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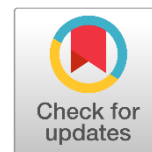
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Impact of Hiring Contractual Workers on Sustainable Supply Chain in Exporting Textile of Pakistan

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ABSTRACT

Textile industry is one of the major sources of revenue generation for Pakistan. For the last two decades, this has been the key source of the inflow of foreign exchange through export of garments and textiles goods. Many global retailers and brands like Tesco, JC Penny, Wal-Mart, and Next etc. are sourcing their goods from Pakistan. These Retailers purchase garments and textile on some specific conditions such as cheap merchandising, quality standards and social and environmental compliance. In order to comply with social standards these multinational buyers enforce their vendors to follow the land law and their own code of conduct. The severity of issues varies from violation to violation. For example, nonpayment of overtime violations is taken as serious issues. In contrast, failure to pay legal benefits to labors as EOBI, group insurance and leaves are less threatening. Hiring contractual employment especially on piece rate is one of the core factors that lead to these non-compliances (NCs). A total of 60 unpublished social compliance onsite audit reports of textile and garment factories working with foreign buyers in Pakistan were analyzed. Chi-Square test applied to test the hypothesis. The result reflects that there is an association exists between hiring contractual piece rate workers, employment old age benefit, and group insurance and leaves violation. Current study may be helpful in exploring the major factors that may lead to overtime, employment old age benefit, group insurance and leaves violation. The findings may also help NGOs, government and global buyers to develop policies that provide better control over workers' rights in developing countries like Pakistan for sustainable business growth.

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1. INTRODUCTION

Textile is one of the largest exports, the backbone of Pakistan's economy and the major source of foreign exchange. Numerous foreign retailers including JC Penny, Zara, Wal-Mart, Target, Kohl's and many others are outsourcing textile garments and various other items based on quality and low cost from Pakistan. Nowadays ethical

supply chain management (SCM) is considered to be one of the core key practices for any upstreaming and growing firm. These firms are highly concerned with the ethical and social issues of their suppliers along with the best standards of quality. The scope of such standards generally includes child labour, forced labour, benefits to contractual workers, compensation including minimum wage and overtime payment, working off the hours and environmental health, social security and safety.

In our research, we focused on non-compliance issues in terms of benefits to contract workers usually those who work on a piece rate. As per the accord of the World Trade Organization (WTO) agreement, Pakistan must comply with all the laws and principles that are needed to fulfil the export requirements including compliance with social, management and environmental standards.

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Global and well-renowned branded firms are very much concerned about their image, for that reason, they often set up their codes of conduct for the exporters and manufacturers in developing countries. This provides them with the inner satisfaction that they socially fit into the world and also wanted their partners to adopt the standards of working. Firms like Wall-Mart and Zara conduct social compliance audits as they are highly conscious of meeting high standards in the supply chain network. An example of a code of conduct is like:

- Workers either of the nature of the job may have the freedom to refuse overtime without any threat of penalty and fear of punishment or dismissal by the management.
- As per policy, the workers have at least one day off a week, at least four a month.
- Paid annual leave and holidays as required by the law of the state must be granted to employees who must meet the local industry standard.
- The factory must provide workers with an understandable and simple wage statement compulsorily which includes working days and days worked, wage or piece rate earned per day depending upon the nature of the work, hours of overtime at each with clearly mentioned specified rate, benefits, bonuses, all the legal and contractual deductions and allowances an employee have.

By subcontracting labourers, both buyers and suppliers can legally assert that textile and garments assemblers work exclusively for different contractors and subcontractors who provide work for them. In doing so, firms and suppliers both can prevaricate labour laws legally required of traditional employers and tax liabilities (Howard 1997).

Following the manufacturers in the garment and textiles chain are the contractors and subcontractors. Machine operators, pressers and cutters are mostly hired by these contractors and they also control the actual production in factories. (Mazur 2000). When there is a pressure of shipment these contractors often subcontract work to another factory that is usually an unregistered unit and that frequently outsources the work that is based on the workers who work from home for such contractors and generally lack legitimate contracts in writing.

Top-down price setting allows the retailer to control the manufacturer, who further squeezes the price by passing it on to commodity chain workers (McGurrin, D 2007). To maximize profit manufacturers seek contractors and subcontractors with the most competitive price. In contrast to other costs wages, overtime and other legal benefits such as EOBI, bonuses, leaves and group insurance of the workers are avoided by these contractors as it's easy to control and manipulate for such needy and unaware workers seeking employment.

