



International
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► Pakistan's tanning and leather industries

An overview of trends and labour and environmental conditions



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▶ **Pakistan's tanning and leather industries**

An overview of trends and labour and environmental conditions

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ILO Country Office for Pakistan

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▶ Acronyms and abbreviations

CBA	collective bargaining agreement
CPC	Cleaner Production Centre
CPI	Cleaner Production Institute
EFP	Employers Federation of Pakistan
EPA	Environmental Protection Agency
ESSI	Employees' Social Security Institutions
EU	European Union
FGD	focus group discussion
GDP	gross domestic product
GSP+	Generalized System of Preferences Plus (European Union)
ILES	International Labour and Environmental Standards Application in Pakistan's Small and Medium-sized Enterprises project
LWG	Leather Working Group
NEQS	National Environmental Quality Standards
OSH	occupational safety and health
PGMEA	Pakistan Gloves Manufacturers and Exporters Association
PLGMEA	Pakistan Leather Garments Manufacturers and Exporters Association
PTA	Pakistan Tanners Association
PWF	Pakistan Workers Federation
SEPA	Sindh Environment Protection Agency
SMEs	small and medium-sized enterprises
STZ	Sialkot Tannery Zone

▶ Executive summary



This research was commissioned by the ILO as part of the International Labour and Environmental Standards Application in Pakistan's Small and Medium-sized Enterprises (ILES) project to improve knowledge of the leather sector and to refine the ILO's strategy for engagement with enterprises and relevant business associations in Pakistan. The objective of the study is to map the leather sector in Pakistan, from leather tanning to manufacturing of leather goods, and provide insights into the labour conditions and industrial relations of the leather value chain. The study adopted a mixed methodology approach, using qualitative methods including a literature review, focus group discussions and key informant interviews, supported by quantitative secondary data where available.

Key findings

Leather is Pakistan's third-largest export industry, contributing 4 per cent to GDP. Following the awarding of Generalized Scheme of Preferences Plus (GSP+) status in 2014 by the European Union (EU) there was a revival in the industry, but in more recent years the sector has contracted as global demand for leather products is on the decline, impacting leather industries worldwide. In addition, concerns about the environmental impact of production, the increased popularity of synthetic products, and the impact of the climate crisis and the COVID-19 pandemic on global shipping further threaten the sector.

Within Pakistan, the main challenges identified include:

- ▶ a lack of (quality) raw product;
- ▶ high utility and labour costs;
- ▶ high investment costs for upgrading machinery and infrastructure;
- ▶ a lack of skilled labour;
- ▶ challenges to obtain certification for compliance with buyers' standards;
- ▶ a reduction in exports to China; and
- ▶ the impact of COVID-19 pandemic lockdowns and movement restrictions.

While export-focused trade policies are in place, the lack of adequate funding remains a challenge, including funds for quality control and compliance certification.

The sector is concentrated in Sindh and Punjab around Karachi, Kasur and Sialkot, with the vast majority of tanneries and leather producers consisting of small and medium-sized enterprises (SMEs). Export-oriented companies are required to follow international (and national) norms and standards, under pressure from international buyers to comply, and therefore perform better than those producing for the local market. While large firms have the resources to comply with national and international standards and regulations, SMEs, in particular unregistered and informal enterprises, are under-resourced and underequipped. Lacking investment, most tanneries produce low-to-average quality leather, unable to compete in the more profitable market of high value-added leather products.

Work in the industry is dangerous because of constant exposure to hazardous chemical substances and prolonged use of heavy machinery and long and irregular working hours. Regardless, few employers in the leather sector provide medical benefits or medical treatment to their workers. While the ILO Occupational Safety and Health Convention, 1981 (No. 155), specifies the measures concerning occupational safety and health (OSH) and working environment that should be taken, including provision of appropriate information and training

to workers and their representatives, Pakistan is not a signatory to the Convention, and in many workplaces, workers do not enjoy these rights.

Pakistan's GSP+ status is conditional on the improved implementation of its international obligations, but so far little progress has been made. There is increased interest in cleaner production across the tannery and leather sector; however, there remains a high level of non-compliance with environmental standards. Barriers to compliance in terms of environmental and OSH standards are primarily financial; while gaps are attributable to weak enforcement and supervision, alongside reporting inconsistencies. Labour inspections of factories, whether they are unregistered or registered entities, are rarely conducted properly, as there are too few inspectors, and those that are in place are both underfunded and inadequately skilled. While companies are aware of labour and environmental standards, and larger firms comply as a requirement from international buyers, smaller factories and tanneries have less incentive to comply, as suppliers are rarely audited. Provision of practical OSH services is urgently required.

While the Government of Pakistan has become more active in promoting sustainable practices, most financial and political endorsement for environmental programmes still needs to come from international actors. Better quality of sourced material and better quality end products will increase earnings, and the production of such products needs to go hand-in-hand with skills development, knowledge on trade and competitiveness, and infrastructure modernization in order to boost manufacturing growth. As the second-largest export earning sector after textiles, the leather industry has potential to grow in terms of volume of exports focusing on high quality and diversified products.



Key recommendations

To enable growth of the sector, a range of interventions are required, including:

- ▶ increased access to good quality production inputs together with thorough technical know-how and good production facilities;
- ▶ government support in terms of training, trade promotion, encouragement of foreign investments and barrier-free trade;
- ▶ joint ventures to obtain skills and financing; and
- ▶ direct access to export markets.

To federal and provincial governments:

- ▶ Upgrade and standardize federal and provincial policy and legislation, removing inconsistencies and duplication, in order to increase compliance. As part of this process, invite input from employers' and workers' organizations. The new ILO Code of Practice on Safety and Health in Textiles, Clothing, Leather and Footwear, adopted on 8 October 2021, provides a useful reference tool in support of policy and programme development (ILO 2022).
- ▶ Develop a strategic National OSH Policy and Programme and address OSH issues of the sector effectively.
- ▶ Equip labour inspectors to better provide oversight and monitoring for the implementation and enforcement of labour laws and regulations; in particular, improve oversight of SMEs and informal companies. Digitalize records to prevent corruption.
- ▶ Recruit more inspectors, in particular women inspectors, and improve labour inspectors' skills. Consider increasing labour inspector salaries and incentives, including by providing transportation.
- ▶ Structure tax rebates in the sector and streamline turnaround time of refunds, particularly for SMEs, in order to stimulate investment.
- ▶ Permanently reduce customs duties and sales tax on the import of modern (safe and environmentally friendly) machinery and equipment.
- ▶ Establish comprehensive and measurable OSH and environmental standards, and enforce these through fines after a reasonable time limit, while providing subsidies to companies for installing the necessary equipment to meet these standards.
- ▶ Improve the capacity and protocols of existing laboratories, according to international standards. Finance and/or subsidize the testing of chemicals.
- ▶ Facilitate joint ventures and foreign direct investment for rapid upgrade of knowledge, skills and value.
- ▶ Provide further subsidies in land, infrastructure and tax rebates to SMEs willing to relocate to clusters structured along the lines of the Sialkot Tannery Zone. Provide a one-stop shop with representatives of all relevant government departments for companies within these zones.
- ▶ Duplicate international standards to the checklists/requirements of manufacturers for the national market. Implement a national certification system.
- ▶ Promote the establishment of suppliers (leather, accessories and chemicals) in-country, and ensure certification of these suppliers according to international standards.

- ▶ Support the livestock production sector by improving registration, veterinary services and minimum standards and techniques for slaughter and hide/skin collection and preservation.
- ▶ Provide affordable electricity and gas supply to move and store animal hides and skins.
- ▶ Promote and incentivize intraregional trade in addition to international trade, by accelerating customs and logistics procedures and reducing barriers.

To industry organizations

- ▶ Provide awareness raising to members on the benefits (productivity, efficiency) of social and labour protection mechanisms for workers, for instance, by promoting sectoral wide agreements on wages and conditions, unionization, collective bargaining agreements, and so on. See that non-compliance by members results in sanctions.
- ▶ Promote membership of the Leather Working Group among members, raising awareness of the cost effectiveness of membership.
- ▶ Promote cleaner production more aggressively. Connect OSH, productivity and technology centres, training centres, cleaner production centres, and investment and export promotion organizations to enable upgrading of members.
- ▶ Promote an online marketplace for SME producers, listing local suppliers, their capabilities and products, and compliance (for example, use of non-restricted chemicals).



- ▶ Promote direct marketing into global supply chains by supporting members' attendance at national and international fairs to enhance direct connections between manufacturers and brands.
- ▶ Improve access of companies to international trade fairs/buyers through alternative means in the event of travel restrictions. Organize virtual marketplaces and e-commerce events to generate contacts with foreign buyers.
- ▶ Establish and expand vocational training centres and colleges based on industry demand for technology, engineering and applied sciences, including for skilled work such as laboratory testing. Focus on high value leather products, and target women for training.

To employers/manufacturers

- ▶ Formalize recruitment, provide workers with contracts, register workers with social protection schemes, and consult with workers' representatives on issues related to working conditions.
- ▶ Focus on value-added production by upgrading technology and workers' skills, moving towards higher priced products and/or by adding design and marketing functions.
- ▶ Shift from low and high production seasons to flexible production of differentiated products.
- ▶ Conduct audits of suppliers in terms of labour and environmental compliance, ensuring compliance along the supply chain for maximum transparency in order to entice international buyers.
- ▶ Formalize unionization, including through more inclusive representation. Recognize the strengths and benefits of trade unions as legal mechanisms to protect workers' rights while contributing to productivity.
- ▶ Establish workplace safety and health committees for assessing and mitigating OSH risks effectively and continuously.
- ▶ Invest in upgrading to modern, healthy and safe manufacturing equipment. Install the necessary and required OSH and environmental protection procedures and equipment.
- ▶ Provide workers with additional skills training based on industry demand, including through apprenticeships within companies.

To workers' organizations

- ▶ Improve inclusivity and equal representation.
- ▶ Promote workplace safety and health committees comprising equal numbers of worker and employer representatives.
- ▶ Improve awareness by informing workers on their rights, including OSH, through multiple channels.
- ▶ Engage with employers to promote collaborative working agreements, and obtain social security for workers through participation in negotiations and consultations with employers.
- ▶ Provide awareness and training on the use of personal protective equipment (PPE) and clean production measures among workers.

To ILO

- ▶ Strengthen engagement with sectoral stakeholders at all levels to promote compliance with national and international standards in the sector.
- ▶ Assist the tripartite constituents in developing effective national policy on OSH and in extending effective OSH protection measures into small enterprises.
- ▶ Strengthen the capacity of government, industry, enterprises and workers' organizations to comply with national and international standards, including OSH and Guiding Principles for Business and Human Rights.
- ▶ Raise awareness on the positive relationship between OSH and productivity, and the immediate and long-term benefits of cleaner and safer production in terms of protecting human health (that is, treating illness is more expensive than preventing it). Raise awareness of how to improve product quality through improving (human) resources.
- ▶ Support the promotion of collective agreements on wages and working conditions.
- ▶ Conduct further research, including quantitative analysis of changes in labour rights, industrial relations and environmental protection and their benefits to stakeholders along the supply and value chains.

1

▶ Introduction



The ILO's International Labour and Environmental Standards Application in Pakistan's Small- and Medium-sized Enterprises (ILES) project aims to help tripartite constituents and other stakeholders to strengthen the compliance of national labour and environmental practices with international standards. The project promotes sustainable and inclusive growth in Pakistan by supporting integration into global and regional economies. Partners of this project include the Ministry of Overseas Pakistanis and Human Resource Development, the Sindh and Punjab Provincial Departments of Labour, Provincial Departments of Environmental Protection, the Ministry of Climate Change, the Pakistan Workers' Federation, the Employers' Federation of Pakistan, and industrial and trade associations from the textile and leather sectors and other trade unions.

In January 2014, Pakistan was awarded Generalized Scheme of Preferences Plus (GSP+) status by the European Union (EU), allowing it access to tariff-free exports to the EU market. However, Pakistan's status is conditional on the improved implementation of its international obligations, including those relating to environmental and labour standards. ILES activities therefore include support for the promotion and implementation of and compliance with international labour and environmental standards through the application and enforcement of national legislation and standards by the public and private sectors in Pakistan.

ILES focuses on Pakistan's two most important export-oriented sectors: the textile and leather industries, which contribute around 8.5 and 4 per cent to GDP, respectively, and provide important employment opportunities. The project's target beneficiaries are the workers in selected textile and leather enterprise as well as the enterprises themselves, trade associations, chambers of commerce, international buyers, workers' organizations, government officials and the media.



1.1. Scope and purpose of the study

This research was commissioned by the ILO as part of the ILES project to improve knowledge of the leather sector and to refine the ILO's strategy for engagement with government, enterprises and relevant business associations and trade unions. The study was commissioned to map the leather sector, from leather tanning to manufacturing of leather goods, and to provide insights into the processes involved and the dynamics of the leather value chain.

This report provides a reference point for stakeholders engaged in supporting Pakistan's small- and medium-sized enterprises (SMEs) to improve their labour and environmental compliance standards, sustainability and competitiveness. The report provides an overview of the tanning and leather goods sector and value chain, and provides recommendations for engagement with sectoral stakeholders to improve compliance in the sector. In addition, the report identifies opportunities for macro level areas of leverage to drive improved compliance with national and international labour standards (including market access and preferential tariff treatment) as well as micro-level interventions to strengthen the capacities of enterprises to comply with national and international labour and environmental standards.

1.2. Key research questions

The research questions that were used to develop the qualitative methodology and further developed and responded to in this report are as follows:

Research question 1:

What are the prevailing business practices in the leather sector and how do they differ at each stage or different tier of the value chain?

Sub-questions:

- a. What are the current recruitment and employment practices at different stages and tiers of the value chain?
- b. What are the current health and safety practices at different stages and tiers of the value chain?
- c. What is the impact of these current practices on working conditions?
- d. Have there been any changes in these practices since 2014? And if so, what are the impacts of these changes? And what has driven these changes?

This first research question is focused on understanding existing practices in the leather sector at different stages and tiers of the value chain. It captures data on existing practices and levels of compliance with national labour laws and regulations, and national environmental and occupational safety and health (OSH) laws and regulations. It addresses questions in relation to employment relations within the sector.

Research question 2:

What are the dynamics between the different stakeholders in the leather value chain?

Sub-questions:

- a. What are the barriers to labour and environmental standards compliance? How do they differ at each stage or different tier of the value chain?
- b. How do relationships between different stakeholders' impact on labour and environmental standards compliance?
- c. Which stakeholders have the potential to exert influence at the meso-level to drive improvements in compliance? What, if any, are the limits to their influence?
- d. Which stakeholders have the potential to change the macro environment to create a culture of compliance in the sector? What, if any, are the limits to their sphere of influence?
- e. What stakeholder partnerships can amplify their influence in driving increased compliance?

This research question considers the relationships and dynamics between producers, suppliers and buyers in the leather value chain at different tiers. This question is directed at commercial relationships and situates the leather sector in the broader economy of Pakistan. It also examines potential areas of leverage between different stakeholders in the value chain, and their impact on the labour and environmental compliance of individual enterprise owners. This question also seeks to identify different levels of interventions and their potential effectiveness.

The remainder of the report is structured as follows:

- ▶ Chapter 2 gives an overview of the methodology used for the study.
- ▶ Chapter 3 provides an overview of the tannery and leather value chain processes, its stakeholders, dynamics and challenges.
- ▶ Chapter 4 describes existing labour practices in the tannery and leather sector, key areas of non-compliance and identifies potential areas of leverage.
- ▶ Chapter 5 provides insights into existing environmental practices in the tannery and leather sector, key areas of non-compliance and potential areas of leverage.
- ▶ Chapter 6 reviews the findings of the study, providing recommendations at the macro and micro levels and identifying opportunities for engagement with sectoral stakeholders to improve the competitiveness and sustainability of the leather sector through increased compliance with national and international labour standards.

2

▶ Methodology



The study adopted a mixed methodology approach, using qualitative methods including a literature review, focus group discussions (FGDs) and key informant interviews, supported by quantitative secondary data where available.

The fieldwork was conducted by local consultants in Karachi, Kasur, Lahore and Sialkot between February and October 2021, using the research tools available in Annexes 1–3 below. Interview notes and recordings were translated and transcribed. The interview notes and transcripts were analysed using a thematic analysis approach, and the results triangulated with the findings from the literature review.

