FAIRTRADE ANDWORKERS' WELFARE:A CASE STUDY OFTHESOCCER INDUSTRY IN PAKISTAN

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<u>CERTIFICATE</u>

This is to certify that this thesis entitled: **"Fairtrade and Workers' Welfare: A Case Study of the Soccer Industry in Pakistan"** submitted by Ms. Javeria Younas Abbasi is accepted in its present form by the Department of Economics, Pakistan Institute of Development Economics (PIDE), Islamabad as satisfying the requirements for partial fulfillment of the degree of **Master of Philosophy in Economics**.

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LIST OF ACRONYMS

ATET   Average Treatment Effect

ATOs   Alternate Trading Organizations

FLO   Fairtrade Labeling Organization

FPC   Fairtrade Premium Committee

ILO   International Labor Organization

PSM   Propensity Score Matching

SES   Socio-Economic Status

PCA   Principal Component Analysis

PC   Principal Component

UN   United Nations

WTO   World Trading Organization

WWH   Workers Welfare Hospital

DEDICATION

To Mama, Baba and Chachu

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As I sit down to pen my acknowledgement, I realize that without the unconditional guidance, support and help of number of individuals this journey would not have been completed.

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ABSTRACT

The resurgence of the debate on standardization of labor laws via trade has bought into focus the importance of social labeling programs. Social Labeling programs like fairtrade are seen as adesirable avenue to remedy the weak labor laws in 'South'. Fairtrade is a social labeling program that aims to fight poverty, injustices and hence improve the livelihoods of producers and workersin 'South' throughits predefined code of conduct and standards.The fairtrade standard for hired labor, in particular, aims to fight the labor market injustices existing in the 'South'. Numerous studies have been undertaken to assessthe impact of fairtrade upon the lives of producers and workers. Mixed results have been documented especially for coffee and banana producers. In view of the growing importance of the demands for standardization of labor laws, it is hence imperative to study the impact of theprogram on rectifying the weak labor laws and improving the livelihoods of the workers fora labor abundant country like Pakistan. This study uses the football industry of Pakistan as a case in point and aims to quantify the impact of the fairtrade labeling program on the workers' socioeconomic status and welfare position. Propensity Score Matching (PSM) is used to calculate the treatment effect of the program. The study finds notreatment effect of labeling upon the socio economic status and welfare condition of the workers. It concludes that overall the program fails to make an impact upon the lives of workers employed in the football industry.

CHAPTER 1

INTRODUCTION

1.1   INTRODUCTION

During the past few decades, the debate on standardization of labor laws has experienced resurgence in the international trade theory, policy and practice. While earlier the issue of labor policy and exploitation of workers remained confined to the national and regional sphere of policy making however; increased globalization due to trade openness has played a vital role in internationalizing the issue.

Due to the renewed interest in the debate on standardization of labor laws;the norms and rules pertaining to working conditions and labor relations are becoming increasingly important as far as the public discourse on international trade and trade negotiations is concerned (Freeman 1996; Brown 2001). Consumers, policy makers, lobbies and civil society have also joined the intense debate demanding the standardization of labor laws. Advocates of standardization argue for setting of a universally accepted set of labor rights. Theybelieve that the absence of universally accepted set of labor laws promotes race to the bottom giving countries an undue cost advantage whichis then translated into unfair trade. Hence, labor rights activists have pushed for setting of labor standards via trade (Elmslie and Milberg 1996; Kell and Ruggie 1999; Yanchus and Vanssay 2003).

Where previously trade bans and embargoes were thought to rectify the weak labor laws in developing countries, social labeling is a relatively new concept in order to correct for

weak labor laws. Trade bans and embargoes were censured for causing more harm than benefit to the cause of raising labor standards (Freeman 1996; Basu and Van 1998; Khalid and Shahnaz 2004). Social labeling initiatives, on the other hand, are considered as collaborative measures to raise labor standards in the South. Hence, social labeling programs especially fairtrade have been central to the debates related to the standardization of labor laws. The social labeling programs are based upon certain predefined guidelines regarding minimum standards; in the form of code of conduct (Scherrer, Greven & Ascoly 2001).

Scholars and policy makers have critically analyzed the impact of trade bans and embargoes upon the labor laws in developing countries with many terming them as undesirable. Although fairtrade program is considered as an avenue to raise labor standards, there is howeverdearth of literature on the impact that fairtrade has had on the labor standards in the South.

Fairtrade is a relatively new concept in the extensive history of using 'democracy by the consumers' (Baland & Duprez 2007) and consumer's purchasing power to guide businesses (Levi and Linton 2003). The contemporary Fair Trade movement grew out of a range of post-World War II enterprises which critiqued the inequalities of international trade and demanded a more equitable share for the South based upon the strategy of "trade not aid" (Raynolds 2009). The Fair Trade movement connects North and South[1] through alternate trade channels that are more equitable and just (Shreck 2005). Fair

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[1]Global North/South is "A set of terms distinguishing between a highly industrialized wealthy region and a less
industrialized poorer region of the world, which roughly aligns along a North–South axis" (Raynolds 2009).

Trade movement aims to re-embed the international commodity production and distribution channel under just and favorable conditions for both agriculture and non-agriculture goods (Raynolds 2000). The fair trade model challenges the existing trade structure and promises to fight injustices of the trading system. The initial agenda for fairtrade as a label was to bring together independent producers' for facilitating the sale of goods. However later, it included in its agenda to certify goods that help fight problems like poverty wages, child labor, and inhumane working conditions (FLO). In the beginning it acted as a market niche; integrating established producers and sales structure and hence reaching more consumers (Scherrer Greven & Ascoly 2001). The payment and promise of higher prices (famously known as fair prices; prices higher than the world prices) is a striking feature of the movement. However, with the passage of time the Fair Trade movement started introducing more standards, and it was only in the latter years (1988) that workers rights were incorporated together with the fairtrade label (Scherrer, Greven & Ascoly 2001).

From a national issue to the standardization of labor laws at the international level, to facing sanctions and embargoes and then with the introduction of social labeling programs have affected the developing world labor market in various ways. The developing world has experienced a gradual move towards the social labeling programs and considering that the developing countries are labor abundant and mostly involved in labor intensive production, the fairtrade program warrants a scrutiny at the empirical level. Also, with a rise in demand for standardization of labor laws, ethical trade and social labeling program it is imperative to study the impact that social labeling program like fairtrade have upon the labor market in the developing countries. Further it is also

imperative to measure the effectiveness of the social labeling programs (like fairtrade) with respect to raising labor standards in the South.

