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# Eliminating Child Labour from the Sialkot Soccer Ball Industry

## Two Industry-Led Approaches

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As supply chain issues become increasingly important in the debate on business and human rights there is a growing need to identify and analyse industry-led approaches to these controversial issues. In this paper the author presents a case study of two industry-led responses. One of these is an industry-wide monitoring programme in conjunction with the International Labour Organisation; the other is a policy by a single company, Saga Sports (the world's largest manufacturer of hand-stitched footballs), to eliminate child labour by eliminating outsourcing. The author raises a number of issues, including the value of the export-led social consciousness on child labour issues in the industry, the difference between child labour and child work and the significance of a more 'ethical' industry approach for the livelihoods of the people in the area.

- Human rights
- Child rights
- Corporate social responsibility
- Soccer ball industry
- International labour organisation
- Pakistan

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## 1 The issue

ON 23 MAY 2002, JUST DAYS BEFORE THE SOCCER WORLD CUP, GLOBAL MARCH Against Child Labour—a worldwide movement, headquartered in New Delhi, to eliminate child labour—announced that there were still instances of child labour in the Pakistan soccer industry (Global March 2002). This news had serious consequences for the Pakistan sports goods industry, which in 2002 accounted for the production of nearly 75% of the world's soccer balls. A significant foreign exchange earner, the sports goods industry accounted for 3.3% of the country's exports in 2002 (Government of Pakistan 2002) and employed over 30,000 stitchers, mainly in the Sialkot District and nearby areas (Source 1).

The Sialkot Chamber of Commerce and Industry (SCCI) was so concerned about a negative impact of the Global March report (Source 1) on the industry and wider economy that it launched its own fact-finding mission, which included representatives from industry, civil society and international monitoring bodies. The SCCI mission concluded that the Global March report falsely represented the industry (Global March 2002). However, a 1996 nationwide survey undertaken by the Pakistan Federal Bureau of Statistics, in collaboration with the Government of Pakistan Ministry of Labour, Manpower and Overseas Pakistanis, and the International Labour Organisation (ILO) found that 8.3% of the children in the country (i.e. 3.3 million children) aged 5–14 were economically active (Global March 2001). Another study, from the ILO (Dogar 2000), on the Sialkot District confirmed that there were more than 7,000 children aged 7–14 years stitching footballs on a full-time basis, working 10–11 hours per day and earning between Rs20 and Rs22 per ball (at an exchange rate of US\$1 = Rs57.64). Others were working part-time and after school.

The statistics acquired a vivid significance when a June 1996 *Life* magazine article featured Tariq, a 12-year-old stitching soccer balls in the Sialkot District. This caught the attention of the wider international media and led to consumer pressure on international brand names such as Nike, Reebok, Adidas, Umbra and Puma<sup>1</sup> to ensure that their products were not produced with use of child labour. As a result, in 1997 the SCCI, UNICEF (the United Nations Children's Fund) and the ILO signed an International Agreement in Atlanta, GA, known as the Atlanta Agreement (ILO 2001), to eliminate child labour from the soccer ball industry through use of improved monitoring.

## 2 Monitoring the outsourced labour market: the responses of the Sialkot Chamber of Commerce and Industry and the International Labour Organisation

At the time of the Atlanta Agreement the Sialkot soccer ball industry was difficult to monitor because most manufacturers outsourced work to stitchers through 'middlemen'. Owing to the non-capital-intensive nature of the industry, a number of businesses had 'mushroomed' into small shops, earning thousands of dollars by outsourcing to home-based stitchers in the more than 1,600 villages surrounding the city. Since stitching is a home-based activity, whole families—including children—were involved in the process. As a result, the manufacturers were often unaware of whether children or adults were actually stitching their soccer balls. Moreover, owing to the anonymous nature of the stitching and the fact that payment was on a fixed-price basis, the manufacturers achieved no cost savings when stitching was done by children.

1 <http://cbae.nmsu.edu/~dboje/nike/nikemain.html>

Mr Nasir Dogar, manager of the ILO Project for the Elimination of Child Labour in the Soccer Industry in Sialkot, a sub-programme of IPEC (International Programme on the Elimination of Child Labour), argued that, contrary to popular opinion poverty was not the primary cause of child labour in the soccer industry (Source 1), because, according to him, the per capita income in Sialkot was nearly double the national per capita income. Mr Dogar identified a number of other reasons for the incidence of child labour in the industry, including the easy availability of work, a lack of meaningful educational opportunities and a 'poverty of thought' prevalent in the community (Source 1).