2.1. Literature review

A literature review was conducted using open and subscription databases, including Scopus and ProQuest, to identify papers related to the leather and tannery industries, labour and environmental conditions, and challenges in the sector, with a focus on Pakistan. Grey literature was sourced through the ILO and other international organizations, including the World Bank. The desk review included:

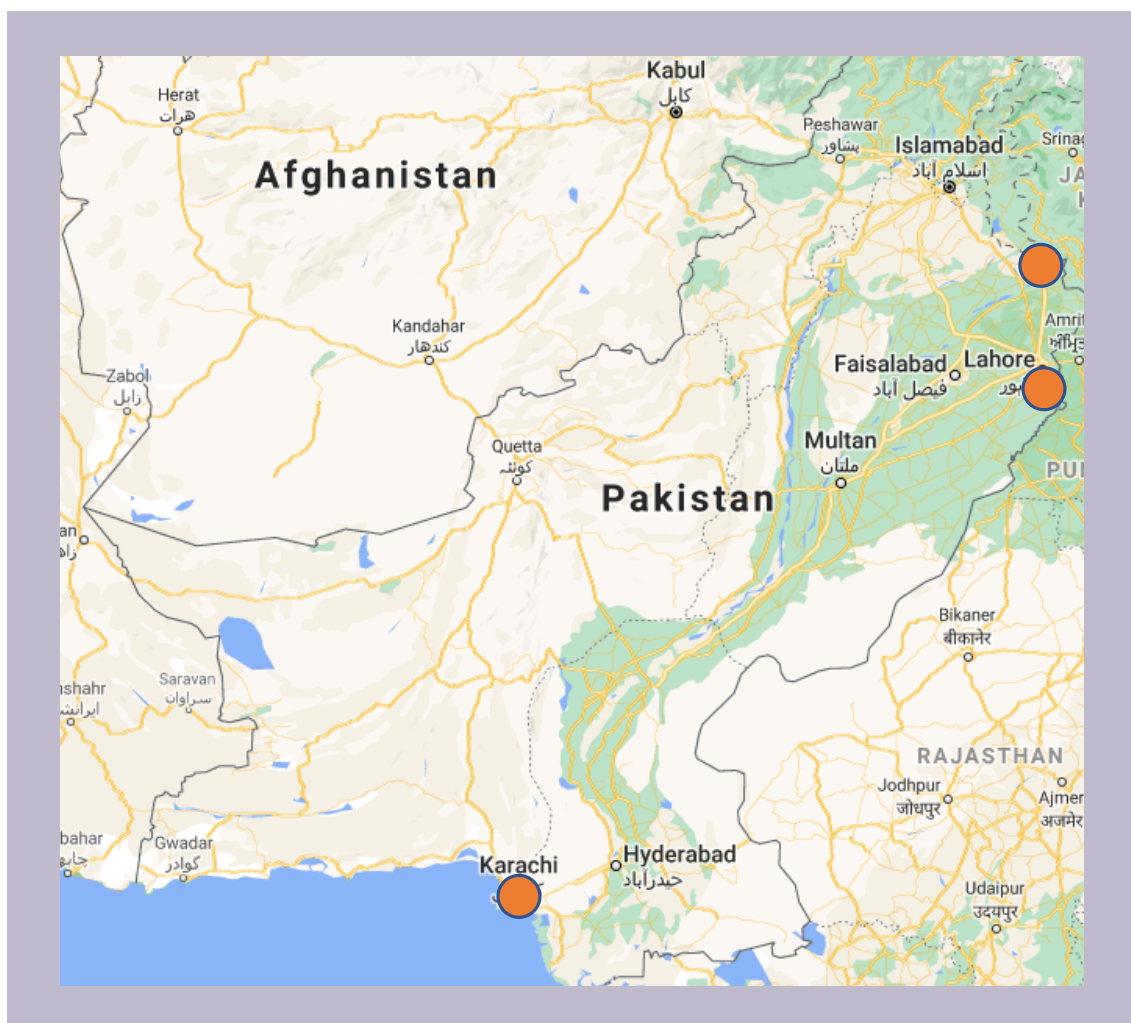
- ▶ research and studies from the international development community on the leather sector in Pakistan;
- ▶ reports and assessments produced by commercial and financial institutions on the leather sector;
- ▶ government policies at the federal and provincial levels that impact the leather sector, including labour, environmental and trade policy documents;
- ▶ Pakistan Government statistics and reports;
- ▶ EU statistics and reports;
- ▶ corporate documents of industry associations and/or specific private sector entities, including annual reports, corporate social responsibility reports, public statements in relation to business and ethical practices;
- ▶ academic papers; and
- ▶ news articles and press conferences.

2.2. Fieldwork

Geographically, the Pakistan leather and tannery industry is concentrated in and around Sialkot and Kasur near Lahore in Punjab, and Karachi in Sindh. Based on the preliminary research findings and in consideration of constraints in time and resources, as well as COVID-19 limitations, fieldwork was conducted in the following locations:

- ▶ Lahore, where the Punjab Provincial Government, industrial associations and exporters, and trade unions are based, and where many leather goods manufacturers are located;
- ▶ Sialkot, an area with a cluster of leather sector enterprises (particularly tanneries) and the site of the new Sialkot Tannery Zone (STZ) initiative of the Punjab Government;
- ▶ Kasur, another cluster of leather sector enterprises and small-scale tanneries;
- ▶ Karachi, where the Sindh Provincial Government, industrial associations and exporters, and trade unions are based, and where many leather goods manufacturers are located.

Figure 1. Fieldwork locations in Pakistan



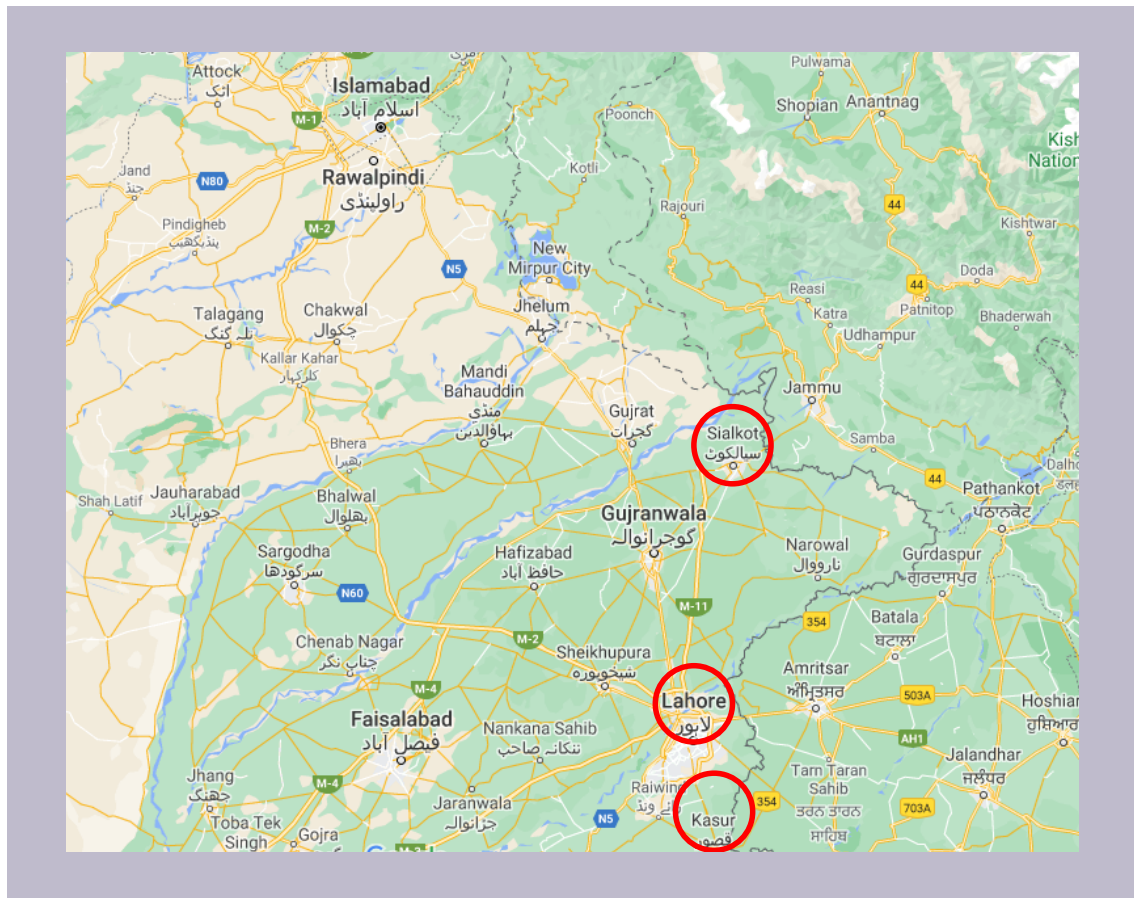
Sialkot is located in north-east Pakistan, 130 kilometres north of Lahore, the provincial capital of Punjab province, and industry associations are based in both cities, as well as in Kasur, a town roughly 50 kilometres south of Lahore that hosts a high concentration of tannery and leather enterprises. Punjab is the wealthiest province in Pakistan, with the highest labour force participation rate; however, its workers receive the lowest monthly earnings in the country (ILO 2020).

In Sindh Province, seven interviews and one FGD were conducted. Facilitated by the World Wide Fund for Nature (WWF), three interviews were conducted in Sialkot between February and October 2021 with:

- ▶ Pakistan Gloves Manufacturers and Exporters Association (PGMEA)
- ▶ Sialkot Tannery Zone (STZ)
- ▶ Private enterprise (1x)

In Kasur, three interviews and an FGD were conducted:

- ▶ FGD with two workers
- ▶ individual worker interviews (3x)

Figure 2. Locations of Sialkot, Lahore and Kasur in Punjab

In Lahore, one interview was conducted with:

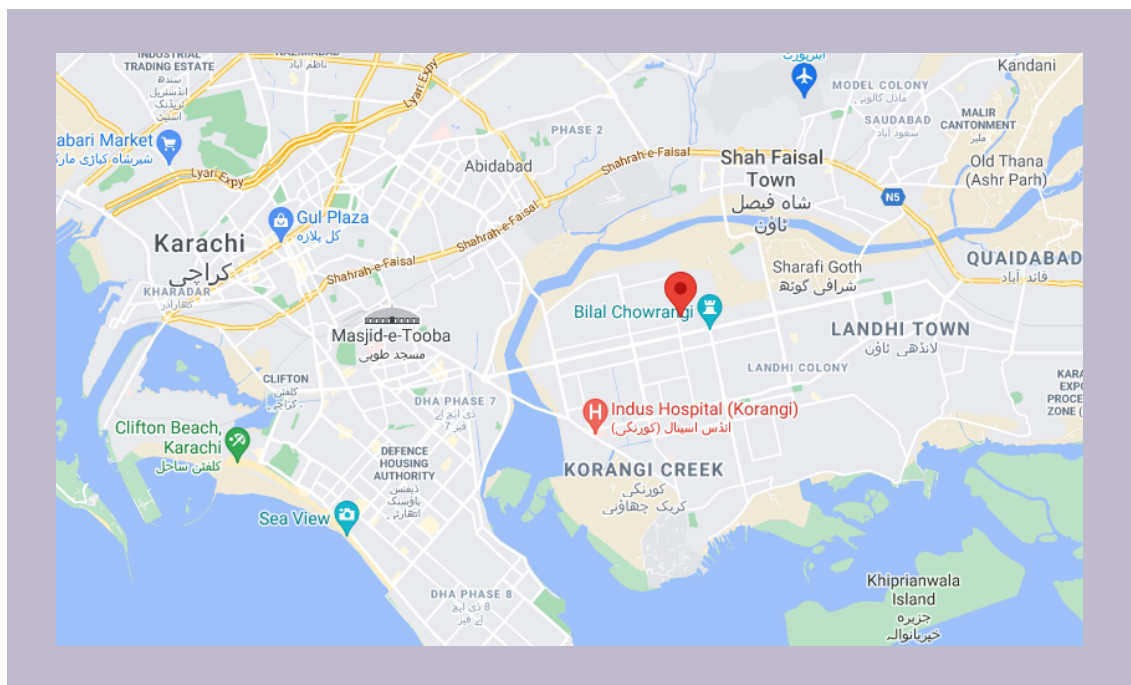
- ▶ Pakistan Workers Federation (PWF)

Karachi is the most populous city in Pakistan, briefly serving as the country's capital following independence, and it is currently the capital of Sindh Province in the south-east of the country. Due to its important economic position, Karachi is a magnet for migrant workers in its industries, with the tannery and leather industry a significant contributing sector. The ILO (2020) previously found that incidence of excessive working hours was highest among Sindh workers and most common among those working informally outside labour laws.

In Karachi, nine key informant interviews and two FGDs with workers were conducted. Key informant interview participants were selected through the industry contacts of a locally recruited researcher, and workers for the FGDs were selected through key informants. Interviews were held with:

- ▶ Sindh Labour Department
- ▶ Pakistan Leather Garments Manufacturers and Exporters Association (PLGMEA)
- ▶ Pakistan Tanners Association (PTA)
- ▶ Employers Federation of Pakistan (EFP)
- ▶ Sindh Environment Protection Agency (SEPA)
- ▶ Muthaida Labour Federation (MLF)
- ▶ Pakistan Workers Federation (PWF)
- ▶ Private enterprises (2x)

Figure 3. Location of Sector 7A in the Korangi Industrial Zone in Karachi (allocated to leather and tannery industry)



In addition, two FGDs were conducted, one with eight and one with five workers.

The interviews involved a combination of private units currently participating in WWF initiatives and ones that are not, so as to provide a more representative sample of the sector.

2.3. Limitations

The study was conducted during the COVID-19 pandemic, which significantly hampered implementation by restricting international and national travel during lockdowns. The pandemic limited the time available for fieldwork, and restricted access to stakeholders, as factories were shut down and workers were isolating. Throughout the study, activities were continuously adapted depending on the status of the COVID-19 pandemic in Pakistan, and tools revised accordingly, which included introducing third-party transcription to mitigate reporting and interpretation bias in the interview notes and analysis results.

While qualitative research does not aim to provide generalizable research findings, acknowledging that people and phenomena depend on their context and circumstances (Taylor and Francis 2013), it highlights key areas of concern in the sector, which are applicable to similar groups in comparable situations across the country, and may be generalizable to similar contexts.

Some reporting bias could not be prevented as the literature review was conducted in English and WWF staff were present during some of the interviews conducted in Punjab Province (Sialkot and Lahore).

3

▶ Value chain –
From tanning to
leather goods



Leather is one of the most important export-oriented industries contributing to Pakistan's economy, highlighted by its renewed inclusion in the 2020 Strategic Trade Policy Framework (Abbas 2020). A sector assessment in 2013 noted that leather was Pakistan's third-largest export industry after textiles and chemicals/pharmaceutical products. Leather exports contributed up to 4.4 per cent of Pakistan's total exports in 2012, declining slightly to 4 per cent in 2020 (SOMO 2021). Around 85–95 per cent of leather produced in Pakistan is exported annually, and its share in world trade is almost 1 per cent, made up of five broad categories of products: leather gloves, finished leather, leather footwear, leather garments and apparel, and other goods, excluding leather products used as sport goods or furniture (SOMO and NOWCommunities 2016).

3.1. Processes

Turning animal hides into leather goods requires multiple processes, some of which require the handling of hazardous chemicals and heavy machinery. The value chain of leather products starts with the recovery of hides and skins from individuals slaughtering animals during religious festivals, on farms and in slaughterhouses, followed by their conversion into leather in tanneries. Tanneries require substantial investment in equipment and input from other industries, such as chemicals. The tanning process also has negative environmental impacts and generates soil, air, water and noise pollution. The conversion of raw skin into leather is divided into three sub-processes (SOMO and NOWCommunities 2016; JCR-VIS 2013):

1. **Preparation:** Wherein unwanted skin components are removed, and the skin is pre-treated. Preparation stages can include preservation (through, for instance, adding salt or chemicals), soaking, liming and deliming, fleshing, and others.
2. **Tanning:** Converting raw hide into a stable material that will not putrefy. One of the most common methods is the “wet-blue process”, which takes up to 7–8 days in total. Hides are put into large drums filled with water and chromium, which are set to spin slowly for up to 24 hours. The hides are allowed to soak in the drum, which rotates, and the chromium mixture slowly soaks through the whole hide. Afterwards, the workers take the hides out of the drum wet and blue, thus giving the process its name. Wet-blue leather is considered a semi-processed product. Chrome tanning to produce wet blue remains the most efficient way to make leather (UNIDO 2010).
3. **Crusting:** When the wet-blue hides are drained, rinsed, dried and sometimes stretched. The hides can also be shaved to even out their thickness. A number of wet finishing steps can also be taken whereby the hide is re-tanned and lubricated, or sometimes coloured. Crust leather can be a product in itself. It can also go through a process of dry finishing, which can improve the appearance and property of the skin through polishing, dedusting and flattening. Some leathers are “finished” with an additional process whereby a surface coating is applied. The leather is then ready to be used in the production of garments, shoes and other products.