In this regard Pakistan constitutes an ideal case for the study of the success or failure of the fairtrade labeling programs in their fight against labor abuses. Pakistan is a densely populated region of the world hence changes in international labor laws and regulations directly have an impact on our economy. This is evident from the fact that the soccer and carpet industry of Pakistan have been under international scrutiny for low wages, exploiting workers, inhumane working condition and employing child labor in the manufacture of sports balls and carpets. The soccer industry of Pakistan plays a chief role in the export earnings of the country and is one of the major suppliers of footballs in the world. Hence, this research provides us a unique opportunity to explore the effectiveness and impact of the fairtrade program on raising labor standards and improving workers' welfare.

This study is thus a detailed analysis of the social labeling program like fairtrade. The research seeks to explore the effectiveness of the fairtrade program in addressing labor issues and raising the labor standards. The case study endeavors to explore in what ways the fairtrade program has affected the living standards of labor and what impact it has had on the lives of the workers' welfare. The current study uses the soccer industry in Sialkot (Pakistan) as a case study to examine the phenomenon of social labeling programs in dealing with the issue of low labor standards.

1.2 BACKGROUND AND CONTEXT

Labeling by individual, policy makers, and development agencies of an individual, act, group or product has been ubiquitous**.** It can be carried out on the basis of certain attributes like color or race e.g. classifying someone as a Negro or Hispanic, or in terms of someone's very being; for instance "being poor" or "being a woman" (Neubeck & Glasberg 1996). Social labeling, on the other hand, is a form of labeling based upon certain predefined guidelines regarding minimum standards; in the form of code of conduct, and awarding of the label is conditional to the adherence of the predefined standards (Scherrer, Greven & Ascoly 2001). Social labels have aimed to promote for instance products free from child labor, environmental friendly goods, and ensured good working conditions. The exercise of using social labels dates back to the late 19th century when in 1898 a social label "*White label"* was coined based on a catalogue of standards, and consisted of **a**list of all those companies which were free from child labor and sweatshops (Scherrer, Greven & Ascoly 2001). Similarly, the social label "*union label'* (albeit for domestic markets) was created to certify union organization or good working conditions at companies in the US (Scherrer, Greven & Ascoly 2001). Fairtrade label is a recent addition to the nomenclature of social labeling.

There are various principles (in terms of code of conduct) defined by the fair trade movement under the four chief standards of fairtrade label namely; standards for hired labor, standards for small producers" organization, standard for contract production and trader standards (FLO). Hence, commodities traded under fair trade label come with information regarding producers' " ideas and practices, spaces and modes of production" (Raynolds 2009). The standard for hired labor is established in depth than the standard

for small producers (Mann 2008). As far as the standard for hired labor is concerned, the movement is particular and steadfast regarding the idea of child labor free work environment[2]. There is zero tolerance for child labor in the sphere of fairtrade and any producers found guilty of employing children as laborers stand to lose certification (FLO).

Many scholars believe that the solution to the problem of low labor standards rests with social labeling programs like fairtrade. Chakrabarty, Grote, and Luchters (2011) argue how ethical trade exceedingly prefers social labeling initiatives over trade sanctions. Social labeling initiatives assure the consumers that the product has been produced under humane conditions (Becchetti & Adriani 2004; Baland & Duprez 2007). Social labeling programs are highly preferred as they are voluntary and market based (Freeman 1996; Baland & Duprez 2007) and are collaborative interventions unlike trade sanctions which are classified as coercive measures (Basu and Tzannatos 2003). Becchetti & Adriani (2004) comment further on the advantages of the fairtrade label. They believe that fairtrade label is abottomup approach[3] which helps solve market failures (especially related to labor standards),is supportive of the idea of global governance and is beneficial and efficient equally for North and South.

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[2]FLO also gives considerable importance to other labor related issues like freedom of association, the right to
organize, fighting discrimination and forced labor. The FLO website gives an in-depth discussion on the standard
for hired labor.
[3] Becchetti & Adriani (2011) terms the bottom up approach as "third generation welfare". For a detailed discussion on third generation see Becchetti & Adriani 2011.

The literature on fairtrade has extensively analyzedthe impact fairtrade hashad on the lives of the small coffee farmers[4] (Raynolds 2000; Bacon 2005; Raynolds 2009). Few studies have also been carried out to analyze the impact of fairtrade on workers growing banana (Becchetti and Constantino 2008; Ruben and Schendel 2008; Ruben, Fort & Arias 2009). These impact studies have been useful in the understanding and betterment of the fairtrade program. These studies have identified both successes and shortcomings of the labeling program. However, there is dearth of availability of empirical literature on other fair-traded goods. Therefore, the current research aims to fill this research gap and add to the existing literature on fairtrade. Shreck (2005) asserts how the basic principles of fairtrade are same for all the fair-traded commodities, but also argues how it is important to analyze fairtrade for other goods (besides coffee) as "there are certain characteristics that are unique to each product" (p.19). The characteristics of the sports ball industry qualifies it for the fairtrade standard for hired labor, a standard which has yet to be empirically analyzed in more detail. The research aims to critically analyze the fairtrade programon two fronts. Firstly it aims to analyze the fairtrade programs in terms of its standards (in the current study the 'standard for hired labor') and secondly,in terms of commodity (sports balls).

Little empirical research has been done to study the effectiveness and evaluate the impact of social labeling programs like fairtrade on workers working in the football industry. It is imperative to study fairtrade labeling program impacts upon the welfare for a country

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[4]Coffee was the first product that came to be traded and grown by the FLO. To date it remains to be the most
widely consumed fair trade commodity (Raynolds 2000; Raynolds 2009).The market for certified coffee accounts
for approximately a quarter earnings for fair trade and it is one of the most widely available fair trade good (Raynolds 2009).

like Pakistan which faces numerous labor issues. The foot ball industry had faced dire consequences for using child labor in the production of footballs. The received literature has studied the impact of labeling program for various industries known to violate labor laws. Scholars (Sharma 2003; Chakrabarty and Grote 2009; Chakrabarty, Grote, and Luchters 2011) have carried out studies on the effectiveness of social labeling programs and child labor in the carpet industry for countries like India and Nepal.There is however dearth of empirical investigation of labeling program and its impact on the football industry.

Thus, an important question to survey and explore is the effectiveness of fairtrade programs in dealing with the issue of labor exploitation, child labor and poor wages in the soccer industry. The current case study aims to fill this gap in the literature. Thus, it is important to analyze how effective has fairtrade, as a labeling and development program, been in raising the welfare and wellbeing[5] of the working class and what impact it has had on the workers' and the society at large.

