rural unemployment rate is

5 per cent [Federal Bureau of Statistics 2006]. Underemployment of approximately 8 per cent needs to be added [State Bank of Pakistan 2006].<sup>9</sup> Given the move towards more capital-intensive industrial production, not just in soccer ball manufacturing, multinational companies should contribute to stimulating rural employment, in particular. Besides an extension of their activities through local sourcing of inputs and support services, this may imply help for forms of industrial organisation that strengthen workers' bargaining power. The self-management of stitching centres as cooperatives is a related suggestion that PILER currently explores.

At the sectoral level of Pakistan's soccer ball industry, the crisis caused by Nike's decision to end orders to Saga Sports, may actually provide an opportunity to strengthen industry-wide social and environmental compliance. If Sialkot were established as a model city for soccer ball industry, this might prove to be a successful strategy not just with regard to social and environmental compliance but also due to the lingering threat of rising competition from China. The International Textile, Garment and Leather Workers' Federation (ITGLWF) foresees that unless the industrial centre of Sialkot becomes a leader in productivity, quality, delivery and labour conditions it will not survive global

restructuring in the soccer ball industry. A complete overhaul of the industry with the aim of establishing Sialkot as a centre of excellence in soccer ball production with the best productivity, best quality, best delivery and best labour compliance would require a concerted effort at the national as well as at the Sialkot level, with external support from the ILO in particular but also from key brands in the sector [ITGLWF 2007]. The main ingredient for industry-wide convincing social and environmental compliance is a consistent monitoring mechanism. Here, the Sialkot-based soccer ball industry can build on the experience of the Atlanta Agreement. Branded companies' direct presence is necessary in order to build capacity in and support monitoring of their local suppliers.

However, whereas sectoral and company-wide standards have the potential to improve working conditions and reduce the negative impact of business activities on communities, in the long-term national or international development is impossible without nationally or internationally guaranteed standards. They guarantee that improvement of sectoral compliance in one country does not harm workers and communities in another and thus prevent the much-discussed "race to the bottom" through competition in the global economy.

## NOTES

- 1 The figure includes employees who according to the management had signed their contracts but had not joined at the time of the interview.
  - 2 Nike says the use of hand-stitched balls is declining, creating future problems for soccer ball industrial cluster of Sialkot unless the industry modernises [Pakistan Times 2007]. Some observers assume this to be the real reason for Nike's withdrawal from Saga Sports rather than compliance-related issues.
  - 3 The difference may lie in either total employment or employment in Saga Sports factory being the reference point.
  - 4 PILER is in the process of compiling information in this regard, though.
  - 5 This figure refers to a comparison between female employment in Silver Star as compared to Saga Sports before Nike's withdrawal. It does not take into account the alternative jobs the dismissed women workers might have found.
  - 6 In March 2007, one \$ equalled PKR 60.86.
  - 7 However, the Nike code of conduct establishes "(t) he principle that decisions on hiring, salary, benefits, advancement, termination or retirement are based solely on the ability of an individual to do the job".
  - 8 This clause is applicable under the Shops and Establishments Order 1969, though, and not under the Factories Act 1934 under which Silver Star is registered.
  - 9 This figure refers to the whole of Pakistan, not just rural areas.
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