The tanning stage is followed by the manufacturing of leather products. This involves (direct) dyeing and the production of finished goods from tanned leather, and is conducted in either small, labour-intensive workshops or in larger capital-intensive factories. In comparison to the tannery sector, Pakistan's leather manufacturing industry is relatively small, although precise data is unavailable (see section 3.2.1). Pattern making, cutting and stitching are the three main processes in leather manufacturing, with the latter two professions at highest risk of mechanical injury. Most small enterprises in Pakistan still rely on manual cutting. In addition

Figure 4. Tanning drums at the government-run Leather Service Centre, Kasur

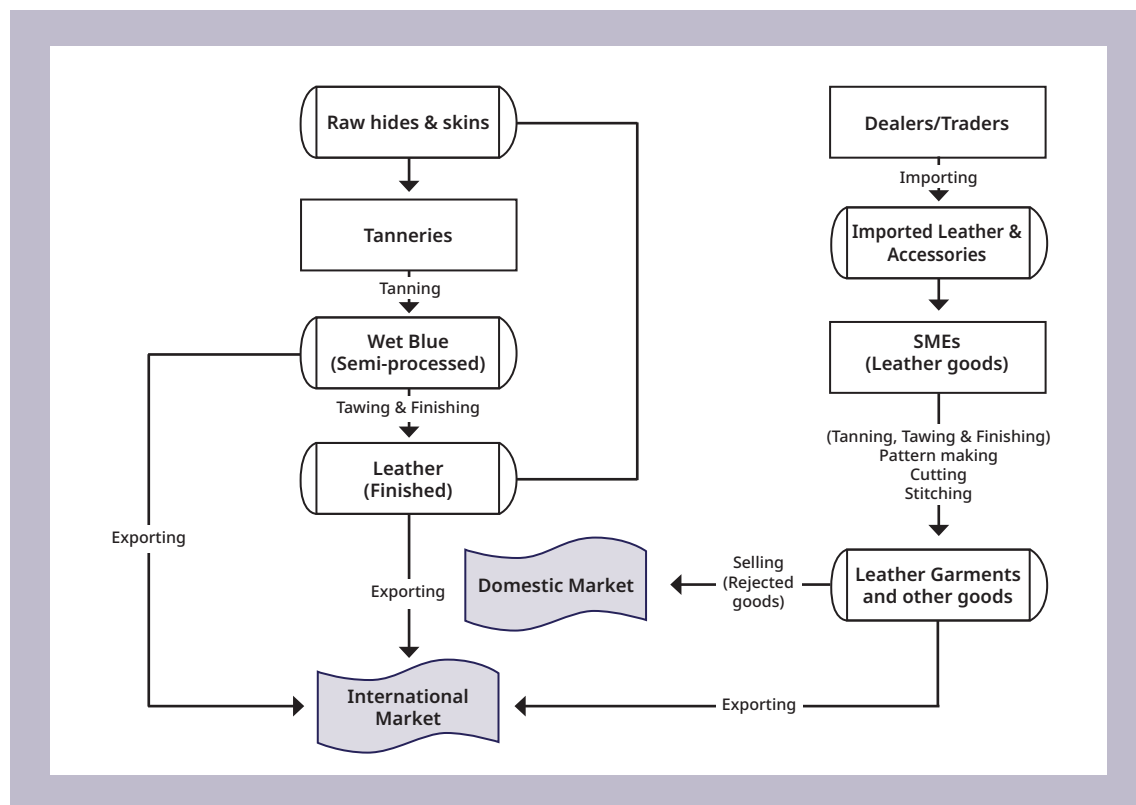


Figure 5. Equipment at the Institute of Leather Technology, Kasur



to finished leather, leather goods manufacturing requires other inputs, including fabric, linen and accessories. Most small enterprises in Pakistan will purchase these from domestic traders. Medium-sized units may import these directly. Due to the lead time required to obtain these accessories, some manufacturers lose urgent orders from clients (Japan, JICA 2018).

Figure 6. Leather and leather goods value chain



Source: Japan, JICA 2018, 31.

International marketing agents control Pakistan's output into the global supply chain through their market knowledge and sales channels; while larger brands and chain stores may have leather garments made as per their conditions and specifications directly through their buying offices in the country (Business Recorder 2021). This has resulted in a high level of dependency among tanners and leather producers on international actors (Memedovic and Mattila 2008).

3.2. Stakeholder analysis

3.2.1. Employers

In the 1980s, three decades after the initial establishment of the tannery sector in Karachi and around Lahore in the 1950s, Pakistan began to export finished leather and leather products. The sector remains concentrated in the regions of Karachi, Kasur and Sialkot, with additional tannery clusters located in Hyderabad, Lahore, Multan, Faisalabad, Gujranwala, Sahiwal, Sheikhpura and Peshawar (UN and ADB 2016). Together, the Karachi and Sialkot clusters are estimated to constitute 90 per cent of all leather production in Pakistan.

According to the Pakistan Tanners Association (PTA), there are around 800 tanneries that are engaged in producing finished leather for export (PTA, n.d.-a), an increase in the number of registered tanneries from 529 in 1999, reflecting global changes in demand for leather (SOMO 2021). Furthermore, there are a multitude of unregistered tanneries, with studies reporting at least 2,500 tanneries concentrated in Karachi (Korangi), Sialkot and Kasur (Ghafoor, Aslan, and Rasool 2012; Hashmi et al. 2017; Pakistan, TDAP 2016; UN and ADB 2016). One key informant noted that only 10 per cent of companies are formally registered, with this having indirect impacts on labour conditions and environmental health.


In Sialkot, in January 2019, 276 tanneries operated in ten clusters (Rizvi 2019). The Pakistan Leather Garment Manufacturers and Exporters' Association (PLGMEA) estimates that there are 17,000 registered leather goods exporters, of which 7,500 are in Sialkot and contribute half of all leather goods exports (Japan, JICA 2018). There are also an estimated 150 to 200 leather gloves manufacturers in Pakistan, most of them in Sialkot and export-oriented (Pakistan, TDAP 2016, 25). Footwear production, including leather footwear, is clustered in Lahore. Karachi is home to tanners and leather garment companies exporting to European retail chains and European brands, mainly producing products for private label leather jackets. Lahore and Sialkot also have their own tanneries and leather garment manufacturers (United States, USAID 2013).

Small- and medium-sized enterprises (SMEs) – that is, companies with at most 250 employees – make up the majority of tanneries, with fewer than 1 per cent employing more than 1,000 workers. The majority of tanneries employ less than 25 workers, reflecting the wider manufacturing sector in Pakistan, where 95 per cent of SMEs have fewer than 10 employees (Ortolano et al. 2014). Some larger enterprises are vertically integrated, covering tanning as well as leather production (SOMO 2021).

3.2.2. Government

The central and provincial governments of Pakistan are crucial in creating the macroeconomic environment for the leather sector. Under the Constitution, the State is declared responsible for ensuring just and humane conditions of work, providing and facilitating employment, and operating a social security system. The Ministry of Overseas Pakistanis and Human Resource Development is mandated with regulating labour issues relevant to enterprises that operate in more than one province and in the Islamabad Capital Territory. In 2006, the Federal Government issued a Labour Inspection Policy and a Labour Protection Policy, followed by a federal Labour Policy in 2010; however, implementation remains limited.

At the provincial level, the Sindh and Punjab Departments of Labour have significant regulatory authority on labour issues as a result of the devolution of powers to the provinces under the 18th Amendment of the Constitution of Pakistan. Among other responsibilities, the Provincial Department of Labour conducts inspections of enterprises within their jurisdiction. Following devolution, the Sindh Factories Act (2015) was developed, which includes provisions on inspections, health and safety, working time, leave and child labour. This was followed by the Sindh Employees' Social Security Act (2016), which introduced a social security scheme for the provision of benefits to certain employees or their dependents in the event of sickness, maternity, employment, injury or death. In Punjab, the Factories

 the State is declared responsible for ensuring just and humane conditions of work, providing and facilitating employment, and operating a social security system.

(Amendment) Act (2012) amended the previous Factories Act (1934) into one specifically geared towards the province; while the Punjab Industrial Relations Act (2010) regulates the “formation of trade unions and trade union activities, relations between employers and workmen and the avoidance and settlement of any differences or disputes” (Preamble).

In 2018, Sindh, Punjab and Khyber Pakhtunkhwa each developed their own provincial Labour Policies. A number of institutions are responsible for administering laws and implementing policies in the provinces, including Provincial Departments of Labour responsible for developing regulations, while Labour Inspectorates, Labour Courts, Labour Appellate Tribunals, Minimum Wages Boards, Workers’ Welfare Boards, and provincial Employees’ Social Security Institutions (ESSIs) implement and monitor policies (ILO 2020). The latter fall under Pakistan’s Social Security Scheme, established in 1967 and supported by the ILO. Its primary function is the provision of medical care to workers and their dependants, with over 70 per cent of its budget spent on healthcare facilities.

The Ministry of Climate Change was formed in 2017 to lead the Government’s efforts in climate change adaptation and to promote a clean and green environment. The Pakistan Environmental Protection Agency (Pak-EPA) is a department under the Ministry and has been mandated to implement the Pakistan Environmental Protection Act (1997), which provides for: the protection, conservation, rehabilitation and improvement of the environment; the prevention and control of pollution; and the promotion of a sustainable environment. However, despite the Pak-EPA’s mandate, there are reports that its inspectors have been denied access to industrial units in violation of Supreme Court orders (Shahid 2018). At the provincial level, the Sindh and Punjab EPAs are responsible for implementing environmental protection including provincial environmental quality standards and other national legislation.

The Cleaner Production Institute (CPI) and the Cleaner Production Center (CPC) are non-profit organizations promoting environment-development projects, and provide services to 45 national and 222 local leather tanneries (Ortolano et al. 2014).



3.2.3. International stakeholders

The international development community has been actively supporting the reform of Pakistan's leather sector. In addition, the WWF, the United Nations Industrial Development Organization (UNIDO), the German Agency of International Development (GIZ), the Japan International Cooperation Agency (JICA), and the US Agency for International Development (USAID) have initiated a variety of projects to support the sector over the last decade. Many of these projects have studied the barriers to growth in the sector. Both USAID (2013) and JICA (2018) have conducted value chain assessments and made recommendations to support SMEs in the sector, who produce the bulk of sectoral output.

A leading organization providing environmental certification to the leather manufacturing industry is the United Kingdom-based private sector multi-stakeholder Leather Working Group (LWG), a non-profit established in 2005, with over 1,000 members across the leather supply chain. The group promotes sustainable and appropriate environmental business practices within the leather industry. Its primary services include the LWG Leather Manufacturer Audit Protocol, launched in 2006, to assess the environmental performance and compliance of tanneries, and the LWG Trader Audit Protocol, launched in 2015, to facilitate traceability through the supply chain. In 2017, the LWG Chemical Management Module, was launched, which assesses a leather manufacturer's use, management and disposal of chemicals within their facility.

LWG audited tanneries represent approximately 20 per cent of the world's production of footwear leather and 16 per cent of total leather volume. The LWG's "subscription members" include brands, suppliers, associations and traders, which fund the audits of leather manufacturers, traders and subcontractors, which are classified as "audited members". Rapidly increasing its reach in Pakistan, LWG audited member numbers increased from 6 in December 2020 to 14 by September 2021. These members were audited against LWG standards, with five receiving a "Gold" rating and six a "Silver" rating (LWG 2020; LWG, n.d.).¹

▶▶ the WWF, the United Nations Industrial Development Organization (UNIDO), the German Agency of International Development (GIZ), the Japan International Cooperation Agency (JICA), and the US Agency for International Development (USAID) have initiated a variety of projects to support the sector over the last decade.

3.2.4. Industry organizations

The Employers' Federation of Pakistan (EFP) is the only employers' organization in Pakistan that is a member of the International Organization of Employers. The EFP has around 800 enterprises as members as well as 28 institutional members that include various commerce chambers and industrial associations. The EFP estimates that 2.5 million workers in Pakistan are covered by its enterprise and institutional members. Industry associations in the leather

¹ <https://www.leatherworkinggroup.com/>

sector have noted the decline in exports and have led efforts to improve competitiveness on the export market. In particular, the Pakistan Tanners Association (PTA), based in Karachi, is a vocal advocate for the industry, with around 200 members (PTA, n.d.-b). The PTA has established several committees to solve disputes – for instance a utility committee and an arbitration committee – and attends international fairs and exhibitions to introduce manufacturers to buyers.

Local industry associations are active in key clusters of the sector, for instance the WWF estimates that there are currently six active leather tanning associations in Sialkot. Most prominent among them are the Sialkot Tannery Association, the Sialkot Chamber of Commerce and Industry, and the association of the Sialkot Tannery Zone (STZ). Following a lengthy process of land allocation, fundraising and building infrastructure, in January 2019, the STZ gained support from the Punjab Government. The aim of the STZ is to relocate tanneries from urban centres to a designated leather industrial zone with industrial facilities designed to limit the impact of environmental hazards from

the production process, such as a common effluent treatment plant, solid waste disposal and waste collection systems. Almost 400 acres were allocated to the STZ, and SMEs are encouraged to relocate through subsidies; however, few SMEs have successfully relocated thus far (Rizvi 2019). Other relevant industry associations include the Lahore Chamber of Commerce and Industry and the Small Tanners Association in Kasur.

Among leather goods manufacturers and exporters, the Pakistan Gloves Manufacturers and Exporters Association (PGMEA) in Lahore and the Pakistan Leather Garments Manufacturers and Exporters' Association (PLGMEA), with a central office in Lahore and another in Karachi, are active proponents for Pakistani leather exports. In some cases, the PGMEA also provides certifications for exports (Pakistan, TDAP 2016, 26). To become a member of the PLGMEA, enterprises need to be both a manufacturer and an exporter, with a sales tax registration and a National Tax Number.

 **The Employers' Federation of Pakistan (EFP) is the only employers' organization in Pakistan that is a member of the International Organization of Employers.**

3.2.5. Workers' organizations

The extent of trade unionization among leather workers is unclear. However, previous research suggests that trade unionization levels are low and enterprises in the leather sector often resist worker attempts to organize. Specifically, workers have reported being subject to retaliatory behaviour and penalties for participating in trade union activities or unionizing (SOMO and NOWCommunities 2016). Nevertheless, the Pakistan Worker's Federation (PWF) and the National Trade Union Federation of Pakistan (NTUF) are active advocates for workers in Pakistan. The NTUF, in particular, has worked closely with informal and home-based workers in Karachi. Neither the NTUF nor the PWF currently have any members in the leather and tannery sectors. The smaller Muthaida Labour Federation has only one member in the industry. In factories where workers are not unionized, Workers Councils may act as intermediaries for grievances between workers and managers/employers. Some employers have established their own "pocket unions", which prevent effective representative unionization.

3.3. Dynamics

The leather industry is a highly globalized industry, with considerable long-distance movement of raw materials and intermediate and final products. According to the International Council of Tanners, Pakistan is the 12th largest producer of leather in terms of millions of square feet, and among the top 30 producers of bovine, sheep and goat hides and skins in terms of number of pieces. By 2016–17, Pakistan was the sixth largest leather exporter in the world, with 5.1 per cent of global export market share (JCR-VIS 2017). The leather sector was second only to the textiles in terms of importance to the country's exports. However, Pakistan's share of the global market is declining.²

In 2014, Pakistan was awarded GSP+³ status by the European Union, allowing it access to tariff-free exports to the EU market – 20 per cent of Pakistani exports were allowed to enter the EU market at zero tariff and 70 per cent at preferential rates – resulting in an immediate increase in the volume of exports. Having declined in the years since 2008, when the export value of leather products stood at around US\$1.22 billion, in absolute terms, 2014 was a watermark for the export of leather and leather products for Pakistan and brought in around US\$1.28 billion. Although the appreciation of the rupee and the real effective exchange rate challenged exporters after the implementation of GSP+, a sales tax exemption in 2016–17 increased leather exports (Punjab Board of Investment, 2018). However, in the following five years, exports of leather and leather products declined gradually. A 2017 sector assessment noted that 2014–16 were in fact some of the toughest years for the industry, with export values falling 25 per cent. In 2015–16 leather exports further declined by 26 per cent, with leather apparel and clothing exports declining by 12.4 per cent, leather gloves exports by 11.45 per cent, leather footwear exports by 18.80 per cent and exports of other leather products by 6.25 per cent. The decline was partly attributable to a global recession, but also to a reduction in demand for leather (JCR-VIS 2017). However, internal conditions in Pakistan, including the ongoing energy crisis, also contributed to the decline.

▲▲ According to the International Council of Tanners, Pakistan is the 12th largest producer of leather in terms of millions of square feet, and among the top 30 producers of bovine, sheep and goat hides and skins in terms of number of pieces.