Due to increased competition, these contractors remain beleaguered to gain very slim profit margins. Low wages, single overtime (rather double of actual wage), no registration in EOBI and no group insurance are some of the strategies that these contractors opt for to increase their profit margin but force workers to endure sub-poverty wages and benefits. Manufacturers can get a little competitive edge by hiring contractors: labour can be outsourced with minimum liability, maintenance and legitimate benefits of such labour. Additionally, manufacturers can get low bidders for grabbing business because of high competition among contractors. (Loucky et al. 1994).

Workers are compensated in the textile and garment sectors of Pakistan in no. of ways most often they are paid a salary on monthly basis. Workers are also hired on daily wages and at a piece rate. All the provisions of the local laws related to permanent employees regardless of the type of employment and mode of disbursement of wages are needed to have complied with EOBI, bonuses, group insurance leaves and medical allowance etc. For salaried workers manufacturers have to pay salaried or daily waged workers irrespective of the production. In contrast to salaried workers piece rate workers are hired through contractors (third party). These workers are paid based on the number of units they produce. Chan and Siu (2010) shared that relative to other industrial sectors garment workers work long hours in China as they are unskilled and are paid on a piece-rate basis.

As most of the time piece rate workers are hired through a contractor therefore contractors are expected to take care and manage all activities ranging from hiring and production to compensation and benefits of workers instead the factory management. The rate of the piece is set in a lump sum by the contractor and factory management depending on the size and volume of the production. A significant part of the rate set is grabbed by the contractor rather than sharing fairly with the labour they hire. As the purchase orders in the garment and Textile factories vary from season to season and therefore these factories prefer to hire contractual workers, especially in the production department to keep their liability as less as possible.

Illegal industry practices are often picked by the contractors that make vulnerable the livelihood of legitimate law-abiding contractors. As Mazur (1998) stated, "contractors cannot compete based on different production methods, machinery, or other efficiencies. They compete based on offering a lower price for producing the garment. Thus, the manufacturer controls labour standards by forcing the contractor through fierce competition to drive down wages." As the orders increase more workers are employed and when production declines the workers are released by the contractors. Such practices may lead to the least liability for the manufacturers and are cost-effective.

Though workers receive minimum wages regardless of peak season however workers are paid their actual wages (i.e. based on the number of pieces they produce rather than double) during overtime hours especially when low orders are placed. As per local law, overtime is double their actual pay for normal working hours. The non-payment of overtime is normally justified by the manufacturer by the relation of the contract in which the wage rate is offered by the contractors.

In Pakistan, this is also a result as the law do not clearly state how to compensate overtime of piece rate workers though the law stands the same for all type of employment (contractual and non-contractual). Factory management pays a lump sum amount to contractors and it is expected that it is the responsibility of the contractors to pay fairly to their employees. As the factory pay lump sum to the contractors, workers' EOBI and group insurance are also not considered for registration. In addition, there is no concept of paid leaves even if the workers work continuously for more than a year in a factory. As per law any such worker who works continuously for 12 months on premises should be treated as a regular worker and will be eligible for all legal benefits as a regular worker. Hiring piece-rate contractual workers is mostly rationalized by the factory

management because of the above-mentioned reason. In addition, nonpayment of overtime is justified by the factory management because of workers understanding of the piece rate wage offered by their contractors.

During social compliance audits, non-compliance (NCs) are reported if the workers fail to get overtime premiums and other benefits (group insurance, EOBI, Leaves) despite the justification of lack of order placement to the factory or even if contractual workers are employed. The consequences of such NCs range from medium to serious risk of termination of business contracts. For example, if the overtime premium is not paid issue is repeated thrice the business contract are terminated by the buyers for 1 to 2 year. In contrast, if the factory fails to provide legal benefits such as EOBI and group Insurance and leaves the buyers to continue to do business with the supplier except to report the NCs in a report whenever social compliance audits are conducted.

Hiring contractual employment, especially on piece rate is one of the core factors that lead to these non-compliances (NCs). The presence and repetition of such defiance during social compliance (SC) audits may damage sustainable business with foreign buyers and often results in the annihilation of purchase orders. The present study is aimed to explore the impact and relationship of hiring contract piece rate (PR) workers on overtime payment, employment old age benefit, group insurance and leaves violation.