The fairtrade program in Pakistan exists for products like sports balls, cotton, carpets and fresh fruits like apricot. The fairtrade program for fresh fruits and cotton is in the nascent stages. It was not until 1997 that the "Fairtrade label" in the soccer industry[6] was introduced by the FLO and hence the term "Fairtrade football" was introduced to the Western markets (Scherrer, Greven & Ascoly 2001). The fairtrade logo on the football is

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[5]Oxford Policy Management (2000) agrees that it would be important to compare (levels and changes of) quality
of living indicators of affiliated stakeholders (like farmers or workers) to FT with non-affiliated stakeholders from a randomly selected control sample".
[6] The firstsocial labeling program was introduced in the markets of Pakistan in 1994. RUGMARK, and Care & Fair, were two organizations striving to introduce the idea of fair trade in the carpet industry. The carpet industry like football industry is notorious for employing children as workers (Scherrer &Greven 2001).

a guarantee to the consumers in the West that labor laws were respected in the manufacture of the sports balls.

The market for fair trade football is in nascent stages and approximately only 1-2 percent of sports balls sold globally are made under fair trade conditions (FLO). However, the soccer industry stands to be an important industry for the economy of Pakistan. It not only contributes towards the exchequer but the hand-stitched sport balls made in Pakistan are famous worldwide.

It is believed that the industrial hub of the country supplies 40 million footballs per annum and this number increases to 60 million during the time of the World Cup and employsaround 60,000 stitchers (Arifeen 2010; Mansoor 2011; Pakistan Today 2014; Fairtrade Foundation 2016). The country earns approximately US $210 million by exporting 40 million footballs to the world (Mansoor 2011).The recent competition from countries like China, Vietnam and Thailand and an increase in demand for machine made balls have compromised the export ranking of the country. Currently China seems to dominate the market whereas; Pakistan stands second in the export ranking. However, China may have dominated the market for machine stitched footballs; the market for hand stitched footballs is still dominated by Pakistan. The country is said to supply 70% of the hand stitched footballs to the world (Fairtrade Foundation 2016). Hence workers are an important input in the production process and across the supply chain. Hence the multiple labor violations recorded in this labor intensive industry consequently brought it under the international radar.

The soccer industry in Sialkot, Pakistan has been notorious for violating labor standardsespecially related to employing child labor in the manufacturing of footballs. Besides child labor, the soccer industry is still marred by exploitation of workers, poor working condition and meager wages. Lack of innovation, sluggish technological progress, competition from China and other new entrants in the industry plus government failure are recent addition to the problems being faced by the industry (Thomsen 2013; Atkin et.al 2015).Irrespective of these abuses and challenges, the hand stitched footballs contribute greatly towards the export earnings of the country.

The social labeling initiative claims to act in the best interest of producers and workers. Hence the rationale of the study emanates from the desire to uncover the effectiveness of the social labeling programs in dealing with the labor issues. The case study therefore seeks to explore the effectiveness and impact of labeling programs upon workers' welfare.

The study is significant in better understanding whether labeling initiatives like fairtrade are an answer to the problem of raising labor standards and increasing the welfare and wellbeing of the workers? Pakistan is a developing country and has a large pool of workers. Guided human capital investment can act as a growth stimulus for the economy and help put the country on the path of development. Distorted labor standards and issues like poverty wages, child labor, lack of health and safety standards at work act as impediments in the human capital accumulation; which the fairtrade aims to fight.

Theresearch endeavors to study the effectiveness of the fairtrade labeling program upon the workers in the football industry, it is therefore important to give an overview of the industry.

1.3   OVERVIEW OF THE FOOTBALL INDUSTRY

The football industry in Pakistan is situated in the city of Sialkot. The city is one of the major industrial hubs of the country that is known to produce export quality goods like surgical instruments, leather products and musical instruments. Sialkot is also famous for producing hand stitched footballs which are supplied throughout the world. Pakistan alone supplies 40 million footballs per annum and earns US $210 million from their exports. This number increases to 60 million during the time of World Cup(Arifeen 2010; Mansoor 2011; Pakistan Today 2014; Fairtrade Foundation 2016).

Since the production of hand stitched footballs is a labor intensive work, thus skilled and unskilled labor both have an important standing in the production of the footballs. In addition to workers, the need of stitchers and sub contractors cannot be undermined in the football supply chain.

 The structure of the industry is such that small, medium and few large scale firms produce footballs. There are about a total of 372 registered firms producing both hand and machine stitched footballs. Mostly the firms in the football industry are medium and small scale with only a handful of large scale firms. The small scale firms employs around 100 or less than 100 workers whereas, the medium scale firms employs 250 to 500 workers for the production of footballs. Firms employing 500 plus workers (some large firms employ around 1500 to 2000 workers) are classified as large scale firms.

The types of workers working in the football industry are mixed too. The first type of workers include in-house worker, these workers have formalized rule, specific place and timings to report and work. These workers are mostly paid according to the prevailing labor laws. Sometimes during peak demands the labor force working in the factory is not sufficient to fulfill the huge order. Thus, as a result, firms outsource and hire contractors who have a pool of workers (stitchers) working under them. The contract based workers makes the second type of workers working in the industry. These workers are seasonal workers and have a direct contact with the contractor. The firm pays the contractors who then distribute the wages after deducting any due loan payments. However, unlike the in-house workers, these workers report to the contractor instead of the factory management. The third type of workers includes stitchers; the skilled pool of workers. This pool of workers is specialized in the task of stitching footballs and on average sews around four to five footballs per day. These stitchers do not have any formal rules to follow as their wages are conditional to the number of footballs they stitch. Taking a day off from work would then mean losing that day's income. These workers are the most vulnerable workers in the industry. Approximately 60000 stitchers work in various stitching centers. The stitching centers are scattered throughout the region and may go as far as Gujarat and Wazirabad. However, most stitching centers are located in the surrounding villages (Daska, Pasrur to name a few) of Sialkot.

There are three varieties of footballs being produced in the region of Sialkot. The first and the best variety of football include the professional footballs. These balls have more layers of raw material in order to protect it from harsh weather and water thus making them expensive. These balls are used in matches of various leagues and football World

Cup. The second variety includes the practice footballs which are used by the players to practice for their game. This variety of football has less layers of raw material hence making it less superior to the professional football variety. The last variety of football is the promotional footballs. These balls are used for various charity or promotional functions. The orders received for fairtrade footballs are mainly for promotional footballs.

The three different varieties (Professional, Practice and Promotional) make use of different designs and number of panels. Thus, different footballs are manufactured with different panel designs or according to the demands of the customers. Hence footballs with six, twelve, fourteen or eighteen panels are being produced in the region of Sialkot.

Pakistan still is the top suppliers of hand stitched footballs, however with advent of technology the industry is slowly and gradually shifting towards machine stitched balls. Few large and medium sized firms have already begun producing machine stitched footballs. The final knot however is still hand stitched.