However, in order to monitor the elimination of child labour from the soccer ball industry the SCCI and the ILO launched an independent monitoring facility as part of the ILO International Programme for the Elimination of Child Labour (IPEC) in October 1997. All members of the industry were invited to join the programme and submit their facilities to monitoring. Once registered as IPEC members, manufacturers were requested to reveal 25% of their production details (e.g. the number of stitchers, the location of stitching centres, the names of 'middlemen' used and figures relating to daily production) in the first six months after registering. Another 25% of production was to be declared in the following six months, and the remaining 50% over the subsequent six months. Thus, over a period of 18 months the registered companies were expected to declare details of their entire production capacity. This phased approach was adopted in recognition of the fact that most manufacturers were unaware of who was stitching their products and where. The phased disclosure gave the companies adequate time to conduct supply chain audits.

The IPEC monitoring team verified the company statistics through unannounced field visits to the stitching centres. During these visits the primary job of the monitors was to ensure that no child was involved in the process and to substantiate the production reported. If the IPEC monitors found a child stitching for a registered manufacturer the manufacturer would be told about this violation and would be expected to make amends. If corrective action was not taken and the monitors repeatedly found children working for a registered manufacturer they would withdraw IPEC membership and report the violation to the World Federation of Sporting Goods Industry, which would then publicise the findings for the benefit of international buyers and retailers.

In the face of the challenge of gaining access to homes, the traditional stitching centres, the IPEC team decided not to compel its registered members to set up formal stitching facilities. Instead, it announced that any place, whether it be a house, a shed, a shop or any other location where five or more stitchers were found to be stitching, would be considered a stitching facility and susceptible to inspection. The IPEC monitoring system was welcomed by most of the industry (Sources 1 and 2). In October 1997, when the monitoring was initiated, 22 manufacturers volunteered for the programme. By March 1999, this number had risen to 39, and by July 2002 it had increased to 98 registered manufacturers representing nearly 95% of the total production of soccer balls for export.

Although all members were subject to the same scrutiny and rewards, Saga Sports, the largest manufacturer of hand-stitched balls and a registered member of the IPEC monitoring programme, decided to go a step further. It decided to ensure that it was 100% free of the use of child labour by eliminating outsourcing altogether. In the remainder of this paper I investigate the case of the approach of Saga Sports to the child labour issue in the hope that this may be helpful to Asian business managers who face issues of outsourcing and child labour. This case study highlights how structural changes within the company combined with corporate social responsibility (CSR) policies can have a major impact on society and on work culture and conditions.

### 3 Eliminating the outsourced labour market: the response of Saga Sports

Established in 1983 by Mr Khurshid Soofi, Saga Sports grew from humble beginnings into a lucrative Rs1.6 billion business employing about 7,000 people and exporting over 4 million soccer balls annually by 2002. As it expanded, the company diversified into the production of textile goods, sporting gloves and other sporting goods primarily for the purpose of export (interview with Mr Rizwan Dar, 2002, Source 2).

According to the Head of CSR at Saga Sports, when the controversy over child labour in the Sialkot soccer industry hit the headlines the company management realised that the crux of the problem lay in the 'intermediate culture' of the manufacturing process. Since stitching was outsourced through 'middlemen', the company often had no knowledge or control over who was stitching their products and where. Thus, the chief executive officer (CEO), Mr Khurshid Soofi, who was also the chairman of the SCCI at the Atlanta Agreement, decided that the only way Saga Sports could eliminate child labour from its production process was by eliminating outsourcing altogether and by concentrating its production in custom-built stitching facilities managed by the company. Saga Sports has subsequently spent nearly Rs270 million in establishing 12 stitching facilities employing between 500 to 1,500 stitchers in and around Sialkot.

This decision was initially met with some criticism by the industry:

At that time exporters and everybody was considering it that it is a lunatic idea. You cannot control these stitching facilities, you cannot control these stitchers, they are not humans, they are from outer space because they don't feel that they are working in such [a professional] environment or [that] they will work in such [an] environment. You cannot bind them that everyday you come to the facility and have stitching there and enjoy all those facilities, it is impossible. But Saga made it possible. We changed the culture (Source 2).

By 2002 other manufacturers had followed Saga's lead in establishing in-house stitching facilities to ensure labour and production standards.

Interestingly, the policy to eliminate child labour by eliminating outsourcing was not conducted in isolation but in the context of a number of other CSR initiatives in the areas of employee rights and community investment. Following the establishment of the stitching facilities, Saga Sports announced that, although under Pakistani law they could employ any person aged over 14 years, the company would not hire anyone under 18 years old. Employees were expected to provide a copy of their national identification card or birth certificate or other legal documents to verify their age and also agree to undergo a complete medical examination before being confirmed as employees.