2. Literature Review

Grace and Bartech (2008) in their article contract employee claimed for family and medical leave act violations against primary and secondary employers surveyed that the regulations provide separate responsibilities and identification for primary and secondary employers. Now a secondary employer is also responsible for compliance with the prohibited act. The prohibited acts include prohibitions against interfering with an employee's attempt to exercise rights under the Act or discharging or discriminating against an employee for opposing a practice which is unlawful under the mandatory FMLA. The discrimination between employees in terms of leave benefits can be eliminated to a minimal level.

Discussing informal (contractual) workers, contractual workers Celia Mather (2004) reviewed the garment industry and its supply chain. He has argued that according to International Labour Organization (ILO), all workers in organizations are free to establish labour unions to safeguard and protect against any unlawful act on different injustice aspects. In most countries, these laws are practised just for formal workers. If you are an informal worker or contract worker, you may be hidden or out of sight in small workplaces. You may move from one employer to another at frequent intervals depending upon your need or the work needed. You are vulnerable to losing your job at a moment's notice. This makes it hard to get together to build organizations for informal employees.

Ghazala (1990) presented a detailed country report on labour status and the parallel application of labour laws. she had discussed various factors regarding the difficulties that are there to getting labour law protection or coverage for benefits under labour law - trade union responses to precarious employment. She In addition highlighted the Labor Policy; different laws have been promulgated for the benefit of the labour force in Pakistan. In Pakistan "The

Factories Act" is applicable and implemented in almost all industries. According to the Act-1934, "Factory" means any "premises" or "Precincts" thereof, where ten or more workers are or were working in a unit of manufacturing or any other. This Act deals with the following aspects with are required and relating to working conditions for workers without discrimination of contract and permanent workers. This act also provides the basis for the audits to be carried out and strands for which the factory is answerable to the government and other auditory authorities. Ghazala further discussed the Shops and Establishment Ordinance (1969) that Ordinance provides direction for the maintenance of statutory records of wages, leave, holidays, working hours, overtime, EOBI, Social security, etc. It must be applied to all workman retailers' shops and all other establishments where any workman or man force is employed.

The dominant code of conduct plus auditing model effectively addresses the problem of labour compliance that also clearly specifies the terms and conditions for contract workers. Leave befit issue is one of the crucial aspects of contract heading non-compliance for suppliers. There are clear parallels between the buyer's contractor dynamics that the buyer's agreements sought to regulate and the relationship between global suppliers and offshore apparel manufacturers in today's supply chains as discussed by (Anner et al. 2012).

Majyd Aziz (2006) has highlighted the challenges faced by workers in the garment and knitting units of Pakistan. The labour contract system on a piece-rate basis, while offering higher wages based on productivity, denies workers many important benefits and protections afforded to regular employees, such as annual holidays, social security, job security, and maternity leave. The mobility of workers from one unit or contractor to another may further exacerbate the problem of noncompliance with labour laws and regulations. It also creates a situation where workers are unable to establish long-term relationships with their employers and may face difficulties in advancing their careers or acquiring new skills.

The largely female workforce in the apparel and knitting units is particularly vulnerable, as they face additional challenges related to gender equality, customized working schedules, and child care. The absence of maternity leave benefits for female contract workers can have severe consequences for their health and well-being, as well as that of their new-borns. Efforts to improve the situation for workers in Pakistan's garment and knitting units should focus on increasing compliance with labour laws and regulations, improving working conditions, and extending benefits and protections to contract workers. These efforts should take into account the specific needs and challenges faced by female workers in these sectors.

It is encouraging to see that major apparel buyers have instituted Codes of Conduct and company-certified inspections to ensure compliance with labour laws and regulations in Pakistan's garment and knitting units. However, it is important to ensure that these codes are effectively implemented and enforced. The introduction of modern production techniques, audits, and equipment can improve working conditions and increase productivity, but it should not come at the expense of workers' rights and safety. It is important to ensure that workers are trained to operate new equipment safely and that audits are conducted

regularly to prevent workplace accidents and violations of labour laws.