Since Pakistan is still the largest supplier of hand stitched footballs throughout the world, the labor intensive process makes labor an important input into the production process. Social labeling programs like fairtrade hence assert to help these workers (otherwise thought to face labor violations); improve their livelihoods and help them out of poverty.

Given the importance of the football industry for the economy of Pakistan (as indicated above), an overview of the football industry therefore helps us bring into focus the significance of the research.

1.4   SIGNIFICANCE OF THE STUDY

The following research stands to be significant on two levels. Firstly, it will add to the existing literature on fairtrade on two fronts. The existing literature has widely discussed and analyzed the fair- traded commodities (like coffee and banana) and standard for small producers from multiple perspectives. However, fair-traded sports balls are a commodity yet to be discussed and analyzed. Plus, there is dearth of literature related to the study of standard for hired workers' and its impact upon the welfare of the workers. Hence, this research will assists in the better understanding regarding the functioning of the program.

Secondly, the soccer industry in Pakistan constitutes an ideal case for the current study due to its long established history of providing quality footballs to world and hence contributing significantly towards the export earnings of the country. Further, the soccer industry has been notorious for exploiting workers and employing children as laborers. The current study can explore whether the labor exploitation and related problems persist or has fairtrade been able to resolve these issues?

As the research aims to explore the effectiveness of the program and its impact upon the labor workings, significant lessons can be drawn from this research in order to formulate relevant policies to fight the anathema of labor exploitation.

1.5   OBJECTIVE OF THE STUDY

Keeping in mind the significance of the study, the current study has the following objectives

1) To analyze the impact of the fair trade labeling program upon the socio-economic status of the workers

2) To explore the impact of the fair trade program upon the welfare for workers and their families

1.6   ORGANIZATION OF THE STUDY

The current study comprises of five chapters starting with the introduction to the research problem in Chapter 1 titled Introduction. Chapter 2 provides a review of literature related to the research topic. Chapter 3 describes the qualitative and quantitative research design focusing in particular on the sampling techniques used to collect data and the econometric technique deployed to analyze the results obtained from our survey. Chapter 4 discusses the results while Chapter 5 concludes our discussion and suggests policy recommendations.

Chapter 2

LITERATURE REVIEW

2.1   LABOR STANDARDS AND INTERNATIONAL TRADE

Ever since the development of the idea of exchange, division of labor, trade (by Adam Smith in 1776) and comparative advantage (by David Ricardo- in his publication *Principles of Political Economy* 1817), the policy of free trade has been a widely adopted policy believed to accelerate growth. It stands to be one of the oldest policies to be recommended by economists and policy makers in order for a nation to progress and develop.

In the standard economics textbook international trade model- new growth theories- and the idea of openness to trade occupies an important standing. According to the new growth theories trade and trade policies have a direct impact upon the technological progress; previously considered as an exogenous factor in the neoclassical growth models. Hence, theoretically, openness to trade has a positive impact on the prices of imports, efficiency of inputs through transfer of technology which leads to innovation and specialization and consequently increases output and welfare for a country (Harrison 1996).

The empirical literature confirms the claims made by international trade theory and models. Extensive efforts have been channeled in this direction. The empirical literature has generally supported the arguments of new growth theories with respect to the benefits of trade, though there are some methodological and econometric shortcomings as pointed out by Rodriquez and Rodrik (2000).

According to an influential body of literature, trade promotes efficient allocation of resources, promotes transfer of technology, encourages 'product migration' (Krugman 1979), leads to exchange of ideas and innovation (Bussea & Koniger 2012), aids in reducing poverty for developing countries (Dollar & Kraay 2004), causes reduction in costs especially transportation and communication costs (Greenaway et.al 2002) and helps promote growth and increases income (Harrison 1996; Frankel& Romer 1996; Greenaway et.al 2002; Noguer & Siscart 2003).

The empirical literature was not only supporting the arguments in favor of trade openness as means of growth and development but was also attacking the notion of free trade.

A historical analysis of the major threats and distortions faced by free trade reveals that the idea of openness of trade was under attack since the 19th century. Thus, what we see is how after Industrial Revolution the idea of 'infant industry and the need to protect it' was proposed in the 19th century by J.S.Mill in the Great Britain (Bhagwati in Salvatore 1993). This was the first major recorded threat to the idea of free trade. Similarly, the episode of Great Depression of 1930s, the rise of tariffs and subsidies and Non Tariff Barriers (NTBs) during the 1950s to 1970s and the development in the theory and models of international trade based upon imperfect competition and increasing returns have all strengthened the case for protectionism and seriously contained the idea of free trade (Bhagwati in Salvatore 1993)[7]. The demand for 'level playing field, harmonization and fairtrade' in the 1980s is a recent and the greatest threat to the idea of free trade as pointed out by Salvatore (1993) and Bhagwati (1993).

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[7] A comprehensive list of all the threats faced by free trade since 1776 have been summarized in the Table A1 in the Appendix, the current literature will mainly focus on the most recent threat ' fairtrade, level playing field and harmonization'.

The idea of harmonization, level playing field and fairtrade is not a new idea however; it has gained new importance in the literature (Brown et.al 1993; Brown 2001). This is evident from the fact that in the recent past an overwhelming majority of policy makers, economists and other authoritative voices have started endorsing the idea of harmonization and level playing field (Elmslie & Milberg 1996; Kell &Ruggie 1999; Raynolds 2000; Scherrer 2015) and a large number of protests[8] have been staged against free trade and in the favor of harmonization claims. The major concern that is of paramount importance for the supporters of harmonization and fairtrade pertains to the absence of environment and labor clause in trade. They assert for a universal set of labor rights pertaining to working conditions that must apply worldwide. Therefore, they push for the inclusion of labor and environment clause in trade agreements[9].

The criticism and demands made by the idea of harmonization, level playing field and fairtrade encapsulates many facets. Advocates of harmonization and level playing field argue against the functioning of free trade. They assert that trade with a 'social clause' must be sought after. Trade without a social clause encourages 'race to the bottom' (Elmslie & Milberg 1996; Prasad et.al 2004; Scherrer 2015). In the race to acquire a large share in the export market and attract investment countries save up on labor costs by not complying with the minimum labor standards which gives them an undue comparative advantage (ICFTU 1999; Prasad et.al 2004). Hence, the market decides and dictates the minimum social standards and according to the market driven standards producing goods for instance using child labor is not offensive. There is thus a proliferation of labor

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[8] See Brown et.al (1993) and Freeman (1996) for a detailed discussion on the history of political action and protest in favor of including labor laws in trade agreements.
[9]Both the environment and labor clause in trade stands to be of great importance however, the following literature review will only discuss the labor clause and its link with the trade.

violations like long working hours, sweatshops and unhygienic working condition under exchange of goods without a social clause or minimum labor standards.Succinctly put trade without a social clause encourages the idea of 'race to the bottom'.