Until 2016 the average decline in the exports of leather products stood at 18 per cent (Government of Pakistan 2016)⁴. The first six months of the 2018–19 fiscal year again showed a significant contraction for tanned leather and leather goods exports compared to the same period of the previous year (Government of Pakistan, 2019)⁵. In 2019, the cost of chemicals used to preserve and prepare leather went up manifold due to negative exchange rates, resulting in a decline in manufacturing and an increase in the cost of finished leather. By consequence,

2 <https://leather-council.org/>

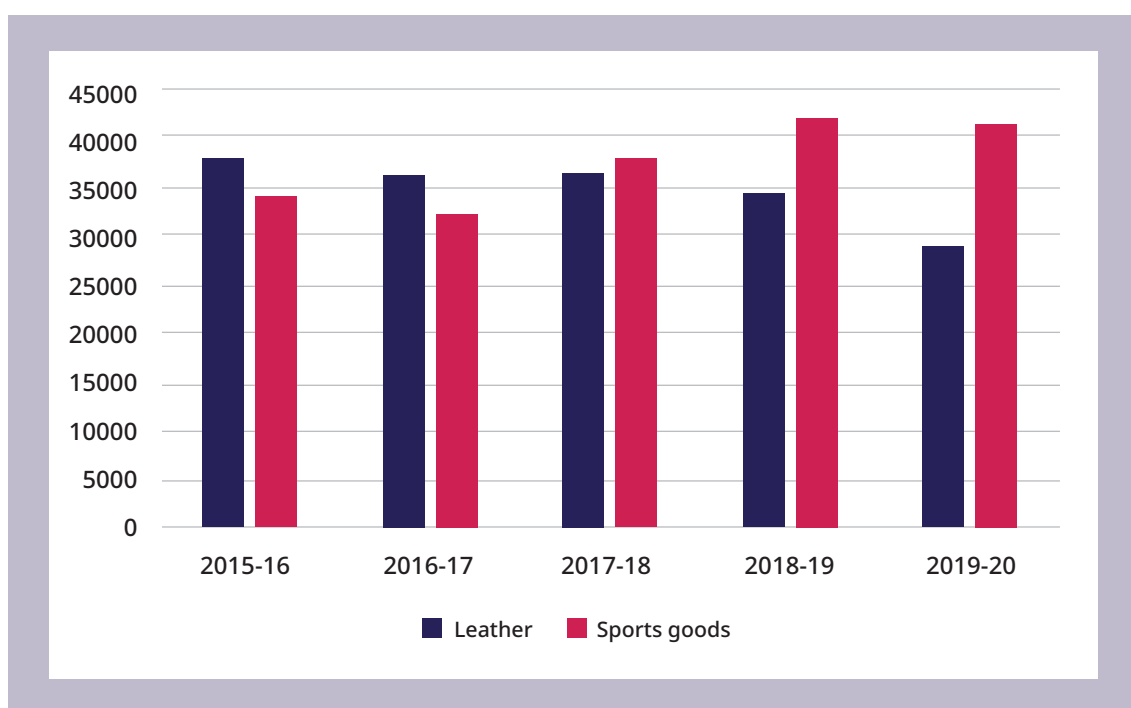
3 The GSP+ scheme offers a special incentive arrangement for sustainable development and good governance, reducing tariffs for low and lower-middle income countries on the condition they implement 27 international Conventions related to human rights, labour rights, protection of the environment and good governance.

4 Pakistan, Finance Division, Economic Adviser's Wing, *Pakistan Economic Survey 2016-17*, 2017.

5 ———, "Trade and Payments", in *Pakistan Economic Survey 2016-17*, (2017), 127-145.

the leather goods sector registered a negative growth of 8.4 per cent in value. Tanned leather exports also dropped by 22 per cent in value and 19 per cent in volume (Pakistan, Government of Pakistan, Finance Division 2019). Leather exports contributed less than US\$850 million to the national economy in 2018–19.⁶ With the exception of leather footwear and leather gloves, all subsectors showed negative growth, with an overall export change of negative 11 per cent. According to the Economic Survey of Pakistan in 2019 the sector had a negative growth rate of 7.9 per cent, with its export share down to 4.3 per cent (Government of Pakistan, 2019)⁷. The average export price of tanned leather decreased to US\$11.80 per square metre from US\$12.60 per square metre a year earlier, with the average export unit price of leather apparel and clothing falling 21.2 per cent to US\$256.30 from US\$294.40 within a year. Leather footwear exports, however, increased in value by 11 per cent and were worth US\$106 million. Leather gloves also grew by almost 1 per cent (Pakistan, TDAP 2019).

Figure 7. Export data for leather and sports goods, 2015–16 to 2019–20 (in million rupees)



Source: <https://www.pbs.gov.pk/trade-tables>.

While according to the Trade Development Authority of Pakistan, the first six months of the 2019–20 fiscal year showed more positive signs in some subsectors, including leather apparel and clothing and leather gloves exports, tanned leather exports dropped again by 19 per cent (Pakistan, TDAP 2020). In the third quarter of 2020, the Pakistan leather sector export declined by almost 7 per cent compared to the same period in 2019; while finished leather product export value declined by almost 50 per cent. These developments were attributed to US and China tariff barriers and the COVID-19 pandemic in importing countries (Riaz 2020). The pandemic has also caused cash flow issues in the sector, as customers delay payments and freight charges have increased significantly (Omer 2020).

6 Specifically, leather exports contributed US\$843.9 million (PTA 2019; Pakistan, TDAP 2019).

7 Pakistan, Finance Division, Economic Adviser's Wing, "Trade and Payments", in *Pakistan Economic Survey 2018-2019 (2019)*, 115-139.

Despite its downward trend, Pakistan's leather sector has long been identified as one with strong potential for growth and development. The Government offers a range of financial incentives to encourage the export of leather and leather products, including tax and custom duty exemptions, deferments, and sales tax concessions and rebates. Tanning equipment can be imported duty free, while the export of raw hides and skins has been banned (Ravi Magazine 2017). As World Trade Organization signatory competing countries imposed heavy duties or complete bans on exporting wet blue, Pakistan was adversely affected by a lack of availability of wet blue, the raw material needed to make leather (UN and ADB 2016). In response, the Government banned the export of wet-blue from cow hides and levied a 30 per cent export duty on the export of wet-blue from goat/ sheep skin and buffalo hides (Ravi Magazine 2017).

Pakistan currently exports a small volume of leather products to the United Kingdom and Germany, after losing markets in Italy, China and the United States. Meanwhile, an untapped market is South Asia's intraregional trade, which amounted to US\$63 million in 2010, with potential trade estimated at US\$205 million. Pakistan only exports around 10 per cent of tanned leather to the region, and intraregional foreign direct investment is almost nonexistent in the leather industry, even though there are opportunities for improving cost efficiency, technology sharing and the use of economies of scale (UN and ADB 2016).

3.4. Challenges

In its 2010 report Future trends in the world leather and leather products industry and trade, UNIDO considered Pakistan to have:

- ▶ good supply of raw material;
- ▶ well established tanning centres in Karachi and Lahore with strong exports;
- ▶ some clusters for gloves and garments (Karachi and Sialkot);
- ▶ lower-quality garments made from imported lower-grade African raw materials; and
- ▶ some significant environmental issues (UNIDO 2010, 33).

While the report predicted an increasing role for Pakistan in the supply of leather goods, relying on its strengths in raw material supply – based on its significant cattle and buffalo production and high-quality goatskin – the potential for good quality finished product exports has diminished, as lower-grade raw produce was imported to meet the demand for garments. In fact, an on-going challenge for the sector is raw hide supply, due to the low standard of livestock rearing, a lack of livestock registration, high livestock prices (particularly in times of disease), and the smuggling of live animals to Afghanistan. Pakistan's peak season for leather collection is during Eid-ul-Adha, the Muslim religious festival when large quantities of animals are sacrificed. This occasion account for nearly 13 million skins and hides, or 40 per cent of the total raw material collected from domestic sources (Pakistan, PBIT 2018, 5)⁸. The system of collection of animal hides and skins from markets is inefficient, however, and a lot of hides go to waste due to careless slaughter practices, a lack of proper conservation, and broken cold chains, especially when Eid falls in the summer months. Although Pakistan is in theory one of the largest producers of animal hides in the world, it still imports around 30 to 40 per cent of raw leather for its production of leather goods (Pakistan, PBIT 2018; United States, USAID 2013).

8 Punjab Board of Investment and Trade (PBIT): <http://www.pbit.gop.pk/system/files/Spotlighting%20The%20Leather%20Industry%20of%20Pakistan.pdf>

The government strategy aims to increase manufacturing based on the availability of domestic raw material, available expertise and low-cost labour, which – combined with the country's strategic location – offer potential for growth in the leather sector. However, with only 14 leather manufacturers in Pakistan being members of the Leather Working Group, international reach of the sector is limited (Babar 2019). A USAID-funded sector assessment found that the sector has “failed to achieve its export potential, because of an inability to meet the quality requirements of the export markets, its low productivity, poor environmental compliance, and limited product diversification” (Austin 2010, as cited in United States, USAID 2013, 47). A later survey in 2013 reiterated these findings, noting that little had changed in terms of addressing environmental issues or upgrading technology and equipment (United States, USAID 2013). In 2018, a study by JICA noted that while animal hide and skins in Pakistan are naturally of high quality, raw skins are often damaged due to parasitic scars and mechanical cuts resulting from the slaughtering process. These factors result in significant loss and wastage. In addition, the study repeated earlier findings that the equipment and machinery used by most SMEs are outdated and lead to low productivity (Japan, JICA 2018, 30–31).

▶▶ Pakistan's peak season for leather collection is during Eid-ul-Adha, the Muslim religious festival when large quantities of animals are sacrificed. This occasion account for nearly 13 million skins and hides, or 40 per cent of the total raw material collected from domestic sources



The main sectoral challenges are therefore related to high costs, a scarcity of skilled labour, in particular in the leather sector, and the need to upgrade machinery and infrastructure (UNIDO 2010). Most existing tanneries in the region use outdated technology, which affects workers' health and safety, and prevents them from producing good quality leather. The tanneries require high capital investment and research and development to improve their production process (UN and ADB 2016). These issues are repeatedly highlighted by stakeholders across the sector. Quantity- and quality-related problems dominate the leather production stage, whereas management and design skills issues dominate the higher value-added stages. Rising prices for chemicals, energy and freight have increased the cost of tanning. Meanwhile, the PLGMEA noted the need for upgrades in equipment and technology, such as 3D design software, multifunctional and efficient stitching machines, and laser cutting machines (Memedovic and Mattila 2008).

There are few vocational training institutes providing skills to workers in the leather industry, and companies remain largely dependent on unskilled and semi-skilled workers, with the majority educated below grade 10. If funding is available, owners and managers prefer to provide their relatives with international training abroad, rather than training their employees, as they fear that skilled personnel might be poached by competitors (Ravi Magazine 2017). This was confirmed by key informants, who noted the ample employment opportunities in the sector, with some employers matching salaries offered by the competition, except in Kasur.

High tariffs, especially in finished leather products, have been one of the major impediments to intraregional trade. While export-focused trade policies are in place, inadequate funding remains a challenge, including funds for quality control and compliance certificates. While the leather industry was exempt from sales tax in the federal budget (2016–17) and manufacturers received financial incentives in the form of duty drawback and export rebates, refund delays have hampered investment and slow down the production process. Meanwhile, there is concern that taxes and tariff and non-tariff barriers may lead to corruption and tax revenue loss. Lacking investment, most tanneries produce low-to-average quality leather, losing out on the market for high value-added leather products. The average per-unit price of both tanned leather and leather products is low, resulting in little profit.



Box 1. Case study:

The challenges of a large manufacturer

Company A has an annual turnover of over 500 million Pakistani rupees – roughly US\$3 million per annum. The company started manufacturing and exporting leather garments in 1984, and currently employs 300 workers. It rents premises in Karachi's Korangi Industrial Zone for its tannery. Its products are among the most expensive leather exports in the country, with jackets costing between US\$65 and US\$200. All of its products are currently exported to Europe, with the vast majority (80 per cent) going directly to stores. The company works with around a dozen buyers, the majority of which they have worked with since the company's inception. Each buyer requests different but similar product certifications as a prerequisite, which includes compliance with national laws and regulations, although this is rarely extended to the company's suppliers. While previously the company mainly dealt with middlemen with whom they had long lasting relationships and regular mutual visits, recently importing companies in Europe started using their own buyers, which change position every couple of years, which is considered a challenge.

Highlighting the lack of available raw products in Pakistan, almost all of the company's inputs are imported: from leather and accessories, up to the chemicals used in the tannery. Wet blue is mainly imported from Iran, New Zealand and the Middle East, as products are primarily made from sheep skin, which is not readily available in Pakistan. In addition, there is a lack of availability of high-quality accessories, with most products imported from China, although with the added benefit that these are already certified. Sometimes suppliers are nominated by the buyer. The company relies on eight to ten suppliers for leather, and a handful of suppliers for other products. The current practices by buyers to provide short lead times are a major impediment to the company's production and growth. While COVID-19 im-

acted the production line, as lockdowns in Europe meant the spring collection did not get sold and new orders were delayed, over the past year sales have barely been impacted, as lockdowns in India meant that goods were ordered from Pakistan instead. In fact, leather garment sales grew by 14 per cent compared to 2018–19 levels; however, this is expected to just be a short-term increase.

Obtaining skilled labour is a major challenge to the company and the wider industry, with a particular shortage of cutters and stitchers, who are enticed to work in exchange for free loans and other benefits. Currently, the company employs 30 workers in tanning, 140 in stitching (the only piece rate workers), and the rest in cutting, packing and office staff. Supervisors are educated up to a minimum of matriculation. The number of female workers is less than 3 per cent, a steep decline from previous years, as many have moved on to the textile industry, which provides more secure, year-round jobs. While a large percentage of workers (60–70 per cent) have been with the company for over ten years, piece rate workers move between factories according to seasonal demand and are recruited through word-of-mouth. All workers have appointment letters and company ID cards. Most are paid monthly, although piece workers are paid weekly or biweekly, and pay deductions are only made if workers arrive consistently late for more than four days. Workers are registered in social security schemes, and receive pensions and insurance. All workers receive training in fire evacuation drills, firefighting and first aid. The company has no trade union, but instead a Workers' Council, and management expects workers to approach them directly if they have any complaints. Inspections occur regularly from the Labour Department as well as other departments, including environmental, electrical and so on.

Box 2. Case study:

A tannery in decline

Company B is located in the Korangi Industrial Area in Sector 7A, which was assigned specifically to the leather and tannery industry and has a combined wastewater treatment plant. The tannery, which started its business 20 years ago, currently exports leather at a value of US\$300,000–400,000 per annum, which represents a decline of over 50 per cent in the last decade. The company primarily produces cow hide leather, which is less often used in local leather production, and employs fewer than a dozen employees, with a high turnover of 50 per cent. Most of the work is currently outsourced to other factories that have the required machinery. Workers are recruited “at the gate”, and work eight hours a day, six days per week for monthly salaries above minimum wage, without other benefits, and no contract. With so few workers, they have never been inspected by the Labour Department. Contractors are only hired when necessary.

For the tanning process, raw skin is bought during Eid from local charities, which is salted and resalted to enable preservation of the skin for up to 30 days. During summer, additional chemicals are required to prevent heat damage. The raw skin is then processed into wet blue in about a week, through rehydration, liming (dehairing) and

removing any leftover flesh. Subsequently, the leather is delimed, bated and pickled in water and chemicals, followed by chrome tanning. Currently, much of the work is done manually, as good machines are too expensive and cheaper options do not produce a quality product. Finally, the skin is either dyed directly or through crusting, during which the skins are made white before painting, and finished into the appropriate size and thickness. To ensure compliance with international environmental standards, chemicals are imported from Italy from 15–16 suppliers, and these have been pre-tested and certified for the European market. While the company previously lost potential buyers as it lacked certifications, existing buyers focus solely on the product quality. Membership in the Leather Working Group is considered too expensive.

The main challenges to the company are the decreased demand from the Chinese market, starting in 2013, and more recently the COVID-19 pandemic, which has made travel to meet potential trading partners at trade fairs impossible. Without long-standing relationships with buyers, trade fairs are essential to obtaining new business contracts. A recent lack of gas has further hampered the company's operations.

4

▶ Decent work



The tanning and leather industries are labour intensive; however, statistics on the number of workers in the leather sector vary wildly, as many are employed informally. For example, in 2013 the Pakistan Bureau of Statistics recorded only 108 establishments with 12,958 workers producing leather products in Punjab and 30 establishments with 3,937 workers in Sindh. This record only reflected the number of those qualifying for registration under the Factories Act, defined as “any premises ... whereon ten or more workers are working or were working on any day of the preceding twelve months”, greatly underestimating the workforce in the sector (Pakistan, PBS 2013)⁹. The Pakistan Tanners Association (PTA) claims that 500,000 people are employed in the leather sector (Ravi Magazine 2017; SOMO 2021). However, it is not clear how that figure was calculated. An earlier 2010 USAID estimate also puts the number of directly employed workers in the industry at 500,000, but a 2013 estimate suggests that the numbers had dropped to 400,000 workers because of closures of factories and tanneries following the global recession in the early 2010s (United States, USAID 2013).