Improving job quality, particularly in small and medium organizations, should be a top priority. This can include providing workers with better wages, benefits, and protections, as well as opportunities for skills development and career advancement. It is also important to address issues related to gender equality, maternity leave benefits, and child care, particularly for female contract workers. Overall, a comprehensive approach to improving working conditions in Pakistan's garment and knitting units is needed, which includes social compliance, modern production techniques, and efforts to improve job quality and address gender-related challenges. This requires collaboration between apparel buyers, suppliers, and government agencies, as well as active participation from workers and their representatives.

Aziz (2006) further elaborated that the dependence on contract workers in various sectors of industries is now an upcoming issue which was taken for granted. Benefits supposed to be given were kept hidden under the term "contract" which indicates no labour law application that is fake and unlawful. The reliance on contract workers in Pakistan's garment and knitting units, particularly for production departments, can lead to job insecurity for workers and create challenges for compliance with labour laws and regulations. This can have negative consequences for the competitive position of these units, which are dependent on meeting the buyer's criteria and standards.

However, it is important to recognize that providing full employment with all statutory and negotiated benefits and facilities should not render companies uncompetitive in terms of cost-saving and profit-seeking. Companies can adopt strategies to improve efficiency and productivity while ensuring compliance with labour laws and regulations and providing workers with fair wages, benefits, and protections. One such strategy is to invest in training and skill development programs for workers, which can improve their productivity and reduce turnover rates. Companies can also adopt modern production techniques and equipment to improve efficiency and reduce costs while ensuring the safety of workers.

Furthermore, efforts to improve compliance with labour laws and regulations can help companies build stronger relationships with buyers and improve their reputation in the global marketplace. Companies can also collaborate with government agencies, worker representatives, and other stakeholders to develop policies and practices that promote fair labour standards and protect workers' rights. Overall, while the reliance on contract workers may be a cost-saving strategy for companies, it is important to recognize the long-term consequences of this approach and to adopt strategies that prioritize workers' rights and protections, while remaining competitive in the global marketplace.

The aim of writing this article is to empirically evaluate the impact of contractual workers hired by a third party leading to non-compliance problems during social compliance audits in the textile industry of Pakistan, where the seasonality impact of hiring contractual worker rate is quite higher as compared to the other industries. By working on it we can conclude whether contractual workers in a textile firm are nowadays a cause for non-compliance issues in the supply chain and specifically whether the leave benefit, EOBI and group insurance as stated in the contract

to the contractual worker is granted or implemented as per contract or it is not. This burning issue is significantly highlighted because the contractual workers are not being treated as per labour law as in discussed in the study "The Critical Exposure of Lesotho's Labor Law Effectiveness: Industrial Relations' Calamity of Textile Industry Workers in Lesotho". Lesotho (2014) claimed and justified that it is usual behaviour for contract workers they lack various legal rights.

Karamat et.al. (2010) working for the Pakistan Institute of Labour Education & Research put forward a comprehensive report comprising "Labour Rights in Pakistan conducting Declining Decent Work and Emerging Struggles". The report discussed the various unfavourable factors and quantitative data for inequity and imbalance of benefits to workers especially in the textile sector, including leave benefits, child labour, working off the clock, overtime not paid, EOBI issues, group insurance and various others are the most highlighted ones.

Further, the report reveals reasons for the decline in the textile industrial sector e.g. cutting labour costs based on rural and urban workers keeping them as low as possible, long working hours, low wages, stressful environment, no social security rights and no entitlement for overtime payment, job insecurity was the most burning issue for the contract workers. The Ministry of Textile Industry for encouraging women's employment as it is a more populated chunk of the population in the textile industry has also issued reimbursement of EOBI contribution Order 2009.

Unawareness about labour rights is also another factor that leads to additional suffering for workers on a piece rate. There were incidents of underpayment of overtime, labourers were not aware of the current lawful lowest pay permitted by law, the piece-rate framework being the excessively prevailing technique for ascertaining wages, and the absence of a direct connection between the wages paid and the industrial facility's financial execution. The subjective contextual analyses affirmed these discoveries and offered experiences into the conceivable underlying drivers (Adidas Sustainability Progress Report 2013).

The Pakistan Institute of Labor Education & Research (2009) conducted a survey and found that about 60 per cent of workers are facing delayed payment problems and further more than 96 per cent have not been registered under the social security institution and EOBI. Pakistan Institute of Labor Education & Research (2010) had put efforts into solutions to overcome and minimize these issues through supporting strategies and collective thought of labour for best practices of labour laws and benefits being awarded to workers.