What further encourages the violation of labor standards is the free movement of capital. As a result of mobile capital, big corporations and multinationals move their plants to countries where the labor standards are low to save upon their production costs and hence further encourage 'the race towards the bottom'(Elmslie & Milberg 1996). There is therefore a need to discourage such repressive labor practices and encourage harmonization via trade (Freeman 1996; Kell & Ruggie 1999; Prasad et.al 2004; Scherrer 2015).

The support for harmonization via trade is based on moral and economic grounds (Brown et.al 1993; Brown 2001). On moral grounds the advocates of harmonization assert that there are few universal human rights that the entire world must follow irrespective of their economic standing (Brown et.al 1993; ICFTU 1999). Whereas according to the economic justification the supporters of harmonization believe that countries that do not comply with the basic labor standard have an undue comparative advantage in the production of goods and services (Brown et.al 1993; Prasad et.al 2004). Based on these arguments the supporters therefore, believe that efforts must be channeled to achieve harmonization of labor standards via trade in the international arena.

Harmonization and the need for level playing field in trade will help the international community in various ways. The advocates of harmonization assert how a level playing field in the international sphere will not give undue cost advantage to countries violating

the labor standards and will hence stop 'the race towards the bottom'. In addition, harmonization of labor laws and the possibility of a level playing field will be beneficial for the developing countries in particular and the world in general (ICFTU 1999; Kell & Ruggie 1999; Scherrer 2015).

The advocates of harmonization argue that minimum labor standards help correct market failures like 'barriers to entry' or 'power imbalance' in the developing countries (Becchetti & Adriani 2004; Scherrer 2015). The competition that ensues due to level playing field is socially beneficial and curbs uncertainty (Elmslie & Milberg 1996). Most importantly it discourages sweatshops, child labor and discrimination in the labor market which consequently leads to human capital development and prosperity in the South (Scherrer 2015).

Advocate of harmonization and level playing field therefore strongly believe that the policy of trade liberalization alone must not be the agenda of the international community. Trade with minimum standards should be pursued internationally to benefit all in the rapidly globalizing world. Globalization must not favor the rich at the cost of poor and should include all to enjoy the benefits of globalization. Trade liberalization has failed to accelerate growth everywhere and instead resulted in increasing inequality and injustices. Trade without a 'social clause' has seriously compromised on workers' rights and made labor violations the order of the day.

Opponents of harmonization, level playing field and fairtradedisagree with these demands. Leary (1996) and Langille (1998) argue how the inclusion of social clause in the trade is not only contentious but flawed asit involves the complex interplay of politics

overlooked by many. Further Langille (1998) argue how Fair Trade has been excessively linked with the harmonization debates with Bhagwati (1996a) terming it as a "Pandora's box growing out of hand".   They convict ideas like harmonization of labor laws and ideologies like Fair Trade to harm and undermine the liberalization of trade. They believe such demands masquerade under pretense of social clause but are protectionist in nature (Bhagwati 1994, 1995; Leary 1996; Srinivasan 1998; Langille 1998). Bhagwati and Hudec (1996a, 1996b) explains that developed countries could deliberately set high standards for the developing countries to follow and raise their costs and snatch from them their competitive edge,adding to the existing rift between developed and developing economies. Further the idea to include a social clause in the trade agreements and achieve harmonization of labor laws is contrary to the Ricardo's idea of comparative advantage. Such demands are not only increase the rift between the North/South divide but hinders the development in the South which trade liberalization aims to reduce (Bhagwati 1994, 1995; Shreck 2005).

Labor laws according to opponents of harmonization are a national policy matter. They further argue that the monitoring, implementation and technical advice should be left out of trade agreements and should be delegated by international organizations like ILO (Srinivasan 1998; Brown 2001). Hence, the advocates of free trade propose to confine the labor laws and policy to the domestic sphere so as not to compromise on the national sovereignty of nations.

Opponents of standardization also criticize the demands of setting of universal set of labor laws. Bhagwati (1994, 1995), Dehejia & Samy (2004) retort, it is almost impossible to harmonize each and every thing. Neoclassical economists argue how the following of a

universal set of labor laws can be tricky depending upon a nation's level of development and per capita income, and thus the value attached to such standards may reflect different position on nation's social welfare function (Brown et.al 1993). They further comment on the ideals of fairtrade as anti competitive and flawed on moralistic grounds. They argue how moral values conveyed via standards are an attempt to impose culture specific values of one country over the other where they have little control (Bhagwati 1995, Srinivasan 1998). Aggarwal (1995) further substantiates this argument by stating the difference between labor standards that are either dependent on outcomes and those dependent on process. Hence, labor laws pertaining to outcomes (like minimum wage laws) are linked with the level of productivity and country's development and thus, weak contender for harmonization. In addition to this, linking of efficiency related labor laws to humanitarian values may be controversial (Srinivasan 1998; Brown 2001).

Advocates of harmonization and fair trade argue that openness in trade encourages 'race to the bottom'. This assertion is out rightly rejected by Bhagwati (1995, 1996a, 1996b) and the empirical literature also supports the arguments put forward by neo-classical economists. Mah (1997) studies the trade performance of 45 developing countries and their relationship with core labor standards. He concludes a weak and negative correlation of trade performance and labor standards such as freedom of association, non-discrimination and collective bargaining. The study mentioned above concurs with the findings of Dehejia & Samy (2004). They used general equilibrium model to conclude that increased trade would not deteriorate labor standards internationally.

The advocates of harmonization and fairtrade base their arguments against free trade on humanitarian and moral grounds. They assert that labor rights must be protected

worldwide and the injustices faced by labor must be dealt with trade. Opponents argue back and state that where it is easy to agree and condemn certain worse form of labor standards for example those pertaining to forced labor and extreme form of child labor, however, it gets tricky when other labor standards are bought into the limelight. Bhagwati (1995), Srinivasan (1998) for instance argue that the outcome of collective bargaining may not always be desirable. They believe that supporting the idea of collective bargaining may be helpful as far as the labor collectively coordinate or solve disputes. However, if the bargaining power is violated such that it attains the status of a monopoly it might harm the interests of a large group at the cost of small elite.

Similarly, in case of child labor the opponents of harmonization argue based on empirics. The advocates of free trade snub the most offensive form of child labor. At the same time they also highly criticize the ways that are proposed to deal with the anathema of child labor (bans and embargoes). Most children working as child labor are helping meet the family subsistence requirements (Basu and Van 1998). To out rightly ban child labor may do more harm than benefit to the cause. Child labor ban may relegate them to further hazardous forms of jobs like prostitutions or worse in the informal sector; away from the eye of international eye (Khalid and Shahnaz 2004). Hence, the moral argument put forward by advocates of harmonization may not always have positive desirable results or positive economic outcomes.