Women represent only about 1 per cent of workers in the industry (United States, USAID 2013). Among key informants, one enterprise employed 10 per cent women (n=60), while another employed less than 3 per cent women in its workforce, attributing the low number to limitations on women working at night, which occasionally occurs when deadlines need to be met. In Kasur, none of the tanneries employed women. In the literature, the unequal gender balance is attributed to the physical nature of tannery work, although technological innovations in manufacturing processes in developed countries have reduced the physical nature of some activities, leading to an increase in opportunities for women (Euroleather 2020). There was a perception among key informants that women were better workers and more loyal to the company than men. While the decline in the sector is primarily blamed on the lack of technical expertise and modern infrastructure, labour rights violations have also reportedly decreased international demand for products from Pakistan (Babar 2019).

4.1. Prevailing practices

4.1.1. Employment


A 2016 SOMO and NOWCommunities study looked into the industry’s labour conditions based on interviews with workers from 17 export-oriented leather enterprises, including tanneries and leather goods manufacturers. The resulting report identified cases of below-minimum wage payment and unpaid overtime. Cases of illegal deductions from wages and low unionization rates were also reported. Some workers also reported retaliation and penalties from their employer for attempts to unionize or for participating in trade union activities.

Key informants and focus group discussants indicated that recruitment in the tannery and leather sector primarily takes place informally through family or friends, including through social media. Other workers are hired through employment agencies (SOMO 2021). One key informant mentioned that “all the HR managers from the Sialkot tannery domain are added [to WhatsApp], and when we need to hire someone, we post a message”. During the focus group discussions, workers noted that “advertisements do not work in this industry” when it comes to recruitment. Similarly, references through known connections are deemed sufficient for employers to hire a worker, as the sector is small and geographically concentrated. Alternatively, workers may visit factories in person to find out whether vacancies are available from the factory guards. However, for administrative positions, formal advertisements are more common.

9 Pakistan Bureau of Statistics, [Census of Manufacturing Industries 2005-06 \(District-wise-Report\)](#), 2013.

Previous studies showed that few workers have written employment contracts. Workers may be issued with “duty cards” allowing them access to the factories, but this card does not contain identifying information of the employer or any mechanisms to avoid misidentification of the employer, limiting workers’ ability to provide proof of employment if required for legal or social protection (SOMO 2021). Reports note that many workers are hired temporarily, either seasonally or just for a few days, and can work for several units at the same time.

In our study, company managers claimed that their employees were provided with contracts: “All workers are registered in Employers Old Age Benefits Institution [EOBI] and Sindh Employees’ Social Security Institution [SESSI], so [they are] are insured. Additionally, all employees are given appointment letters and company ID cards.” Some FGD participants mentioned that they received bilingual contracts in both English and Urdu, however most workers did not retain a copy. A key informant from the Sindh Labour Department pointed out that “the main problem is that [short-term] workers are not given appointment letters, since they are seen as seasonal workers”. If workers are employed for less than four months, they are considered seasonal employees and not given a contract. In addition, the EOBI and social security cards are only provided after three months of continuous service, and unregistered companies rarely register their workers. As much of the work in the leather and tannery industry is in fact seasonal, even employees who have been with a factory for an extended period may not be registered.

 **A key informant from the Sindh Labour Department pointed out that “the main problem is that [short-term] workers are not given appointment letters, since they are seen as seasonal workers”.**

An ILO (2004a) study showed that the average employment duration of a worker in Kasur’s tannery industry is two years; although FGD participants for this study had on average been working in the industry – often for the same company – for 20 years. Studies show that the industry tends to recruit workers for specific orders, with SMEs often facing difficulties recruiting sufficient numbers of skilled workers when orders are received (Japan, JICA 2018, 31). In Karachi’s Korangi area, some units outsource work to home-based workers nearby (SOMO and NOWCommunities 2016). The level of subcontracting (paid per piece) is more prevalent in Karachi than in Punjab (CSSR 2004)¹⁰. These “karigars” were criticized by key informants for being disruptive, as they “come in groups and blackmail the employers to ask money in advance to work”. Another employer stated that “even if the company is reluctant to accept workers’ demands, they have to because the company needs to complete their orders in time”. Companies do not always make a distinction between workers paid per piece or those on long-term contracts in terms of salaries or benefits.

Work in the industry is dangerous because of the constant exposure to hazardous chemical substances and the prolonged use of heavy machinery (ILO 2004a). Workers are exposed to different levels of heavy metals in various sections of the leather industry via dust and fibre waste, with cutting, shivering/crusting, and stitching being the principal contributors of heavy metals in the biological entities of the workers. These heavy metals induce high levels of oxidative stress in exposed workers (Junaid et al. 2017). According to Dastageer et al. (2017), “exposure to harmful chemicals in tannery workers causes respiratory and eyes irritation, and a variety of cancers such as lung, buccal, pancreatic and bladder cancer”. Studies have reported incidences of blood, colon, nasal, paranasal sinuses, respiratory tract and rectum cancers in exposed workers. Another study showed that chronic exposure in the leather sector caused

10 Collective for Social Science Research [for ILO], [A Rapid Assessment of Bonded Labour in Hazardous Industries in Pakistan: Glass Bangle-making, Tanneries and Construction](#), 2004.

pulmonary disorders, such as asthma, chronic bronchitis and pulmonary tuberculosis, and that skin allergies, bronchitis and conjunctivitis were found in 240 exposed workers in leather tanneries in Sialkot (Junaid et al. 2017, 2).

In 2017, researchers tested urine, blood, hair and saliva samples from 47 leather workers in Sialkot as well as indoor dust samples from their workplaces. The study found elevated heavy metals in the exposed workers compared to the control group, including chromium, nickel, cadmium and lead. Crusting, cutting and stitching of leather were highlighted as the sections with the highest heavy metal contributions through the ingestion of contaminated dust (Junaid et al. 2017). Workers involved in wet finishing and dry finishing had higher odds of experiencing breathing difficulties. Those working in the beamhouse, the section of the tannery where hides or skins are prepared for tanning, had an increased risk of developing skin diseases. As leather processing units tend to be extremely hot, workers also routinely suffer from dehydration, which can lead to renal failure (Rabbani et al. 2021). Furthermore, workers interviewed for the study reported respiratory problems, hearing issues and dermatological problems.

4.1.2. Labour rights

As a result of the devolution of powers to the provinces under the 18th Amendment of the Constitution, labour was designated as one of the devolved subjects to the provincial Departments of Labour. Relevant laws covering the sector include the Factories Act, the Prohibition of Employment of Children Act, the Minimum Wages Act and the Payment of Wages Act. The Sindh Home-Based Workers Act was approved in 2018, and Home-Based Workers Rules passed in January 2020 (Dawn 2020).

Although Pakistan ratified the ILO Labour Inspection Convention, 1947 (No. 81), in 1953 and provincial governments have passed policies such as the Sindh Prohibition of Employment of Children Act 2017, there are still high levels of child labour in the country across sectors, as child workers are considered to be better in certain tasks, and are considered cheaper and more docile labour. However no recent data is available regarding child labour in the leather and tannery industry. Children between the ages of 14 and 18 are allowed to work in certain industries under restrictions, and while they are not allowed to work in hazardous occupations and only allowed to work for six hours a day, they must receive a full salary and be able to provide an education enrolment certificate.

Unsurprisingly, in our study, employers claimed that “overtime is provided, and protective gear is given by the enterprise, including masks in the spraying department”. Penalties for non-compliance with overtime and protective equipment rules are rare, as workers often simply leave the company for employment elsewhere rather than file a complaint. Rather managers tend to work with incentives provided when workers comply with OSH standards. Typical working days are eight hours, and depending on the company, workers must go into work either five or six times a week; although workers in Kasur worked up to 10–12 hours a day six days a week (see box 5 below).

When discussing the COVID-19 pandemic, a key informant mentioned that “no workers were laid off during COVID and were even given a 10 per cent annual raise; only contract [per piece basis] workers were impacted”. However, while the Government of Pakistan released a directive that no employees were to be fired during lockdown and business closures, this directive was only valid for two months, and despite this many factories laid off some workers because of a lack of monitoring by authorities. Reports confirm the lack of external oversight and financial support during the pandemic (Together for Decent Leather 2021).

Box 3. Case study:

Unionized workers

Company C's workers were all recruited through family or friends, usually starting as helpers, and were placed on permanent monthly salaries. As they were recruited by people familiar to them, they knew exactly what to expect from the job. Their average age is 48, and most have spent more than half their life with the company, having been educated up to grades 5-10. While the workers have company ID cards, none has a written copy of their contract; however, they believe that the company has one on record in case of inspections. Around 50 per cent of the company's employees are paid trade union members, while the others are members of a "pocket union" created by and under the control of their employers.

A change of role to machine operator is seen as a promotion, as while the base salary is similar to that of helpers, a machine operator occasionally receives extra payment for additional production quotas achieved, or alternatively they may shorten the working day once their work is done. All workers receive twice the hourly rate for overtime. Daily wage laborers lose out on bonuses, which are generously set at 4.5 times the basic salary annually, the result of trade union negotiations that lead to a collective

bargaining agreement (CBA). Deductions are only made for consistent late arrivals; however, salaries never increase above the minimum wage. All workers receive 30 days of paid annual leave after 12 months of continuous service, which is more than double the 14 days prescribed by law, as well as 18 medical and casual leave days per year. In contravention of the Government's promises, lockdown days due to COVID-19 were taken from workers' annual leave days.

The company has installed exhaust fans for fumes from chemicals and also put in place safety equipment, including fire hydrants, fire extinguishers, fire alarms and sand buckets, and two people in each department received training on how to use these. Personal protective equipment (PPE) is available, including masks, gloves and aprons. Previously, hardly anyone ever used the masks provided, but during COVID-19 the company has been stricter in monitoring their use. In case of accidents, which the workers experienced a handful of times, the injured person is treated at a government hospital for free, or if this was not possible, the company either bore the costs of private treatment or provided a loan.

Box 4. Case study:

The workers of Company A

Most of the workers, educated up to grade 5-12, have worked with the company for half their lives, and have an average age of 40. Those who were more recently hired had worked elsewhere in the sector previously. All workers were hired through referrals of family and friends already working in the company, and are now permanent workers receiving monthly salaries, with a company ID card and written contract in their possession, although not all are able to read its contents. Annual bonuses are provided, and deductions only made once a worker arrives late several

times. Although workers were hesitant to share details on their salaries, they felt these were adequate and that salaries increased depending on someone's skill level. Workers also said that complaints are dealt with directly with management. The workers felt safe, as the company provides first aid boxes, fire hydrants and alarms, as well as protective equipment such as sanitizer, gloves and masks, as well as training on their use and general health and safety. All workers have social security and contribute to the public pension scheme.

Box 5. Case study:**Tanneries in Kasur**

While employers in other study locations complained about a lack of (skilled) workers, in Kasur, workers were worried about their own positions (which may partially reflect their lower educational level), as they noticed the industry had contracted since 2008, with COVID-19 dealing yet another blow. Workers started their first job in the industry at around 20 years old, sometimes as young as 17, staying in a particular position anywhere between three and seven years. Some ended up in the tannery industry out of necessity, as they needed to provide an income to their families after finishing grades 8–9 in school; while others were recruited while studying at the Institute of Leather Technology. The decision to work in a tannery was often pragmatic, as it was close to their home and family members joined them as well. Jobs were generally found through friends and family, but there are regular advertisements outside the factories looking for workers. Workers are free to leave whenever they like, often without a notice period, which is another indication of the ease with which employers may find replacements.

Tanneries employ between 10 and 100 (male) workers in their tannery, including dozens of daily wage workers at busy times. Workers receive their salaries in cash on a weekly (for daily rate workers) or monthly bases, paid out by a representative of the company, who uses a fingerprint scanner to check attendance of the daily wage labourers. Contracts or any other proof of employment with the company are uncommon. While one worker reflected that daily wages pay better, among our respondents, daily wage labourers earned roughly the same as the salaried monthly workers. Bonuses and quotas are uncommon. One worker reflected that daily wages would only go up if the market for leather improves. Furthermore, the insecurity of having to find daily labour draws workers into monthly salaried

positions. During the COVID-19 closures, only some workers on monthly wages continued to be paid.

Workers are not informed of their precise tasks or working hours before starting their job, and their working days ended up being longer than expected (up to 10–12 hours per day, six days a week) without overtime pay and with one hour for lunch. Any days not worked are deducted from the worker's salary, irrespective of the reason. The company has not informed their workers regarding any social security or insurance schemes, and workers assume these are not available: "They would say that if we do not wish to work on the terms they offer then we should find work elsewhere." Loans can be obtained from the employer, but are not common.

The tanneries provide clean drinking water, and most provide facemasks against chemical fume inhalation, although these are not considered very effective. Workers handling chemicals receive gloves, boots and goggles as well, and fire equipment is usually available. While no standard security training is provided, supervisors or co-workers explain the risks on the job. Following accidents, the employer generally pays for treatment. There are no trade unions in the tanneries, and external workers' organizations are considered ineffective and more supportive of employers than workers. Instead, complaints by workers are dealt with directly by the employer or supervisor. Only one tannery was reported to be inspected by the Labour Department twice a year; while another only received inspectors "in their office", with the inspection consisting of merely a desk review. Reportedly, the effluent water treatment plant in Kasur is degraded, which is also reflected in the literature (see Malik 2013).

Box 6. Case study:**Leather and textile export**

Company D has a turnover of 500 million rupees (US\$3 million) and has been operating since 1988, currently employing over 600 workers in the production of both leather – motorbike garments, jackets and gloves – and textile goods. After an initial disruption, production demand increased during COVID-19 by mid-2020, and the company now provides full-time, rather than seasonal, work to all workers. All products are exported either directly, or through local buyers on behalf of foreign brands, by connecting at international exhibitions in Europe. Fabric and accessories are imported, while finished leather is sourced from local tanneries. The company has a range of environmental and social protection compliance features in place in response to buyers' demands, as certifications are a prerequisite for their business. Audits are conducted regularly by buyers, but failed audits only lead to business terminations after two warning letters and a three-month grace period – unless serious human rights and/or safety breaches are found. Company D itself only requires of its suppliers that they adhere to environmental standards in terms of chemical use.

Company D's main challenges are the timely delivery of raw materials, which are only produced once the supplier receives full payment, while the company is only paid upon delivery to the buyer, with the COVID-19 pandemic causing further disruption in the supply chain. The company is keen to upgrade equipment, but it has limited funds available. Finding skilled, affordable labour is a major challenge, in particular during the high production months of September to March. Workers are recruited directly, through social media, word-of-mouth or at the gate. All new employees receive training and start at minimum wage, with increases based on the length of their employment. Other benefits include bonuses, overtime pay and transportation to and from the factory. If a worker is never late, they receive a bonus at the end of the month. Workers

are provided PPE and training on health and safety and fire drills are conducted, although not all workers wear the protective gear provided.

All workers receive company ID cards and a written contract. Around 50 per cent of workers are piece-rate workers, with the rest employed on permanent basis. Most workers are younger than 40 and educated up to grade 10. Women make up 10-20 per cent of the workforce in supporting administrative roles, and these are all full-time staff, with relatively low turnover and a perceived better work ethic. Skilled workers have high demands, which are sometimes difficult to meet, and there is plenty of work available in other factories. Some request advance payments, which are then deducted from their monthly wages: currently the company has 25 million rupees outstanding as worker advances. Some workers spend their entire work life in the company, and eight previous workers are currently enjoying the EOBI pension, which starts at age 60.

Most workers are enrolled in social security, only excluding those who were hired recently, as it takes three months before they can be enrolled and receive a card. In case of injuries, workers are treated at public or private hospitals, with all costs borne by the company owner. Some employees are trained in providing first-aid at premises. There is no trade union, other than the unregistered "pocket union" led by management, and any complaints are dealt with directly by management. Since 2013, the company has been visited only twice by a labour inspector, with the inspection conducted as a desk review. Audits from social security and EOBI take place once a year. The company might consider moving to an export processing zone to enjoy its tax-free benefits of duty-free imports, workers' social security exemptions, and subsidized electricity prices.

4.1.3. Fundamental principles and rights at work

Pakistan's GSP+ status is conditional on the improved implementation of its international obligations, which includes ratification of 27 international Conventions, including those related to the: effective abolition of child labour; elimination of all forms of forced or compulsory labour; freedom of association and the effective recognition of the right to collective bargaining; and elimination of discrimination in respect of employment and occupation. Pakistan has ratified 36 ILO Conventions, 30 of which are in force, with the latest ratifications including the Minimum Age Convention, 1973 (No. 138), in July 2006 and the Worst Forms of Child Labour Convention, 1999 (No. 182), in October 2001 (ILO, n.d.). However, the GSP+ scheme does not seem to have had much impact on improving the working conditions of workers (Bari 2020).