Once confirmed, employees at Saga Sports were eligible for various benefits. First, they were allowed to unionise, and their pay was raised to the 'equivalent to [that of] university teachers in Pakistan'.<sup>2</sup> In addition, they were provided with medical, life and partial disability insurance. Each employee became eligible for free meals, tea breaks, transport between their village and the factory, use of the company's day-care centre and eligibility for 10–15% discounts at the factory's fair-price shop.

In addition, Saga Sports also invested in the health of the workers' communities by means of a company hospital, with a medical team comprising 24 doctors, a number of paramedic staff and ambulances, offering free services and medicines. It established a referral system whereby employees could receive medical assistance not available at the factory hospitals at any one hospital in a list of recognised hospitals. This was

<sup>2</sup> See the web page at the website of the Clean Clothes Campaign, at [www.cleanclothes.org/publications/global\\_m.htm](http://www.cleanclothes.org/publications/global_m.htm).

supplemented by a mobile medical camp that was run by a team of three doctors, including a female doctor; by July 2002 staff in this mobile centre had treated, free of cost, over 153,000 people. The company organised: safety and fire drills for factory workers; awareness-raising seminars on AIDS (acquired immunodeficiency syndrome), family planning and seasonal diseases for its employees; and vaccinations for employees against seasonal diseases. It offered Eid bonuses and an annual lottery to send 13 employees on a Hajj (Muslim pilgrimage). More broadly, Saga Sports also invested in community infrastructure by, for example, building bridges.

However, Saga Sports continued to pay its stitchers on a piece rate, or what Mr Rizwan Dar, Head of CSR, referred to as a performance-based salary:

We have announced in our offices the minimum average a person can stitch a ball in a day is 3.25 balls; sometimes they stitch 5 balls a day, sometimes they stitch 4 balls a day; depending on the amount they stitch they are getting a salary out of it (Source 2).

The company took great pride in having cultivated a professional culture among its workforce. All facilities have the Saga Charter (Source 2), a health policy and a labour policy as well as suggestion and complaint boxes. The company also instituted a grievance committee, which considers employee complaints and handles grievances. According to Mr Dar these measures ensure that:

nobody is above the law here or the code of conduct, so all those instructions or all those code of conduct or Saga Charter which [are] applicable [to] executives [are] also applicable [to] those who are working in the cleaning department even. So there is a kind of equality that we have established (Source 2).

He also contended that:

Not only are we providing compensation but we have upgraded their [the employees'] living standards by providing education and information. When we started our first centre people used to sit near the washroom, people used to sit on the ground, people used to sit in the halls to have their food. Now what they do? They are asking for a chair, their own chair; they are asking for a table; asking for their own plate; they are asking for their own glass, they don't drink [from] other person's glass . . . We have changed the culture (Source 2).

Another company decision that was initially considered culturally alien was the establishment of the Saga Sports women's stitching facility. Traditionally, women's work was confined to the home; when Saga Sports announced the creation of the women's stitching facility, many in the industry felt this was a mistake. Mr Dar recalls:

That was a blast [shock]; people were thinking Saga Sports is making another mistake to hire women. It could be blast [mistake] for Saga Sports to hire women because it is not the culture. Women are not used to coming to facility and stitching the balls regularly. It was a really hard job but our team made it possible. We sent our teams to the different villages. We met a lot of persons like the *chaudhry* of that village or counsellor and the parents. [We told them] that Saga is going to establish this facility and we request you to send your women or your daughters or your mother or your sister to the facility. First have a look at the facility how it is been documented and what are facilities [that] are available and all the family members, the lady family members, they are safe and secure, we will transport then from the facility to your home and from home to facility. Now those parents are coming [to us] because it was not the culture before that. Their parents are now coming to the facility [saying] that 'please hire our daughters; we feel secure, we feel safety, we feel security that our ladies are working inside. And when we see that facility we see a chance for our future (Source 2).

Despite the increasing number of women workers applying for work at the factory, Saga Sports has come under criticism for depriving many home-based female stitchers—who do not have a women's stitching facility near their villages—of their livelihood. Although the company plans to establish more stitching facilities for women, by

eliminating home-based stitching Saga has put some female workers at a competitive disadvantage.

Mr Dar explained that the motivation behind all these socially responsible programmes was that Saga Sports wanted to be a socially responsible citizen, give back to the community and, most importantly, to compensate those families that had lost valuable income with the elimination of child labour:

[It was to offer] the remuneration of child labour. What will happen to those families, how they are now enjoying their life? Who will fill the gap after children's work being eradicated? So this was a kind of compensation for those workers or those families who were working or were there. So they don't have to rehabilitate from their homes to the cities we took our factories to their home towns (Source 2).