What we conclude then is that, although, the demands for harmonization, level playing field and fairtrade may be motivated by genuine humanitarian and moral reasons they must be put to test. Empirical investigation is hence imperative to either support or oppose the debate of labor standardization and trade. The demand for using social

labeling program, like fairtrade, in order to correct weak labor laws has been at the cynosure of this debate. Hence, fairtrade ideas therefore must be empirically tested as this study endeavors to do.

2.2   THEORTETICAL FOUNDATION AND BACKGROUND OF THE FAIRTRADE LABEL

The demands of advocates of harmonization and level playing field are similar to the philosophy of Fair Trade. Hence the fair trade philosophy and fairtrade label are interrelated with the ideas of harmonization and level playing field. This section therefore, provides an in-depth theoretical foundation and background of the fair trade philosophy and fairtrade label.

Interconnected, to the demands of harmonization and level playing field is the philosophy of Fair Trade which according to Riedl (2012) is difficult to define as " its foundations are rooted in a distinct or cohesive body of theory" (p. 23). Fair Trade (two words capitalized) is a concept and a philosophy that aims to bring fairness to the global trade (Riedl 2012). According to this philosophy, the idea of trade is not out rightly rejected however, what the proponents of Fair Trade propose is the restructuring of the trading system (Raynolds 2000; Levi & Linton 2003; Bacon 2005; Shreck 2005; Riedl 2012). Such a demand by advocates of Fair Trade is similar to the harmonization of labor laws. The ardent advocates of the Fair Trade philosophy assert that contrary to what is believed, the current trade system is plagued by injustices and inequalities. The argument put forward is that liberalization of trade has fueled injustice and inequality in the system (Raynolds 2000). The advocates of Fair Trade believe that the current trading system has exploited and been biased towards the developing countries which promotes

underdevelopment and unjust distribution of resources (Levi & Linton 2003; Raynolds 2000, 2009). In addition, the international trading system does not ensure the survival needs of those involved in the production process and the competition is solely based on prices (Mathews 2009). The pricing system therefore seriously dismantles the human, social and environment factors by encouraging a repressive labor regimes and encouraging environment degradation (Raynolds 2000). Hence, like harmonization and level playing field claims, Fair Trade aims to re-embed the trading system and make it more 'fair' by working on an alternate network (Raynolds 2000).

Explaining the term 'fairness', the advocates of Fair Trade imply that the trading system must one; provide right linkages with in the production system by controlling abuse in the developing world, and secondly; work towards harmonization of labor and environmental standards (Riedl 2012). The alternate network based on ATOs (Alternate Trading Organizations) worked on the lines proposed by the Fair Trade and helped producers in the South. Initially ATOs intended to develop a system that assisted Southern producers without any aim of restructuring the trading practices (Levi and Linton 2003).

Building upon this philosophy, in the late 1960s various churches, non-profit importers, retailers in the North, small-scale producers in developing countries, and development groups partnership established Alternate Trade Organizations [10] (ATOs) that helped purchase goods from South at favorable rates which was then traded to consumers in the North upholding the necessary standards (Raynolds 2000; Levi and Linton 2003; Shreck 2005; Raynolds 2009; Mathews 2009). Due to fluctuations in prices and overt dependence on the middleman, the Fair Trade model (based on ATOs) was considered an

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[10]According to Raynolds (2009) Alternative Trade Organization (ATOs) is "a group that purchases items fromdisadvantaged producers at favorable prices, transports them, and sells them directly to consumers".

easy access into the Northern markets; where prices were stable and unnecessary intermediaries were by passed (Mathews 2009). The Fair Trade model was based upon traits like 'honesty', 'trust' and 'complete information' (Raynolds 2000, 2009). Due to a 'Third World Solidarity' movement in the 1960s and 1970s, the 'World Shops' (especially in Europe) joined ATOs in order to further promote and expand the idea of equitable trade with the South (Raynolds 2009). With the passage of time, more and more ATOs were created in various countries, which closely worked with volunteer groups, and World shops -or Third World Store.

It was in the late 1980s, when ATOs (especially European and to be specific Netherlands and Germany) began officially labeling and certifying products sold under the Fair Trade model (Raynolds 2000; Levi and Linton 2003; Shreck 2005). It is believed that the labeling of the product was carried out to smooth the process of their entry into conventional markets and Max Havelaar was the first fairtrade labeling initiative launched in the Netherlands in 1988 (Raynolds 2000). Levi and Linton (2003) assert how the introduction of labeling together with a certification[11] process was a step forward albeit, different from the traditional ATO model (which catered to a small market). The certification process was successful as it helped create a differentiated product that was socially and environmentally friendly (Raynolds 2009).

It was not until 1997 that the *Fair-trade Labeling Organization International* (FLO) was formally formed to discuss and promote the harmonization of the labeling initiative (FLO; Raynolds 2000; Levi and Linton 2003; Shreck 2005). The Fairtrade Labeling

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[11]Certification is a "process by which items are assessed for compliance with previously established standards and
where compliance is formally acknowledged often through a label or seal" (Raynolds 2009).

Organization (FLO) International works as a group to standardize and coordinate the certification process for a wide range of products (Levi and Linton 2003; Shreck 2005; Raynolds 2009). In the present day, a refined system of standards, process of certification, and a universal fairtrade logo is in place to support the initiatives. Fairtrade (one word) is therefore, a registered label which signals to the consumers that the goods bearing this logo have been produced under humane working conditions (Riedl 2012). FLO- Cert is the certifying body of Fairtrade Labeling Organization International (Weber 2007) and this logo is not associated with any country, producer, company or group (Riedl 2012). Shreck (2005) rightly observes and states "these changes reflect how the movement itself has developed over time, as it has been faced with difficult choices about the fairtrade strategy and the movement's objectives" (p.18).

Fair trade may be viewed as "a dense network of connectivity co-created by locally situated, but globally connected people, places, ideas, and things" (p. 9) and hence aims to make more humane the transactions by building upon traits such as trust, honesty, and complete information (Raynolds 2009). Fair Trade model aims to help poor farmers using consumption and trade as a means to help them out of poverty and improve their quality of life (Ronchi 2002; Becchetti and Constantino 2008). On the one hand, ATOs made face to face deals with concerned producers and consumers; Fair Trade network works according to formalized rules, certification, labels and set standards (Raynolds 2009). The Fair Trade model aims to fight the inequalities and hence create an egalitarian society by linking the disadvantaged producers in the South with progressive consumers in the North (Raynolds 2009; Mathews 2009). The ATO and the fairtrade logo are distinct and FINE promotes their common interest (Raynolds 2009).