Most studies focus on the potential of industry growth and support to SMEs for that purpose, and are usually conducted by the international development community or by trade bodies (see, for example, United States, USAID 2013, and Japan, JICA 2018).

The ILO in 2004 found many instances of child labour in informal, unregistered and small-scale companies in Kasur and Karachi (ILO 2004b). All working children were identified as male, with most working full-time, in many cases accompanied their parents. Children mostly work in liming, hair removing and fixing of leather on steel sheets. They are paid nearly half the amount as adults and are exposed to chemicals in hazardous conditions, which often goes unnoticed. According to anecdotes shared during interviews, children may still be incorporated in certain parts of the work chain, although more detailed data was unavailable.

▶▶ **Unionized workers represent less than 3 per cent of Pakistan's total workforce, despite strong legal provisions that permit workers to form and join trade unions, albeit with prohibiting factors.**

Since the 2010 devolution of labour oversight to provincial authorities, the countrywide unionization rate has remained low at 3–5 per cent (EU 2020)¹¹. Unionized workers represent less than 3 per cent of Pakistan's total workforce, despite strong legal provisions that permit workers to form and join trade unions, albeit with prohibiting factors. However, a large number of formal workers are not granted the right to unionize, including security guards and workers in managerial and administrative roles. In one of the enterprises visited, an unregistered trade union consisted of eight people (one female, seven males) chosen through every two year election, while another firm had a "Workers Council". Key informants argue that these are "pocket unions", established by company directors to prevent actual representative unionization. Even so, workers interviewed feel that workers' leaders primarily look out for their own benefits and do not represent all workers. While seats are allocated for employers' and employees' representatives in tripartite organizations, these are often nominated based on political patronage. The Workers Employers Bilateral Council of Pakistan (WEBCOP), a bilateral forum key to ILO's Decent Work Strategy, also lacks fair representation according to key informants.

11 European Commission, *The EU Special Incentive Arrangement for Sustainable Development and Good Governance (GSP+) Assessment of Pakistan Covering the Period 2018-2019, 2020*.

4.2. Enforcement

Labour inspections are the responsibility of the provincial governments, under Pakistan's obligations under the Labour Inspection Convention, 1947 (No. 81). The number of labour inspectors is insufficient to cover all workplaces, with only one labour inspector for every 17,000 workers in the formal non-agricultural sector. Inspectors are underfunded and lack proper training. More worryingly, a system of notifying companies before inspections are conducted is common, in particular in Sindh (ILO, 2019). If companies are found to be breaching the law during inspections, a warning letter is issued and a three-month grace period is given to rectify the problem. If the next audit fails again, another warning letter is issued and then the company might be closed. Issues leading to closure include the presence of child labour, bonded labour or life-threatening safety issues.

While legislation is in place, there is limited enforcement through inspections. According to some informants, labour inspections are rarely conducted properly:

If an inspector inspects a factory and finds a lot of faults ... he has two choices: he can take money to look the other way, ... usually 10 per cent of the amount it would take the employer to provide welfare for his workers, [on the other hand] if the inspector issues a warning, the employer contacts a minister and tells him that the inspector is being unreasonable. No one investigates whether it was unreasonable or not ... but the inspector is suspended from service and the employer goes scot-free.

This behaviour was confirmed by another key informant, who mentioned that "labour inspectors and provincial labour departments come in [to inspect], but they only ask informal questions and money [for not] giving a false report".



Previous studies indicated that SME business owners and managers are often poorly educated and lack knowledge on or consideration for labour laws (Ortolano et al. 2014)¹². An ILO study showed that some factory-owners will suspend or fire individuals or groups of workers showing any dissent. The researchers documented several cases of coercive tactics being used against workers who dissented with their employers “over wage-rates, working conditions, liability for injury, simple differences of opinion, or attempting to leave a job before the end of the contract period” (ILO 2004b, 34). However, current levels of labour supply and demand might have changed these dynamics

4.3. Opportunities for change

Our study shows the need for workers to be better protected through formal contracts and social protection. This requires awareness-raising among both employers and workers, including on the benefits of trade unions as legal mechanisms to protect workers’ rights while contributing to productivity. The European tanning and leather sector acts as an example of good practice, especially since it also largely consists of SMEs. Instead of spending time or resources negotiating individual company agreements with trade unions, the sector uses sector-wide collective bargaining agreements on wages and other working conditions. Collective bargaining agreements are well perceived by both employers and workers, and countries with sectoral bargaining seem to enjoy lower unemployment rates and fewer labour disputes. The sector’s European social partners have worked on a new EU social dialogue project to create a databank of collective agreements and to raise awareness among employers and workers’ representatives (Euroleather 2020). Importantly, labour inspectors’ skills need to be developed, and better oversight and monitoring provided for the implementation of labour laws and regulations.

Better quality sourced materials and better quality end products will increase earnings, which needs to go hand-in-hand with skills development, improved knowledge on trade and competitiveness, and infrastructure modernization to boost manufacturing and productivity growth (Ortolano et al, 2014)¹³. Regardless of all the challenges faced by the sector, some manufacturers have innovated in the past five years, upgrading their stitching machines and workers’ skills. The private sector in Sialkot is already contributing to improving its infrastructure, and the PGMEA’s own institution – the Leather Products Development Institute – provides workers with skills training funded by GIZ and the Punjab Skills Development Fund. Other training and capacity development is sporadically provided by the Trade Development Authority of Pakistan (TDAP), the Federation of Pakistan Chambers of Commerce and Industry, and the Small and Medium Enterprises Development Authority.

12 Leonard Ortolano, Ernesto Sanchez-Triana, Javaid Afzal, Chaudhary Laiq Ali, Susan A. Rebellón, 2014, “Cleaner Production in Pakistan’s Leather and Textile Sectors”, *Journal of Cleaner Production* 68, April (2014): 121-129.

13 <https://www.sciencedirect.com/science/article/abs/pii/S0959652614000274?via%3Dihub>

5

▶ **Environmental practices and OSH**



5.1. Prevailing practices

The production of leather is hazardous and polluting. Effluents from the leather sector contain dozens of different chemicals, including heavy metals, acids, lime, sodium sulphide, ammonium sulphate, sodium chloride, chrome salts, tannins and bactericides. Furthermore, each ton of tanned skin requires up to 4,000 litres of water. Leather industry wastes are listed as human carcinogens by the International Agency for Research on Cancer.

Regardless of these problems, few employers in the leather sector provide medical benefits or medical treatment to their workers. The majority of workers are not entitled to sick leave, or allowed to take any unpaid leave (SOMO and NOWCommunities 2016, 15). To protect workers against chemicals used in the tanning process companies sometimes provide masks when using chemicals and metal gloves to protect workers during the cutting stage. Larger companies may provide OSH training, with external training providers occasionally visiting and training workers. However, workers receive little or no training to operate heavy machinery, a complicated and dangerous part of the process. If workers fall ill, they can visit free public hospitals, including those provided by Punjab Employees Social Security Institution (PSSI). However, key informants highlighted mistrust among workers and employees towards free public facilities, indicating a preference for private services.

In response to heavy pollution produced by leather tanneries, the Cleaner Production Initiative (CPI) was initiated in 1999. This partnership between the Norwegian Agency for Development Cooperation (NORAD), the Trade Development Authority of Pakistan (TDAP), and the Pakistan Gloves Manufacturers and Exporter Association (PGMEA) established the Cleaner Production Centre (CPC) in Sialkot to improve water conservation and air quality control, and to prevent the discharge of harmful liquids and hazardous solid wastes, including through the recovery of the chromium used in the tanning process (Padda and Asim 2019). Ortolano et al. (2014) describe how the CPI provided services in Lahore, Karachi and Faisalabad to firms engaged in leather tanning and textile processing.

A study by the World Bank conducted in 2014, showed that 79 per cent of the surveyed leather tanneries in Sialkot and 80 per cent of tanneries in Lahore were either unaware of Pakistan's National Environmental Quality Standards (NEQS) or not in compliance with them. In contrast,

“In Karachi, there is no proper disposal outlet for effluent, and the waste water is not being treated. Very often the chemical effluents are dumped in a nearby ‘nullah’ clogging up the drainage system, while the sludge is disposed in the open. Most of the waste water in Karachi is discharged into the sea, and the problem is even more acute in Lahore and the Punjab since the waste water is discharged mostly into the rivers. This same toxic river water is then used for irrigation purposes. The chemicals in the water also enter the food chain via cows, buffaloes and other animals consuming the river water” (Ravi Magazine 2017).

four out of the five surveyed tanneries in Karachi complied with NEQS, but they were able to do so by discharging their wastewaters to the combined effluent treatment plants (CETPs) in the Korangi Industrial area, one of the few CETPs in Pakistan (Ortolano et al, 2014). These CETPs provided secondary treatment of the wastewater from 130 clustered tanneries, adequate for meeting the NEQS (Ortolano et al. 2014). Many factories moved to Korangi to utilize the waste water treatment plant, where the PTA is still involved in improving infrastructure and security. As a result of the requirements of the Leather Working Group, the Government now provides a regular supply of electricity and gas in this area, and has reduced the electricity price.

In 2017, UNIDO shared a press release stating that in cooperation with the Sialkot Tannery Association Guarantee Limited, they would create the Sialkot Tannery Zone (STZ). The aim of the STZ is to relocate tanneries from urban centres to a designated leather industrial zone with industrial facilities to limit the impact of environmental hazards from the production process. Four hundred acres of land were dedicated to relocating up to 250 tanneries for a better and safer environment (UNIDO 2017). As over 90 per cent of the tanneries in Sialkot are SMEs, clustering these in the STZ supports their joint environmental compliance, for which they individually would lack resources. The secondary benefits of the STZ include concentrated employment, ease of inspection regarding labour conditions, and the provision of services to workers. For example, the STZ has trained over 1,000 workers on OSH, with other training available, including on how to handle accidents or other emergencies in tanneries. Furthermore, the Social Security Department has direct access to the STZ to check compliance. Another initiative to support SMEs is the Small and Medium Enterprises Development Authority, which collaborates with industry associations and chambers of commerce to raise awareness among leather companies to control pollution (Wahga, Blundel, and Schaefer 2018). The STZ greatly contributes to compliance with international standards, and has seen increased interest from manufacturers as a result of Leather Working Group requirements and audits. However even though the project was initiated over two decades ago and all the land has been sold, only recently have five tanneries started building in and utilizing this area and its services.



5.2. Key areas of non-compliance

Following the 18th Amendment to the Constitution, environmental protection was designated as one of the areas devolved to the provincial authorities. Today, each province has a Provincial Environment Protection Agency working under the provincial Environment Protection Acts (Padda and Asim 2019). Damage from poor environmental management in Pakistan has been estimated at 6 per cent of GDP (Ortolano et al. 2014). However, across the tannery and leather sector, there is a high level of non-compliance with environmental standards. Key informants noted that while large buyers may have compliance requirements, sometimes even for raw material suppliers, audits are often limited to paper reviews rather than physical inspections.

Export-oriented companies are required by their international buyers to follow international norms and standards, and therefore perform better than those producing for the local market (Padda and Asim. 2018)¹⁴. Wahga, Blundel, and Schaefer (2018) call this “benefit stacking” and “strategic satisficing”, as companies are adopting cleaner production to achieve financial as well as ecological benefits. Proof of social and environmental certifications need to be obtained through audits. To abide by importers’ standards, key informants indicated that large tanneries were getting certified with the Leather Working Group, while some others pay for local testing, costing up to US\$100 or even ten times that if samples need to be shipped internationally. Smaller entities – buyers as well as importers – rarely have these requirements.

“[Seven years ago] four local sweepers went down into the water treatment plant and died due to gases trapped in it. ... Nobody ensured that they [were] given gas masks, nobody cared about the SOPs [standard operating procedures]” (Key informant, Karachi).

Unsurprisingly, larger firms, which often deal directly with international partners, are more aware of environmental and labour requirements, and have greater capacity for technical analysis and raising capital for clean production measures. Larger firms are also more aware of Pakistan’s National Environmental Quality Standards (NEQS) than SMEs. According to key informants, however, it is unrealistic of authorities to expect firms to satisfy the NEQS under the prevailing economic conditions in Pakistan. While the Department of Environment has become more active in promoting sustainable practices, most financial and political endorsements for environmental programmes still need to come from international actors, with limited to no funding coming from the national government (Wahga, Blundel, and Schaefer 2018). Consequently, the owners and managers of SMEs may lack the skills, knowledge and capital to adapt (Leonardo et al., 2014)

The Clean Production Centre (CPC) formulates recommendations to companies on which clean production mechanisms to adopt, and how to optimize cost-benefits. However, the clean production adoption rate remained stuck at 47 per cent for firms served by the CPC and at just over 60 per cent for firms served by the CPI, as a result of ineffective communication

14 Ihtsham Ul Haq Padda and Muhammad Asim, 2018. “[What determines compliance with cleaner production? An appraisal of the tanning industry in Sialkot, Pakistan](#)”, Environmental Science and Pollution Research No. 26, 2019.

of underlying clean production concepts (Ortolano et al. 2014). Key informants consider compliance standards as complicated and expensive. While some enterprises have obtained ISO 9001¹⁵, ISO 14001¹⁶ and Business Social Compliance Initiative (BSCI) certifications, the Global Recycled Standard (GRS) certification for use of recycled fabrics and Global Organic Textile Standard (GOTS) and Organic Content Standard (OCS) certification are only available to large companies that can afford the required audits, and older factories are often unable to comply due to limitations in building construction and production processes.

Two of the prime areas of concern in terms of environmental practices in the sector are the lack of proper clean production equipment and water treatment plants, and poor training of workers for better compliance with environmental regulations (Ihtisham et al. 2019). As firms normally hire workers from households in the vicinity, there are few complaints about environmental conditions, as there might be a perception among employees that such measures would reduce their efficiency (Padda and Asim 2019). Over the years there has been a lot of focus on the need for modern technology in the sector (JCR-VIS 2017), and the question remains as to why this has not happened yet, or why it has not happened faster. SMEs face process, technique and management deficits, leading to hazardous working environments (United States, USAID 2013). In 2019, Padda and Asim reported that the clean production schemes so far had not shown significant impact, and their study results further indicated that the effect of cleaner production support by the CPC on cleaner production practices diminished once the Centre's direct support came to an end.

Weak institutions and a lack of administrative records hamper the collection of comprehensive OSH data, but a rising trend in occupational fatalities indicates a lack of compliance with OSH laws. Gaps in compliance may be attributable to weak enforcement and supervision, alongside inconsistencies in reporting coverage among registered organizations. While some employers provide personal protection equipment (PPE) such as rubber gloves and boots to wet-blue workers, studies indicate that the majority of workers involved in other parts of the process are not provided such equipment, and have to, for example, handle toxic chemicals without facemasks or protective gloves. Some workers do not use PPE consistently because they lack awareness of the risks and health effects associated with the chemicals they work with, and many claim that they do not want to wear PPE because the equipment is uncomfortable. Some workers reported having been told about fire safety rules, but not receiving any training on the use of PPE or other safety instructions. In some factories, PPE is provided only when inspectors are scheduled to visit. On such occasions, workers are instructed to wear gloves, boots, facemasks, goggles and/or helmets, depending on their workstation. The PPE is then collected by the employer after the inspection (Padda and Asim 2019).

5.3. Opportunities for change

One of the most important positive changes noted by a key informant was the increased interest of the industry in cleaner production: "People from the industry are continuously coming to us and asking us what is happening. ... We [provide] various training [including] cleaner production, treatment plants and waste management. We provide training to organizations like the Leather Institute and ... ask them to teach students on how to handle tannery disasters by

15 ISO 9001 is the international standard for quality management systems.

16 ISO 14001 is the international standard for environmental management systems.

international standards.” And improvements have been made: in 2004–05 about 40 per cent of the pollution load was reduced and the National Environment Quality Standards on water and Punjab Environmental Quality Standards were introduced. The CPC and CPI have pushed to adopt cleaner production and inform SMEs about the environment. They arrange courses on a monthly basis with international trainers, and visit units to make them more compliant with both national and international standards (Wahga, Blundel, and Schaefer 2018). The CPC could, however, further provide on-site instruction on how to conduct audits and support firms to add clean production measures, incentivizing their workers to implement these effectively (Ortolano et al. 2014).

A study conducted in 2014 confirmed that larger firm size and engagement with foreign business customers were correlated with the adoption of cleaner production measures, the establishment of environmental management systems, and ISO certification (Wahga, Blundel, and Schaefer 2018). Smaller companies, however, face resource constraints, including a lack of human capital in terms of training and a lack of awareness on environmental compliance (Japan, JICA 2018; Wahga, Blundel, and Schaefer 2018). Wahga, Blundel, and Schaefer (2018) recommend using “intermediary” organizations such as buyers, trading companies and branded manufacturers in lieu of the currently ineffective institutions in order to overcome barriers to environmental improvement and place a focus on personal knowledge, ethical values and experiences, including the economic advantages of following regulations.