According to Chan (2013), mostly contractual worker hiring occurs at all levels of industries. Shorter lead times, extensive purchasing practices of international brands, lower price demand and seasonality bring high and dependent reliance on contract workers (labour). Chan disposes of the core reasons for their employment focusing supply chain network in the current scenario:

- Highly poor regulation in terms of dealing with contract labourers.
- Contractual workers facing reduction and reception of financial incentives
- Frequent and increased access to appropriate labour

- Minimization of transaction cost
- Having the ability to restrict the worker organization in a self-governing way and collective bargaining

Carr, (2000) has discussed in detail that by hiring home-workers, they are hired to do the labour-intensive work of assembling garments and paying them by the piece based on the number of units produced or daily wages, Subcontractors keep their wage costs and overhead low and minimize the risk of losing this goes against the labour laws. Subcontracted home-workers have little power over the terms and conditions of their work. Carr (2000) worked out that in Bangkok, 60 per cent of subcontracted workers in the IEMS study reported that wages were set by the contractor; 51 per cent said they could not bargain. Similar situations exist in multiple states of the world where the contractor is considered the master as the contract employees have nothing to do with the management of the textile unit.

While going through the research two variables are correlated, one is the dependent variable which is "Non-compliance in terms of leave benefits" and the independent variable" hiring contract workers from contractors (third party). Keeping in view literature, piece rate workers on contract are more susceptible to receive overtime (as per legal requirement) and other benefits such as EOBI, group insurance and paid leaves that increase the likelihood of reporting violations during the SC Audits and hence this can be narrated as:

H0: Violation in overtime premium is not associated with contractual piece rate workers.

H1: Violation in overtime premium is associated with contractual piece rate workers.

H0: Violations in EOBI, group insurance and paid leave is not associated with contractual piece rate workers.

H2: Violations in EOBI, group insurance and paid leave are associated with contractual piece rate workers.

3. Research Methodology

Conceptual Framework

Many reaches have shown collective decisions regarding the negative impact of hiring contractual workers in terms of compliance issues. Studies and finding report the need for hiring third-party contract workers to get the competitive edge in incurred cost, increased profitability and customer loyalty; however repercussions of such practices in the supply chain are serious where an organization may fail to get an edge for sustainable business growth with retailers and buyers.

As an indicator of the intensity of the mutual relationships workers hired through contractors is proximal to the violation, and there mediate the relationship between leave benefits not issued or issued.

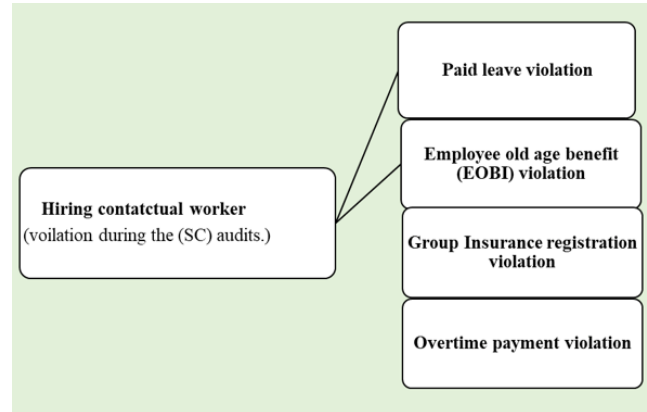


Figure 1. Hiring of contractual workers impact on violations reported during social compliance audits

The conceptual framework covers the summary of what is basically to be discussed and searched in the research. The diagram above provides the overall picture of the research that is tested and critically judged.

Sampling Technique and Sample Size

To achieve the highest valuable, trustable and valid results precise estimation is done based on a convenient sampling technique on the availability of the audit reports provided by textile factories. The social compliance audit reports are generated based on reported observations on the day of onsite audits conducted by the social compliance auditors. Though the chances of subjectivity are always expected however because of the high check and balance system by the auditing firms the chances of biases in reports are minimal. A total of 60 unpublished social compliance onsite audit reports (Nov., 2011-Jan., 2013) of textile and garment factories working with foreign buyers in Pakistan were analyzed for both contractual and non-contractual workers. The SC audit reports contain confidential information about the factory and suppliers. As the confidentiality of the data was promised with the factories therefore the names of the factory are not shared.