A consensus of four international organizations of the Fair Trade movement: *Fairtrade Labeling Organizations International* (FLO), *International Fair Trade Association* (IFAT, now known as the World Fair Trade Organization - WFTO), *Network of European Worldshops* (NEWS), and *European Fair Trade Association* (EFTA) have harmonized the definition of fairtrade and collectively known as "FINE" from their initials (Weber 2007; Ballet & Carimentrand 2010). In the year 2001, the FINE *consensus* defined Fair Trade as follows: "Fair Trade is a trading partnership based on dialogue, transparency and respect, which seeks greater equity in international trade". Social labels (like fairtrade) contributes to sustainable development by offering better trading conditions to marginalized producers and workers –in the South- and secure their rights. Backed by consumers these social labels are engaged actively in supporting producers, raising awareness, and campaigning for changes in the rules and practice of conventional international trade (Weber 2007; Raynolds 2009; Ballet and Carimentrand 2010).

The fairtrade mainly follows four main standards which are channeled through guiding principles and certifies around 21 products with coffee being the oldest fairtrade certified product (FLO). The four main standards of fairtrade include 'Standards for Small Producer Organization', 'Standard for Hired Labor', 'Standard for Contract production' and 'Trader Standard'. The 'fairtrade certified coffee' is the first (hence making it the oldest) product to bear the fairtrade logo. The second most popular fairtrade product is bananas. Coffee qualifies for the 'standard for small producer organization' and bananas for 'standard for hired labor'. Table A2 in the Appendix lists all the products with the

respective standards that the producers must follow in order for their product to be certified and bear the fairtrade logo.

The first product to bear the fairtrade logo in Pakistan was football. Talon was the first firm in the football industry to qualify for the fairtrade certification in the year 1997. The football industry experienced a complete ban on the exports of footballs in the year 1996 due to the use of child labor in the production of footballs. Social labeling programs like fairtrade provided an alternate opportunity for the football producers to export footballs without the fear of labor violations. The football bearing the fairtrade logo acted as a set of information signaling to the consumers that the goods have been produced under humane working conditions and without any labor violations. Since the football production makes use of labor in bulk therefore, it qualifies for the fairtrade 'standard for hired labor'. Hence, standard for hired labor stands to be of great importance for the current study.

As far as the FLO standard for hired labor is concerned, the movement has closely worked with other labor organizations like ILO to formulate a just and complete code of conduct to be followed by the producers in the South. The standard for hired labor has different dimensions which the producers must follow to qualify for the certification. According to the standard labor conditions clause, the movement has emphasized upon issues such as freedom of association, no discrimination, health and safety, no forced labor, child labor and conditions of employment. Some codes of conduct have been drafted based upon ILO conventions as Raynolds (2000) reiterates how labor laws vary from product to product but maintain and follow the basic ILO conventions including

rights to association, freedom from discrimination, prohibition of child and forced labor, minimum social conditions, and rights to safe and healthy work conditions.

Another aspect of the standard for hired labor is the social development of the workers. This includes the formation of a Fairtrade Premium Committee (FPC) which should have the responsibility of handling and deciding on how to spend the premium collected from the sale of the fairtrade footballs. The premium collected is then used to fund development projects (FLO) and it must be the FPC members, who are elected by the workers through elections, to decide on how they want to spend the premium amount. Linked with the management of FPC is the idea of capacity building which will be achieved simultaneously when workers manage the working of the committee.

Payment of fair wages to workers and fair price for the product are also included in the standard for hired labor. Fair wages are usually the minimum wages proposed by the local or the national law of the country under consideration. The payment of fair wages to workers has an important standing in the standard for hired labor. According to the hired labor standard, fair wages cover needs and requirements of the workers (FLO). Another important clause of the standard is the payment of fair price for the product. Fair price is the price above the world equilibrium decided by the FLO International. The additional payment made by the consumers for the product is used as a premium which is collected by the workers who then collectively decide how to spend it on various development projects.

The literature on fairtrade has highlighted both the income and non-income impact upon the producers and workers in the South. A meta literature review by Nelson & Pound

(2009) concludes that although the average income are still low for farmers associated with fairtrade, the fairtrade association has improved the overall lives of the farmers. A study by Pariente (2000) has observed that the promise and payment of minimum prices has increased the security and the presence of cooperatives have been beneficial in building the confidence of the coffee producers of Costa Rica. Similarly, Ronchi (2002), records that the fairtrade certification has helped Costa Rica coffee producers in direct (monetary) and indirect (non-monetary) ways. The formation of democratically elected coffee cooperatives have helped producers to collectively solve issues, negotiate their terms in international coffee market and build long term relations with the importers. In addition, the coffee cooperatives have helped improve the quality of life for farmers and promised a high returns for their produce (Ronchi 2002).

Bacon (2005) conducted a study on the impact that fairtrade certification has had on the sales price of coffee. His results indicate a positive impact of certification on the sales prices of coffee which helps build the farmers confidence in the fairtrade certification. The coffee cooperative helps the farmers in collective bargaining and provides them with a platform to export and market the coffee which, as a result reduces farmers' livelihood vulnerability. Another study by Utting- Chamorro (2005) confirms similar results,in the case of small coffee producers affiliated with fairtrade. The study showsthat the cooperatives supported the small coffee farmers in terms of arranging finances, assisting in technical and administrative technicalities and helped in capacity building of the producers.

Becchetti & Constantino (2008) confirms the results obtained by previous study and states fairtrade affiliation with banana producers helps in capacity building of the

producers and positively contribute towards the economic and social well being of the banana farmers. However, the studystresses that fairtrade still needs to work on building human capital in the region and especially for the banana farmers and their families.

A study by Chakrabarty and Grote (2009) quantifies the impact that social labeling programs like fairtrade have upon the child labor working in the carpet weaving industry in India and Nepal. The study reveals that households with above subsistence level and being associated with a labeling firm recorded an increase in welfare. However, for labeled household below the subsistence level the removal of child labor did not have any significant impact on the welfare of the household. Similarly, another study by Chakrabarty et.al (2011) builds a case in favor of fairtrade labeling. The results show that the association with a labeling firm decreases the incidence of child labor and encourages the ex-child laborer to school. A study by Beuchelt & Zeller (2011) in the same year failed to find any link between fairtrade certification and the profitability of the coffee farmers.