While key informants complain about the absence of laboratories, prompting them to sending tests abroad at high cost with long turnaround times, there are test laboratories available within Pakistan, including the PCSIR lab in Lahore, the National Textile University lab in Faisalabad and the private Textile Testing Institute in Lahore. Laboratories are currently subsidized through the Export Investment Support Fund, while matching grants are provided for setting up effluent treatment plants in individual tanneries (UN and ADB 2016). The capacity and protocols of these laboratories and other clean production systems could be improved and international certification requested.

6

▶ Conclusions and recommendations



6.1. Overview


The study found that leather remains one of the most important export-oriented industries contributing to Pakistan's economy, as its third largest export industry, contributing 4 per cent to GDP in 2020, with around 90 per cent of leather produced in Pakistan exported. The sector has faced a number of challenges in the past years however, and after an initial revival of the industry following the awarding of GSP+ status in 2014, in recent years the sector contracted. Pakistan's GSP+ status does not seem to have had any lasting beneficial effect to its leather and tannery industries, rather working conditions have deteriorated due to a contraction in the (export) market, with dangerous tasks conducted in sub-optimal conditions. Global demand for leather products is declining, impacting leather industries worldwide. Concerns about the environmental impact of production, increased popularity of synthetic products, and the impact of the climate crisis and pandemic on global shipping further threaten the sector.

Locally, the main challenges identified include a lack of (quality) raw product, high investment costs, including utility, labour and the need to upgrade machinery and infrastructure, a lack of skilled labour, high costs of certifications for compliance with buyers' standards, a reduction in exports to China, and the COVID-19 pandemic.

The sector remains concentrated in the regions of Karachi, Kasur, and Sialkot, with currently around 800 tanneries engaged in producing finished leather for export, while many more remain unregistered. The vast majority of tanneries and leather producers are Small and Medium Enterprises (SMEs), and while large firms have the resources to comply with national and international standards and regulations, SMEs, in particular unregistered and informal enterprises, are under resourced and underequipped.

The leather industry has potential to grow in terms of volume of exports focusing on quality products and diversification. The central and provincial governments of Pakistan are crucial in creating the macroeconomic environment for the leather sector, while bilateral and tripartite organizations aim to establish good industrial relations. While export focused trade policies are in place, inadequate funding remains a challenge, including funds for quality control and compliance certificates. While the leather industry was exempt from sales tax, and manufacturers received financial incentives in the form of duty drawback and export rebates, refund delays hamper investment and slows down the production process. Lacking investment, most tanneries produce low-to-average quality leather, losing out on the market of high value-added leather products.

There are few training centres available for the sector, and is limited interest in the sector by students and potential workers. While the demand for specialized skills is high, employers are also hesitant to train their workers, in fear of worker 'poaching' by competitors, as work is plenty and the workforce relatively small. It is unclear how many people exactly work in the sector, with women constituting only around one per cent of workers in the industry. Our study found that recruitment primarily takes place informally through family or friends, and workers generally know what to expect in terms of working tasks and conditions. For skilled labour, including administrative positions, formal advertisements are more common, and these are likely to become more important when companies upgrade their machinery and required skills.

 **The leather industry has potential to grow in terms of volume of exports focusing on quality products and diversification.**

Most workers are paid on or below minimum wage, with some employers providing incentives to workers who remain loyal to the company.

Work in the industry is particularly dangerous because of the constant exposure to hazardous chemical substances and the prolonged use of heavy machinery. Regardless of these issues, few employers in the leather sector provide medical benefits or medical treatment to their workers. While free public health facilities are available, there is a general mistrust of free services, with workers remaining dependent on their employers.

Better quality of sourced material and end products will increase earnings, and need to go hand-in-hand with skills development, knowledge on trade and competitiveness, and infrastructure modernization to boost manufacturing growth. An important initiative is the Sialkot Tannery Zone (STZ), which aims to relocate tanneries from urban centres to a designated leather industrial zone with industrial facilities to limit the impact of environmental hazards from the production process. Its secondary benefits include concentrated employment, ease of inspections regarding labour conditions, and the provision of services to workers. The STZ greatly contributes to compliance with international standards, and has seen increased interest from manufacturers as a result of the Leather Working Group requirements and audits.



6.2. Labour rights and OSH compliance

Pakistan's GSP+ status is conditional on the improved implementation of its international obligations; however, so far little progress has been made on implementation of the international labour standards and national laws. While legislation is in place, there is limited enforcement in terms of inspections. Labour inspections of factories, whether they are unregistered or registered entities, are rarely conducted properly. The number of labour inspectors is insufficient to cover all workplaces, with only one labour inspector for every 17,000 workers in the formal non-agricultural sector. Inspectors are underfunded and lack proper training. Companies are aware of labour and environmental standards, and larger firms comply as a requirement from international buyers. Smaller factories and tanneries have less incentive to comply, as suppliers are rarely audited.

While the ILO Occupational Safety and Health Convention, 1981 (No. 155) specifies safety and health measures, including the understanding and prevention of OSH risks, in many workplaces, workers do not enjoy these rights.

The Sindh and Punjab Labour Policies (2018) do not provide for minimum requirements for unionization, with unionized workers representing less than three per cent of Pakistan's total workforce, while many formal workers are not granted the right to unionize: so-called "pocket unions" are common, usually established by the management itself to prevent actual representative unionization. While there are seats allocated to employers and employees' representatives in tripartite organizations, including EOBI and SESSI, these often remain nominated based on political patronage.

Barriers to compliance in terms of environmental and OSH standards include financial limitations. While leather factories in developed countries increasingly use safer machinery and protocols, in Pakistan capital to buy new machinery is lacking, and sales tax and duties are high. Weak institutions and a lack of administrative records hamper comprehensive OSH data, however increased reporting of occupational fatalities indicate a lack of compliance with OSH laws. Gaps in compliance may be attributable to weak enforcement and supervision, alongside inconsistencies in reporting coverage among registered organizations.

There is increased interest of the industry in cleaner production across the tannery and leather sector, however there remains a high level of non-compliance to environmental standards. Export oriented companies are required to follow international norms and standards, under pressure from international buyers to comply, and therefore perform better than those producing for the local market. While the government has become more active in promoting sustainable practices, most financial and political endorsement for environmental programmes still needs to come from international actors. Larger firms have greater capacity for technical analysis and raising capital, while owners and managers of SMEs may lack skills and knowledge to adapt. Special zones and clusters may support both labour and environmental standards compliance, through the provision of collective infrastructure and services.

 **There is increased interest of the industry in cleaner production across the tannery and leather sector, however there remains a high level of non-compliance to environmental standards.**

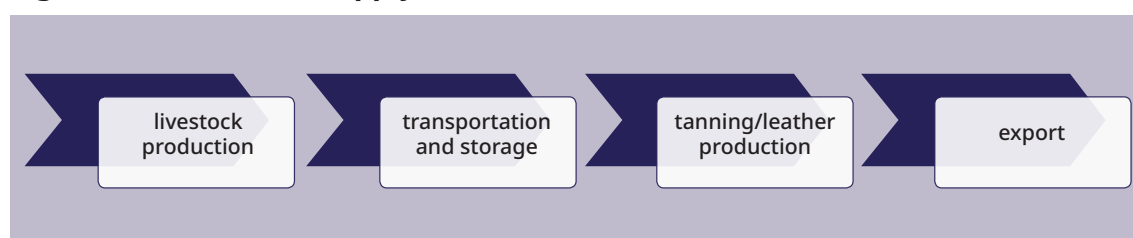
6.3. Recommendations

To enable growth of the sector, a range of interventions can be implemented, including:

- ▶ increased access to good quality production inputs together with thorough technical know-how and good production facilities;
- ▶ government support in terms of training, trade promotion, encouragement of foreign investments and barrier-free trade;
- ▶ joint ventures to obtain skills and financing; and
- ▶ direct access to export markets.

Careful consideration needs to be made on how to ensure the sector remains sustainable in the long term. The social and environmental standards that importing countries impose upon themselves – for instance, worker and environmental protection in the EU – need to be the long-term targets of the industry in Pakistan as well. The recommendations below have been developed for stakeholders along the value chain in order to improve compliance with national and international labour and environmental standards, and thereby improve market access.

Figure 8. The leather supply chain



To federal and provincial governments

- ▶ Upgrade and standardize federal and provincial policy and legislation, removing inconsistencies and duplication, in order to increase compliance. As part of this process, invite input from employers' and workers' organizations. The new ILO Code of Practice on Safety and Health in Textiles, Clothing, Leather and Footwear, adopted on 8 October 2021, provides a useful reference tool in support of policy and programme development (ILO 2022).
- ▶ Develop a strategic National OSH Policy and Programme and address OSH issues of the sector effectively.
- ▶ Equip labour inspectors to better provide oversight and monitoring for the implementation and enforcement of labour laws and regulations; in particular, improve oversight of SMEs and informal companies. Digitalize records to prevent corruption.
- ▶ Recruit more inspectors, in particular women inspectors, and improve labour inspectors' skills. Consider increasing labour inspector salaries and incentives, including by providing transportation.
- ▶ Structure tax rebates in the sector and streamline turnaround time of refunds, particularly for SMEs, in order to stimulate investment.
- ▶ Permanently reduce customs duties and sales tax on the import of modern (safe and environmentally friendly) machinery and equipment.
- ▶ Establish comprehensive and measurable OSH and environmental standards, and enforce these through fines after a reasonable time limit, while providing subsidies to companies for installing the necessary equipment to meet these standards.

- ▶ Improve the capacity and protocols of existing laboratories, according to international standards. Finance and/or subsidize the testing of chemicals.
- ▶ Facilitate joint ventures and foreign direct investment for rapid upgrade of knowledge, skills and value.
- ▶ Provide further subsidies in land, infrastructure and tax rebates to SMEs willing to relocate to clusters structured along the lines of the Sialkot Tannery Zone. Provide a one-stop shop with representatives of all relevant government departments for companies within these zones.
- ▶ Duplicate international standards to the checklists/requirements of manufacturers for the national market. Implement a national certification system.
- ▶ Promote the establishment of suppliers (leather, accessories and chemicals) in-country, and ensure certification of these suppliers according to international standards.
- ▶ Support the livestock production sector by improving registration, veterinary services and minimum standards and techniques for slaughter and hide/skin collection and preservation.
- ▶ Provide affordable electricity and gas supply to move and store animal hides and skins.
- ▶ Promote and incentivize intraregional trade in addition to international trade, by accelerating customs and logistics procedures and reducing barriers.

To industry organizations

- ▶ Provide awareness raising to members on the benefits (productivity, efficiency) of social and labour protection mechanisms for workers, for instance, by promoting sectoral wide agreements on wages and conditions, unionization, collective bargaining agreements, and so on. See that non-compliance by members results in sanctions.
- ▶ Promote membership of the Leather Working Group among members, raising awareness of the cost effectiveness of membership.
- ▶ Promote cleaner production more aggressively. Connect OSH, productivity and technology centres, training centres, cleaner production centres, and investment and export promotion organizations to enable upgrading of members.
- ▶ Promote an online marketplace for SME producers, listing local suppliers, their capabilities and products, and compliance (for example, use of non-restricted chemicals).
- ▶ Promote direct marketing into global supply chains by supporting members' attendance at national and international fairs to enhance direct connections between manufacturers and brands.
- ▶ Improve access of companies to international trade fairs/buyers through alternative means in the event of travel restrictions. Organize virtual marketplaces and e-commerce events to generate contacts with foreign buyers.
- ▶ Establish and expand vocational training centres and colleges based on industry demand for technology, engineering and applied sciences, including for skilled work such as laboratory testing. Focus on high value leather products, and target women for training.

To employers and manufacturers

- ▶ Formalize recruitment, provide workers with contracts, register workers with social protection schemes, and consult with workers' representatives on issues related to working conditions.
- ▶ Focus on value-added production by upgrading technology and workers' skills, moving towards higher priced products and/or by adding design and marketing functions.
- ▶ Shift from low and high production seasons to flexible production of differentiated products.

- ▶ Conduct audits of suppliers in terms of labour and environmental compliance, ensuring compliance along the supply chain for maximum transparency in order to entice international buyers.
- ▶ Formalize unionization, including through more inclusive representation. Recognize the strengths and benefits of trade unions as legal mechanisms to protect workers' rights while contributing to productivity.
- ▶ Establish workplace safety and health committees for assessing and mitigating OSH risks effectively and continuously.
- ▶ Invest in upgrading to modern, healthy and safe manufacturing equipment. Install the necessary and required OSH and environmental protection procedures and equipment.
- ▶ Provide workers with additional skills training based on industry demand, including through apprenticeships within companies.

To workers' organizations

- ▶ Improve inclusivity and equal representation.
- ▶ Promote workplace safety and health committees comprising equal numbers of worker and employer representatives.
- ▶ Improve awareness by informing workers on their rights, including OSH, through multiple channels.
- ▶ Engage with employers to promote collaborative working agreements, and obtain social security for workers through participation in negotiations and consultations with employers.
- ▶ Provide awareness and training on the use of PPE and clean production measures among workers.

To ILO

- ▶ Strengthen engagement with sectoral stakeholders at all levels to promote compliance with national and international standards in the sector.
- ▶ Assist the tripartite constituents in developing effective national policy on OSH and in extending effective OSH protection measures into small enterprises.
- ▶ Strengthen the capacity of government, industry, enterprises and workers' organizations to comply with national and international standards, including OSH and Guiding Principles for Business and Human Rights.
- ▶ Raise awareness on the positive relationship between OSH and productivity, and the immediate and long-term benefits of cleaner and safer production in terms of protecting human health (that is, treating illness is more expensive than preventing it). Raise awareness of how to improve product quality through improving (human) resources.
- ▶ Support the promotion of collective agreements on wages and working conditions.
- ▶ Conduct further research, including quantitative analysis of changes in labour rights, industrial relations and environmental protection and their benefits to stakeholders along the supply and value chains.

▶ Annexes

Annex 1. Enterprise interviews

Each interview will be semi-structured in nature, with questions specific to each company to gain a more in depth understanding of commercial relationships, its labour practices, and existing levels of compliance with obligations. The questions are also directed at identifying opportunities for change and areas of leverage. Once enterprises participating in interviews are identified, specific questions will be crafted based on the grey literature review, covering the following general topics.

Date:

Respondent name & position:

Do you consent to participate in this study?

Unit profile

Is this a registered unit?

Yes	No

If unregistered unit

Unit name	
Unit location	
Is the unit in an industrial zone?	
Is this a family-owned unit?	Yes/No
Years of operation	

If this is a registered unit

Publicly traded or private company	
Is this a family-owned company?	Yes/No
Value of company (by turnover or revenue)	
Location of headquarters	
Number of units owned	
Location of units? (Are they in industrial zones?)	
Number of staff across all units (globally)	
Years of operation	

Overview

1. How would you classify your unit? (Tannery, tannery – leather dying, tanner – other processes, leather goods (gloves/bags) manufacturer, sports goods manufacturer, leather garments manufacturer)
2. What are your main products?
3. Who are the buyers of your products? (Local manufacturers that do additional processing; local retailer/wholesalers; international buying houses based in Pakistan, direct to international brands, direct to export to buyers based overseas (wholesalers/retailers))
4. Do you source any inputs internationally? (e.g. import raw hide?)
5. Do you source any inputs nationally? (e.g. from suppliers?) If yes, what and from where?
6. How many buyers/suppliers do you work with? And how long have you worked with them?
7. What is the volume of your business? By USD/PKR amount or volume
8. What're your biggest costs/ongoing expenditures?
9. What is your highest value product?

Relationship with buyers and sellers

1. How did you develop your relationships with your buyers/sellers?
2. Is your unit ISO certified or have any other certifications in relation to the environment, quality or other standards?
3. What are your main challenges in terms of consistently supplying your main buyer? Worker skill set, consistency of supplies, infrastructure etc?
4. Does your buyer demand any certifications such as ISO standards and others?
5. Has any of your buyers ever asked you to comply with a Code of Conduct or any other internal standards they have set as a condition of being a supplier to them?
6. Has your buyer(s) asked about human rights due diligence or human rights policies in your unit? Please provide details.
7. What are the consequences if you don't have these certifications? Do you get any financial benefits (higher prices, higher value production etc) from the buyers who demand these certificates?
8. Does your buyer ask for any information about compliance with national law and regulations? If yes, what are they most worried about?
9. Has your buyer conducted any audits at your unit?
10. Have you lost any orders or buyers because you were not able to meet their demands? If yes, what sort of demands?
11. What are your main challenges in terms of getting the right inputs for your business?
12. Do you ask for any certifications of your suppliers such as ISO standards and others?
13. Do you ask for any information about compliance with national law and regulation from your suppliers? If yes, what do you ask to see?
14. Have you conducted any audits with your suppliers?
15. Who pays for audits if they are conducted?