Measures

By gathering the data about my compliance axioms and laws related to the topic in terms of overtime violation; leave benefit, EOBI and group insurance the following variables were checked for the association.

Case-I

x = Workers hired through contract

y = Non-compliance regarding Leave benefit, EOBI, Group Insurance

Case-II

x = Workers hired through contract

y = Non-compliance regarding overtime

The test of association was checked by chi-square as a statistical tool to check the hypothesis.

Data Integration

During the selection of population characteristics differences in the number of employees, supply chain structure and organizational hierarchy were not taken into consideration as the core focus was to evaluate factories with contractual and non-contractual workers in terms of overtime pay and benefits as EOBI, group insurance and leaves violations.

To test the association for overtime and legally paid benefits violation we have claimed two main hypotheses:

H0: "Violation in overtime premium is not associated with contractual piece rate workers." H1: "Violation in overtime premium is associated with contractual piece rate workers."

H0: "Violations in EOBI, group insurance and paid leave is not associated with contractual piece rate workers."

H2: "Violations in EOBI, group insurance and paid leave are associated with contractual piece rate workers."

Leave benefit, EOBI and Group Insurance

Data gathered from audit reports specifically for leave benefits, EOBI and group insurance are summarized in appendixes 1.1 shows the factories hiring permanent status of employment. During the analysis of 30 social compliance audit reports for non-contractual employees, 20 reports were found compliant and the remaining 10 reports showed violations regarding leave benefits, EOBI and group insurance.

Similarly summarized in appendixes 1.2 illustrates that out of 30 social compliance audit reports for contractual workers, only 2 reports were found compliant rest of twenty-eight reports showed violations regarding leave benefits, EOBI and group insurance.

Summarizing the data gathered from all reports

Non contract hiring Factories: compliance = 20 , Non-Compliance = 10, Total = 30

Non contract hiring Factories: compliance = 02 , Non-Compliance = 28, Total = 30

SPSS (Statistical Package for the Social Sciences) Statistics was used for data integration.

Level of significance: the significance level is kept at 5 %, lowering the significance level more chance we gave the null hypothesis to be justified we take $\alpha = 5\%$.

Test statistic:

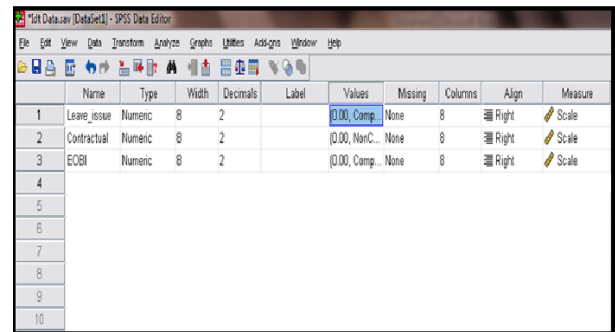


Figure 1.1 the data selection and ways the data is filled in the software.

Crosstabs

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Table 1.1

Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Per cent	N	Per cent	N	Per cent
Leave_EOBI and Group Insurance issue * Contractual	60	98.4%	1	1.6%	61	100.0%

Table 1.2

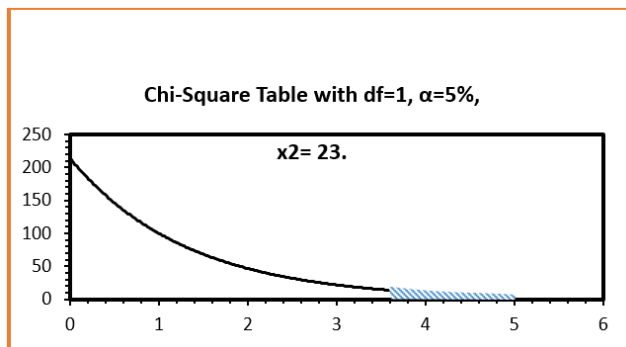
Leave, EOBI, Group Insurance, issue * Contractual Crosstabulation					
		Contractual			Total
		NonContractual	Contractual		
Leave_issue EOBI and Group Insurance	Compliant	Count	20	2	22
		Expected Count	11.0	11.0	22.0
	NonCompliant	Count	10	28	38
		Expected Count	19.0	19.0	38.0
Total	Count	30	30	60	
	Expected Count	30.0	30.0	60.0	

Table 1.3

Chi-Square Tests					
	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	23.254a	1	.000		
Continuity Correction	20.742	1	.000		
Likelihood Ratio	25.972	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	22.866	1	.000		
N of Valid Cases	60				
a. 0 cells (.0%) have an expected count of less than 5. The minimum expected count is 11.00.					
b. Computed only for a 2x2 table					

Table 1.3 shows that the chi-square value is 23.254 obtained from the output generated by the software and verified manually. $\chi^2 = 23.254$. Critical value: Critical Value is obtained from χ^2 table using α and K - 1 degree of freedom. (K = Number of groups) CV = 3.84.