Although Saga Sports, as a member of the IPEC monitoring programme, is subject to surprise monitoring visits, the company has also set up several internal monitoring bodies and mechanisms. The company's SHAPE (Safety–Health–Attitude–People–Environment) monitoring programme was established as a 26-member multi-participatory monitoring body with representation from all company departments; it meets on a monthly or fortnightly basis to discuss matters of concern. In addition, the CEO's office has an independent monitoring cell reporting directly to the CEO, and the company has hired 12 auditors from Mr Dar's CSR offices to monitor the activities of the SHAPE programme.

According to Mr Dar, all these socially responsible corporate policies and programmes have been very well received by the company's international contractors. In fact, on the basis of these programmes and policies Nike named Saga Sports a model factory (Source 2). The company also received the award for Best Export Performance in Sports Goods from the Federation of Pakistani Chambers of Commerce and Industry in 1997/98 and 1999/2000, a prize it also won in 1990/91, 1991/92 and 1994/95 (Source 2).

Mr Dar reported that, given the success of the Saga Sports model, an increasing number of large manufacturers in the region have now begun to limit production to in-house stitching facilities. However, critics of this approach argue that the capital-intensive nature of this model makes it difficult to replicate for small businesses.

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## 4 Conclusions

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There is no denying that the subject of child labour in the soccer industry in Sialkot has given food for much discussion; although this heightened interest has helped highlight the dangers of child labour in the industry, there is growing concern that, with increased monitoring of stitching facilities in and the removal of child stitchers from the industry, children may be turning to more dangerous jobs as a means of earning their livelihood.

ILO and UNICEF in Bangladesh noted similar problems when the Bangladesh Garment Manufacturers and Exporters Association, facing cancellation of import orders, dismissed child workers who were then forced to work in more exploitative conditions, including prostitution and begging (quoted in Aslam undated). Although the IPEC team in Sialkot has not reported any incidence of displaced child workers resorting to more hazardous employment, it is worth noting that the surgical goods industry, which also happens to be concentrated around Sialkot and is reported to have a significant incidence of child labour, could be one potentially hazardous employer of child labourers displaced from the sporting goods industry.

Furthermore, the Saga Sports model approach to child labour does not seem to distinguish between 'child work' and 'child labour', a distinction recognised by the ILO. Although some industry leaders, such as Mian Naeem Javed, CEO of a large sports goods

manufacturing company, Sublime Industries, and the District Nazim of Sialkot, are keen in principle to draw this distinction,<sup>3</sup> it seems that the pressure from importers and the threat of cancellations of orders makes it difficult to implement this distinction in this export-led industry.

Thus, while industry experts debate the pros and cons of outsourcing the stitching of soccer balls, the primary issue, it seems, is being ignored. It is clear that the export-led nature of the sports goods industry is at the centre of all these efforts to eliminate child labour in the industry and, although this demand-led consciousness may result in strategic changes within the industry with regard to child labour, it will not be until we have a genuine change in local attitudes—particularly among the ‘middlemen’ and small business owners who are the backbone of this industry—that we can expect a sustainable impact on the incidence of child labour in Pakistan.

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## Sources

- Source 1: interview with Mr Nasir Dogar, Manager of the Project for Elimination of Child Labour in the Soccer Industry in Sialkot, International Labour Organisation, June 2002, Sialkot.
- Source 2: interview with Mr Rizwan Dar, Head of Corporate Social Responsibility, Saga Sports, June 2002, Sialkot.
- Source 3: letter, dated June 2002, from Mian Naeem Javed, CEO of Sublime Industries, District Nazim, Sialkot, and then regional representative of the World Federation of Sporting Goods Industries (Asia Region), to the Global March Against Child Labour.




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3 In a letter to Global March Against Child Labour, Mr Javed, who had served as the president of the SCCI and was at the time of the letter the regional representative of the World Federation of Sporting Goods Industries (Asia Region), stressed the difference between child labour and child work in the following words: ‘when we talk about child labour we are referring to something intolerable—children simply denied the right to be children or denied any of their basic rights, i.e. education, recreation and health. In case of a child attending a formal/non-formal school, having an access to health facilities, getting the opportunities to play and working part time; then the term child work applies instead of child labour. The child work means that a child is supervised by a blood relative—working under flexible timings—assured his basic rights at work—affectionate supervision of the work by the employer or the co-workers—and child interests are being monitored and taken good care by all stakeholders’ (Source 3).