Workforce

1. How many workers do you have? In each production line or task?
2. How many female workers do you have? (in each production line or task?)
3. How many family members work with you at the same unit? How old are they? What do they do?
4. What is the educational level of your workers?
5. How would you describe the employment status of the majority of workers in your unit? Daily labourers, contractors, sub-contractors, permanent workers, seasonal, other.
6. How would you describe your turnover of workers? Are you able to retain the workers you need?
7. How do you recruit your workers? Do you use a contractor or a third party to bring in workers?
8. Is the level of workers you have enough for you to fulfil your orders on time? Do you sometimes have a shortage of workers? How do you manage this? Do you outsource tasks or part of the production?
9. Do your workers have all the necessary skills for your unit? What skills do you need more of?
10. Do you give your workers written contracts or any other written documents? Employee IDs?
11. How often do you pay your workers and how are their wages calculated?
12. What are the highest and lowest wage/occupation in your unit?
13. What is the unit's hours of operation? Do you work on weekends? How do you cope with additional orders? (e.g. overtime)?
14. What are the hours of work generally for your workers?
15. What sort of incentives and penalties do you apply to your workers to maintain workforce discipline?
16. Do you provide medical care, water, food, social security or other benefits to your workers? Please describe what benefits you provide. If only to some workers, who is eligible?
17. If a worker has a complaint, what are the procedures for dealing with it?

Trade union and collective bargaining

1. Are you workers a part of trade unions or other worker's organizations?
2. Do you know roughly how many workers in your unit are part of a trade union?
3. How many trade unions/organizations are there in the unit?
4. In your role, how do you engage with trade unions/worker's organizations?
5. Have you had any work stoppages in your unit? Was it a strike or otherwise related to trade union/workers' activities?
6. How do you work with trade unions to resolve disputes or grievances raised by workers?
7. Has your unit entered into a CBA with the workers? Please tell us about how that process and the impact on your unit.

Engagement with industry associations

1. Are you involved in any industry associations? (e.g. Tanneries Association, Sialkot Tannery Zone, Small Tanneries Associations, Leather Working Group, chambers of commerce & industry, manufacturing associations such as PGMEA, etc)
2. In your role, how do you engage with trade unions/worker's organizations?
3. Have you had any work stoppages in your unit? Was it a strike or otherwise related to trade union/workers' activities?
4. How do you work with trade unions to resolve disputes or grievances raised by workers?
5. Has your unit entered into a CBA with the workers? Please tell us about how that process and the impact on your unit.

Labour administration and other government agencies

1. Have you had experience with labour inspectors or with the labour department at the provincial level?
2. Have you had any experience with labour inspections and how was that for your unit?
3. Have you had any experience with inspections from other government authorities?
4. Have you involved the labour department in a dispute with workers? Please describe the experience.
5. Have you sought help from the labour department or other government authorities? Please explain what happened.
6. Did you take advantage of any government incentives in terms of relocation of your unit to an industrial zone?

OSH and environmental regulations awareness and compliance

1. What are the key hazards/dangers related to working in your unit? How do you mitigate these risks?
2. From your point of view, what are the main OSH and environmental regulations applicable to you? What are the challenges in terms of doing what is required?
3. (If the unit is in an industrial zone) Did you relocate your unit to an industrial zone because of government policies? What were the incentives to help you to shift your unit? Is the shift better or worse than you expected? Why?
4. How do you provide information or training to your workers about safety?
5. What are your main messages to workers about safety?
6. Do you provide PPE for your workers?
7. Do you find that your workers use PPE (whether or not you provide them)? Why?
8. Who is the main focal person for safety issues in your unit?
9. What processes do you have in place if there is a workplace accident or injury?
10. Does your unit use a combined effluent water treatment plant in the area?
11. Have you, or are you planning, to upgrade any equipment? Please describe any challenges to upgrades. And if you have not been able to upgrade, why?
12. Is your unit participating (or have participated) in any projects or initiatives from WWF, industry associations, UN agencies, development agencies? What did you participate in, if any?

Annex 2. Focus group discussions with workers

The focus group discussions (FGDs) with workers will be used to understand existing working conditions, recruitment and employment practices of different enterprises, and health and safety in the workplace. Before each FGD, the research team will introduce themselves, explain the research, and reconfirm the confidentiality and voluntary bases of participation. Consent of all focus group participants will be confirmed before starting the interview. Recording will be done by hand and on a recording device or video device with the group's consent. The FGD will be held in private spaces, where it is safe for all participants to speak freely. To ensure people feel safe to share their opinions, an attempt will be made to conduct separate focus group discussions by gender, by job description and relative positions of power.

FGD will be structured around checklists covering key questions. Where needed, interpreters will be provided. Questions will be open ended as much as possible and followed up by probing to allow the group to discuss the issues they consider most important. Data collected will be triangulated with findings of the desk review and key informant interviews.

Introduction

- ▶ What is your name? (Researcher to note gender)
- ▶ How old are you?
- ▶ Where are you from?
- ▶ Is your current job, your first in the tanning/leather industry?
- ▶ How old were you when you first started in the tanning/leather industry?
- ▶ How long have you been working in your current job?
- ▶ Do you have a family of your own?
- ▶ What is the highest level of education you completed?
- ▶ Did your family members also work in tanning/leather industry?

Current job status and wage

- ▶ What is your current work position or main task?
- ▶ What is your current employment status? Permanent, daily, contractor?
- ▶ How did you get this job?
- ▶ Are you working for a contractor who sent you to this unit?
- ▶ Do you have a written work contract with the employer/owner of unit? (If yes, copy)
- ▶ Do you have a written work contract with the contractor who hired you?
- ▶ Who pays you?
- ▶ Do you have any proof that you are working at this unit? (e.g. contract, ID card issued by the employer/third party; timecards; other documents)
- ▶ If you a written work contract, is it in a language you understand? Do you have a copy? Do you use It in discussions with your employer or workers? Are the work conditions similar to, or different from, what you expected from the work contract?
- ▶ If you had a verbal agreement, are the work conditions similar to, or different from, what you expected?
- ▶ When you got the job, did you discuss (or write on the contract) any of the following: your work status, your job description, your wages and how your wages are calculated, your hours of work, production quotas (if any), and bonuses (if any), benefits (sick leave, medical care, social security, pension, insurance) rest breaks, access to food or water?
- ▶ Are your current work conditions similar or different to the expectations you had when you took the job? If they are different, how are they different?

Wages

- ▶ How often do you get paid? (daily, weekly, fortnightly, monthly, lumpsum after a certain time)
- ▶ How are your wages calculated (fixed, hourly, daily, piece rates, bonus only, combined, don't know)? Do you get production bonuses? Is there a quota before you receive your pay?
- ▶ What are the challenges in getting the bonuses or meeting the quota?
- ▶ Do you get pay deducted/docked for any reason? e.g. lateness to work, production errors etc?
- ▶ Do you have any other deductions from your salary? e.g. productive gear? Or unexplained deductions?
- ▶ On average, how much do you get paid (every pay period)? Is it more or less than what you expect to be paid?
- ▶ Have you ever taken out a loan/advance from your employer? If yes, what are the terms of repayment?
- ▶ What is the current minimum wage applicable to you?

Awareness of OSH and access to PPE

- ▶ When you got the job, did you discuss any safety issues related to your work?
- ▶ What safety features are there in your workplace?
- ▶ What risks/dangers are there still in your job?
- ▶ Did you receive any warning or training on the risks/dangers of your job? (e.g. on the handling of chemicals, exposure to heavy metals, toxic waste, operating heavy machinery, possible respiratory problems, or anything else?)
- ▶ If you did have warning or training: where did you get the information?
- ▶ Do you have access to PPE? What do you have? Who provided it? And how often do you use it and why? (e.g. gloves, face masks, earplugs, other specialized equipment)
- ▶ Have you been injured or become sick because of your job? If yes, what happened? Does your employer (or contractor) provide medical care or treatment? Did you get paid sick leave or compensation for the injury? What impact did this injury/illness have on you and your family?
- ▶ Have your working conditions changed since you started in this role? What has been upgraded or what has worsened? How has it had an impact on daily life at work?

Social security benefits

- ▶ As a part of your job, do you have the following: health insurance, paid sick leave, contributions to social security/pension fund, insurance for work-related accidents or illness, employment insurance?
- ▶ If not, why not?
- ▶ If yes, do you know how to claim these?

Relationship with the employer/management

- ▶ Does your employer ask you to do any of the following: do dangerous tasks that are likely to end up in injury or cause health problems; work overtime with OT pay; work overtime without OT pay; work overtime with no extra pay at all; work for someone else; commit activities you don't want to do (e.g. dump industrial waste; anything else?)
- ▶ How often does your employer ask you to do these things?
- ▶ If you don't do them, what would happen?
- ▶ Are you able to leave your current work if you find another (better) job?

Trade unions and CBA
<ul style="list-style-type: none"> ▶ Have you joined any trade unions or other workers' organizations? ▶ What are the advantages of belonging to a trade union or workers' organization? ▶ Are you actively involved in the trade union or workers' organization? What's your role? If office holder of trade union, ask additional questions about relationship with employers/manager. ▶ Are you covered by a CBA? If yes, how long have you being covered by a CBA and what is its impact on your daily life? (Wages increase? Benefits?) ▶ Where would you go for help if you had a problem with the employer? What is the procedure?

Annex 3. Key informant interviews

The in-depth key informant interviews will be used to gather qualitative information from experts working on labour rights in the tanning/leather industry. Interviews will be semi-structured and face-to-face whenever possible. Whenever necessary, an interpreter will be present. The location of the interview will be the key informant's office or another suitable location to have an open discussion without interruption.

The researchers will introduce themselves and start each interview with an explanation of the research, its intended results, and explain the voluntary nature of the interview. Consent of the key informant will be confirmed before starting the interview. Recording by hand and/or audio-visual equipment will be in accordance with the informant's consent.

Questions will be open ended as much as possible and followed up by probing to allow the key informant to continue more in-depth on the issues. Data collected will be triangulated with findings of the desk review, private sector interviews, and worker FGDs. Where needed, interpreters will be provided.

Trade unions	Employers' organizations	International community	Government
<i>Overview</i>	<i>Overview</i>	<i>Overview</i>	<i>Overview</i>
<ul style="list-style-type: none"> ▶ How many members do you have in the leather/tanning industry? ▶ What positive changes have you noticed in the past five years? ▶ What are your main concerns about the tanning/leather industry? 	<ul style="list-style-type: none"> ▶ How many members do you have in the leather/tanning industry? ▶ What positive changes have you noticed in the past five years? ▶ What are your main concerns about the tanning/leather industry? 	<ul style="list-style-type: none"> ▶ What initiatives/projects is your organization engaged in in the leather/tanning industry? ▶ What is the objective of your initiative/project? ▶ Who are your targets for action? And how do you engage them? 	<ul style="list-style-type: none"> ▶ What are the main legislative and policy changes impacting the leather/tanning industry in the last five years? ▶ What positive changes have you noticed in the past five years? ▶ What are your main concerns about the tanning/leather industry?

Trade unions	Employers' organizations	International community	Government
<i>Overview</i>	<i>Overview</i>	<i>Overview</i>	<i>Overview</i>
<ul style="list-style-type: none"> ▶ What specific cases/incidents have you dealt with? ▶ What still isn't being addressed, that needs to be? ▶ What role does the private sector and government have to play in this? ▶ What are your main areas of focus in the medium term? 	<ul style="list-style-type: none"> ▶ What specific cases/incidents have you dealt with? ▶ What still isn't being addressed, that needs to be? ▶ What role does the private sector and government have to play in this? ▶ What are your main areas of focus in the medium term? 	<ul style="list-style-type: none"> ▶ What has been the impact on workers in leather/tanning industry? ▶ What issues are still not being addressed, that needs to be? ▶ What is standing in the way of this change? 	<ul style="list-style-type: none"> ▶ What specific cases/incidents have you dealt with? ▶ What issues are still not being addressed, that needs to be? ▶ What is standing in the way of this change?

Trade unions	Employers' organizations	International community	Government
<i>Changes in business practices</i>	<i>Changes in business practices</i>	<i>Changes in business practices</i>	<i>Changes in business practices</i>
<ul style="list-style-type: none"> ▶ What changes have you noticed in how the tanning/leather industry is conducted? ▶ What changes have you noticed in how private sector/businesses treat their workers? ▶ What opportunities do you see in terms of changing business practices to ensure decent work for workers in this industry? ▶ What do you feel the private sector still needs to work towards improving? ▶ How can different stakeholders support these improvements? 	<ul style="list-style-type: none"> ▶ What changes have you noticed in how the tanning/leather industry is conducted? ▶ What, if any, government policies have driven these changes? What else has driven these changes? ▶ What is the daily impact on workers/businesses of these changes? ▶ Where do you think the private sector can improve? ▶ How can different stakeholders support these improvements? 	<ul style="list-style-type: none"> ▶ What changes have you noticed in how the tanning/leather industry is conducted? ▶ What has driven these changes? ▶ What is the impact on workers/businesses? ▶ Where do you think the main opportunity for improvement in terms of work conditions is? ▶ How can different stakeholders support these improvements? 	<ul style="list-style-type: none"> ▶ What changes have you noticed in how the tanning/leather industry is conducted? ▶ What is driving these changes? ▶ Where do you think the private sector can improve? ▶ How can different stakeholders support these improvements? ▶ What challenges do you face in enforcing laws and regulations in the tanning/leather industry? ▶ What successes have you had in enforcement?

Trade unions	Employers' organizations	International community	Government
<i>Government engagement</i>	<i>Government engagement</i>	<i>Government engagement</i>	<i>Government engagement</i>
<ul style="list-style-type: none"> ▶ How has the government engaged with your organization? ▶ How would you describe the relationship between trade unions and the government? ▶ How could the government (labour department or others) work better with the trade unions? ▶ Please describe any cases you have brought to the government or have worked on together with the government. 	<ul style="list-style-type: none"> ▶ How has the government engaged with your organization? ▶ How would you describe the relationship between your organization and the government? ▶ Please describe any cases you have brought to the government or have worked on together with the government. ▶ If you could ask the government to change one thing to assist the tanning/leather industry, what would it be? 	<ul style="list-style-type: none"> ▶ How has the government engaged with your organization? ▶ How would you describe the relationship between your organization and the government? ▶ Please describe any collaborations you have had with the government. ▶ If you could ask the government to change one thing to assist the tanning/leather industry, what would it be? 	<ul style="list-style-type: none"> ▶ How have you engaged with other government agencies? (e.g. labour/ environment, central or provincial levels) ▶ How would you describe the relationship between your department and other government agencies? ▶ Are there any areas on which you think agencies can cooperate better? ▶ What is standing in the way of better coordination? ▶ What are the priority areas for legal/ policy changes in the medium term?

Trade unions	Employers' organizations	International community	Government
<i>Private sector¹⁷ engagement</i>	<i>Private sector engagement</i>	<i>Private sector engagement</i>	<i>Private sector engagement</i>
<ul style="list-style-type: none"> ▶ How have private sector companies engaged with your organization? ▶ How would you describe the relationship between trade unions and private sector in this industry? ▶ How could the private sector engage better with your work? ▶ How has the private sector engaged with workers? 	<ul style="list-style-type: none"> ▶ What are the main services you offer your members? ▶ What advantages do you offer your members? ▶ Have you engaged with other industry associations? And how? ▶ Have you engaged with any private sector associations from broad? And how? ▶ In what areas have your members requested support? 	<ul style="list-style-type: none"> ▶ How have private sector companies engaged with your organization? ▶ How would you describe the relationship between your organization and private sector in this industry? ▶ How could the private sector engage better with your work? ▶ How has the private sector engaged with workers? 	<ul style="list-style-type: none"> ▶ How have private sector companies engaged with your department? ▶ How would you describe the relationship? ▶ Where do you think there are clusters of better compliance? ▶ Where is the area of the most non-compliance? ▶ How have you tried to enforce the laws and regulations?

17 Private sector includes enterprise units and industry associations.

Trade unions	Employers' organizations	International community	Government
<i>Challenges in compliance</i>	<i>Challenges in compliance</i>	<i>Challenges in compliance</i>	<i>Challenges in compliance</i>
<ul style="list-style-type: none"> ▶ What are the key areas of non-compliance in terms of labour/ environmental standards? ▶ Why? ▶ How do you intend to address these areas in your work? ▶ What has been success stories? 	<ul style="list-style-type: none"> ▶ What are the main challenges in complying with laws and regulations, and standards? ▶ Why? ▶ How do you intend to address these areas in your work? ▶ What has been success stories? 	<ul style="list-style-type: none"> ▶ What are the main challenges in complying with laws and regulations, and standards? ▶ Why? ▶ How do you intend to address these areas in your work? ▶ What has been success stories? 	<ul style="list-style-type: none"> ▶ What are the main challenges in enforcing laws/ regulations? ▶ Why? ▶ How do you intend to address these areas in your work? ▶ What has been success stories that might be replicated?

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