Graph 1.1



The value of chi-square χ^2 (graph 1.1) is very high that is from the cross table that is 23.25 which is far away from the critical region so our null hypothesis was H0: "Violations in EOBI, group insurance and paid leave are not associated with contractual piece rate workers." is rejected and test of association validates that contractual status of employment (contract or temporary workers) and non-compliance are highly associated with each other.

It is a satisfactory position for permanent employees that they are entertained with this legally beneficial policy of the government and this is positively practised for them. Similarly appendixes 1.4 show the factories hiring contract or short-term status of employment from contractors or third party.

During their social compliance audits out of thirty reports none of the factory reports was compliant, and the whole thirty reports showed that the implementation of labour law in EOBI benefit to contract employees was not given. That showed the grey area of the textile industry.

Summarizing the data gathers from all reports

Non contract hiring Factories: compliance = 28, Non-Compliance = 02, Total = 30

Non contract hiring Factories: compliance = 30, Non-Compliance = 00, Total = 301

SPSS (Statistical Package for the Social Sciences) Statistics is used in my data integration which is a software package used for statistical analysis .this software is very user-friendly and very much helpful for data integration and testing hypothesis.

Level of significance: the significance level is kept at 5 %, lowering the significance level more chance we gave the null hypothesis to be justified we take $\alpha = 5\%$.

Test statistic:

The obtained results are output from SPSS application software. The diagram below shows the data selection and ways the data is filled in the software.

The value of chi-square χ^2 is very high that is from the cross table that is 52.5, which is very huge and is far away from the critical region so our null hypothesis was H0: Contractual status of employment and non-compliance in terms of EOBI benefits (as per labour law) has no association, That is why it strongly rejected and test of association validates that contractual status of employment (contract or temporary workers) and non-compliance are strongly associated to each other. The claim that we made is that in the current scenario where the supply chain plays a very significant role in the competitive and differential advantages to the firms, audits for their suppliers are considered to be essential means of insurance that their

suppliers are compliant with all laws and terms and conditions.

Result of Hypothesis testing: From data integration in terms of EOBI benefit, I concluded the hypothesis testing as:

H0: Contractual status of employment and non-compliance in terms of EOBI benefits (as per labour law) has no association.

Strongly rejected.

H1: Contractual status of employment and non-compliance in terms of EOBI benefit (as per labour law) has a strong association.

Highly associated and accepted.

Now data gathered from audit reports for social security benefits is summarized in individual tables table 4.5 shows the factories hiring permanent status of employment .during their social compliance audits out of thirty reports twenty-eight reports were compliant and reaming only two reports showed that the implementation of labour law in EOBI benefit to employees was not given.

H0: Contractual status of employment and non-compliance in terms of social security benefits (as per labour law) has no association.

Strongly rejected.

H1: Contractual status of employment and non-compliance in terms of social security benefits (as per labour law) has a strong association.

Highly associated and accepted.

Data integration from the above statistical tool has proven the results that we were to analyse in our hypothesis that contractual state labour in general and most of the time causes serious issues in the supply chain network. Limiting to only three laws in terms of benefits to contract state employees has shown very negative and astonishing results that non-compliance of textile factories is highly associated with the employee's status of the job either permanent or third party(contract based).

Through data integration tested hypothesis has proved the following results that are:

- Contractual status of employment and non-compliance in terms of leave benefit benefits (as per labour law) has a strong association.
- Contractual status of employment and non-compliance in terms of EOBI benefits (as per labour law) has a strong association.
- Contractual status of employment and non-compliance in terms of social security benefits (as per labour law) has a strong association.

These hypothesis results also show the reflection of past research that contractual workers are the class of employment that is mostly facing labour law violations in the textile industry of Pakistan. The benefits they are supposed to have as per labour law factory act and others they commonly kept far away in most of the firms that hire contractual workers.

That data integration now will provide the basis for critical discussion and conclusion for the step the government of Pakistan and other concern authorizes must take to improve the standards of the textile industry and to sustain its image and the current era of advanced supply chain network.

4. Conclusion and Recommendations

The research study was intended to examine and analyze the impact and concern of "Non-compliance of labour laws relating to job benefits in contractual workers' jobs" followed by social compliance audits as supported by the previous research.

I found empirical evidence in support of my finding for Hypotesis#1 for every case concerning leave benefits, social security and EOBI benefit. I verified through hypothesis testing that there is a significant impact of hiring contractual workers (contractual hiring through third-party contractors) and noncompliance regarding leave benefits in the textile sector of Pakistan, and a similarly significant impact of hiring contractual workers (contractual hiring through third-party contractors) and non-compliance regarding social security and EOBI benefit in textile sector of Pakistan. After critical and experimental discussion Textile sector of Pakistan must realize the importance of current issues in the supply chain network due to the lack of significance to the contractual workers in the light of labour laws.

The current research findings will help the suppliers to seek out those common practices which adversely affect the audit findings during the SC audits with a better approach. Further, this will facilitate the factory management to avoid any non-compliance that results in the termination of business with buyers and unhealthy relations with partners. In the same way, the buyers will also be benefitted in terms of working closely and trustily with their suppliers to ensure any non-compliance for sustainable business development.

Celia Mather (2004) listed a few demands that could be made to try to come to an abrupt stop to the increasing employment of workers in informal situations. Here is a list of demands that could be made to try to halt the increasing employment of workers in informal situations.

- Labour laws shielding and protecting basic rights must be applied to all workers not discriminating on the nature of employment.
- Employers for the permanent post must not hire temporary or contractual workers, the post must be formalized and legally employed;
- Workers hired by a third party or through an agency, third party, contractor or agencies are to be treated as employees of the company. Duration would be the period till they worked or offered their services according to the terms and conditions of the contract.
- An appointment letter must be given to any worker desired by the organization for an employee to work for three months or more, and considerably make these employees permanent to b considered equally important as other formal employees.
- Employers must not go by irregular ways with long terms breaks and pauses to workers' employment to avoid the workers making permanent.
- There would not be any discrimination in terms of any sort of benefit to temporary, casual or contract workers

like paid wages, leave benefits and others that should be at least the same as permanent workers are entertained.

- Informal workers or any contractual worker must be given social.
- Attendance and social security cards must be issued to formal and all contract workers which the employer must stamp.
- Workers must be obliged by law to recognize and negotiate with organizations of unions.

Social compliance audits are nowadays very curious significantly toward the laws concerning contractual workers that are not by laws fully entertained. The result for the overall industry could become better by showing positive concerns toward this serious issue. Despite the other terms and conditions, the significant major important benefits listed must be counter-checked and equally judged

- Leave benefit
- Social security
- EOBI

The research indicates that firms are seriously becoming the victim of non-compliance due to social security and EOBI, Manufacturing firms must overcome this issue by treating and giving equal rights to the seasonal or contractual workers for better market and industry value of Pakistan in the world market. Now it's very important to take bold steps to not discriminate the permanent status employees the contract workers and to be treated as fair by laws. The research conducted has shown that the majority of textile firms even if they are the suppliers of multi-national and branded firms, they show neglecting the obeying the laws as directed by the government of Pakistan. The fair social compliance audits highlight these as serious compliance fairly in benefit of contractual workers and result in the dismissal of a long-term relationship, contract breakup and future resistance in maintaining good value in the textile market.

The overall objective of this exploratory research was also to support the whole textile system to increase productivity and ultimately competitiveness of textile goods produced in Pakistan in the multilateral trade system with the avoidance of non-compliance issues.

Further research can be carried out on the root cause of Non-compliance with labour laws relating to job benefits in contractual worker jobs why violation of job benefits occurs, and how its main causes and roots can be improved. Rectification and modification of policies and procedures to overcome compliance issues. In the area of interest for both buyer and third-party auditors firms may future improve and overcome the audit practices and factory compliance. Furthermore, are there relevant strands to work for the betterment and to improve the supply chain network?

Competing Interests

The authors have declared that no competing interests exist.

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