The above mentioned studies have provided mixed results for the effectiveness of the fairtrade label. Majority of the studies have however supported the idea of fairtrade and have shown through research how fairtrade is having an impact, albeit small, upon the lives of farmers. It is imperative to state that extensive research has been carried out to study the impact that fairtrade has had on coffee farmers and workers involved in the production of bananas. There is paucity of impact studies of fairtrade and its impact on other fairtrade goods like footballs. However, despite the positive impact that fairtrade has upon the lives of farmers the literature is still critical of the success of the fairtrade program.

Weber (2007) suggests that the supporters of fairtrade network need to objectively analyze the working of the organization. Where research has shown that fairtrade has improved lives of coffee producers there are however, vexing issues that have arisen within the movement, to name some: disconnect between endorsement material and issue with excess supply (Levi and Linton 2003) and marginalization of economically disadvantaged producers and groups (Shreck 2005).

The fair trade movement aims to fight the inequalities that are prevalent in the current trading system .However, the current practices of Fair Trade fail to meet all the requirements of equality as can be concluded from the cost of obtaining certification and high entry barriers prescribed by the FLO (Weber 2007; Mann 2008). Baland & Duprez (2007) study using general equilibrium analysis proves how restricting the certification to few producers fails to produce the desired welfare results. The entry into the fair trade system is path dependent; where being advantaged in the past would be fruitful in the future as well, and the classification of "insiders and outsiders" (p. 2039) of the system is unfair based on ethical grounds and this classification stands only if the excess supply is maintained and price mechanism is not the criteria to select efficient suppliers (Mann 2008).

A study by Ballet and Carimentrand (2010) highlights the structural failure of fairtrade movement. The movement's desires to change the trading practices (that were believed to be harmful) have not been possible and interestingly the fairtrade system relies on those very similar rules to further their fairtrade agendas. The movement practices the economic concepts that it simultaneously challenges as Raynolds (2000; 2009) and

Mathews (2009) have pointed out. They reiterate pithily how fair trade works "in and against the market" (Raynolds 2000, 2009; Mathews 2009).

Shreck (2005) questions regarding how far can fair trade movement go in to challenging the existing system for instance because the structure of international trade (as governed and guided by WTO) contradicts the fairtrade initiatives which may hinder the favorable growth of the fairtrade market. "For instance, differentiation of commodities according to how they are produced is contradictory to the WTOs mission of eliminating barriers to trade" (p.23), and this may be unacceptable to the WTO.

Further, Raynolds (2009) points out that as far as trade in agricultural goods is concerned the fairtrade movement emphasizes upon export production instead of food self sufficiency. Given the environmental threat and the associated danger looming on developing countries food self sufficiency needs to be highlighted. This, according to Raynolds (2009) requires a rigorous effort and cannot be rectified by fair trade practices and standards solely.

Raynolds (2000) is both critical and positive about the role of Fair Trade and states that "the involvement of fair trade groups in the entire commodity chain, from the point of production to consumption, restricts the chance that corporate interests can enter the fair trade circuit and refashion this progressive movement into a profit oriented niche marketing scheme". According to research, 7 million people in South in the capacity of farmers, small producers or workers are better off because of fair trade (Mathews 2009). On the contrary, fair trade has made a minor impact when compared with the current structure as is evident from the modest sales of fairtrade products (Mathews 2009).

Shreck (2005) reiterates this concern and states that in spite of the success of fairtrade the extent to which they are able to alter the global political economic structure is still ambiguous.

FLO promises to give fair prices to producers and farmers for the products produced in lieu of the set standards by the FairTrade organization. The fair trade price (famously known as fair price) paid to producers is higher than the global price (Mann 2008). Hence, for a certain type of sports ball two prices will prevail in the market; one the world market price and the other the fair trade price. He further comments that growth of market which asks for higher prices without adding physical attribute to its product deserves scientific attention.

According to microeconomics principles, the fair trade price deviates from the equilibrium prices and hence leads to an excess supply of goods (Mann 2008) and as it deviates from equilibrium and makes it Pareto inefficient (Yanchus and Vanssay 2003). Thus, from an economic perspective fair price distorts the market and results in unnecessary wastage of resources. Yanchus and Vanssay (2003) further argue how the payment of fair prices is inefficient due to it being specific and targeted to specific producers, goods and countries. The supporters of fairtrade argue back and defend the idea of fair prices. They assert that consumers who care about the working conditions that the product was made in, are then consuming a physical product and "an extended product" in the form of good working conditions; creating a product differential in the market- and thus paying a high price for goods produced under better working conditions (Freeman 1996). Hence, the fair trade characteristics- in terms of humane working conditions, organizational capacity building etcetera- will differentiate the product from

their counterparts and hence the fair trade products will have their own unique equilibrium (Mann 2008) making the criticism on fair prices void. Levi and Linton (2003) further remark "while Fair Traders do offer a tangible market product, what they are essentially trying to sell is the norm that people in prosperous countries should factor global social justice into their buying decisions" (p.419).

In the face of all this criticism, advocates of fairtrade assert that although the fair prices are above the world prices; the extra premium paid by the consumers is used in the development projects. Mann (2008) highlights how "prices are determined in order to cover needs, not in order to express the degree of scarcity" (p. 2037). Apart from fair trade prices, the movement builds producers " capacity, give credit facilities to small producers, farmers, and workers using the extra premium" (Becchetti and Constantino 2008). The promise of social premium for workers is important in this respect that it guarantees them ownership in the company; they are able to invest it in social, economic and environmental projects like education, health and housing projects (Mann 2008; Raynolds 2009; Mathews 2009). However, despite these positive changes bought by the fair trade movement, Yanchus and Vanssay (2003) are skeptical of the fairtrade premium and assert that "although the impetus for fair pricing may be noble and intuitively appealing, fair pricing is inefficient for both the receiver and the donor and must be considered an inefficient device for the redistribution of wealth. The fair price policy attempts to raise incomes by distorting prices…" (p. 239).

The capitalist market devalues and degrades the human, environmental, and social factors especially in the South (Raynolds 2000). The fair trade movement aims to bring into the limelight the production conditions so that the consumers in North share the "true

production cost" (Raynolds 2000). "By demystifying global trade and creating more equitable relations of exchange, the fair trade movement goes further in challenging market competition based solely on price" (Raynolds 2000). However Mann (2008) argues how "…the price premium paid by consumers is probably paid not only for better social conditions, but also for lower production efficiency" (p.2041). Also Mathews (2009) contends how the fair trade premium promised by the FLO is beneficial to the community because the spending of the premium is decided by the target group unlike "development prescriptions emanating from quarters unaccustomed to the community's felt needs" (p. 6).

Advocates of fair trade believe that the contemporary markets and international trade fail to account for the degradation of ecological, environmental and human resource and hence under price the goods (Raynolds 2009). Whereas, according to Yanchus and Vanssay (2003) the payment of fair prices leads to unchanged relative prices which as a result cause a change in incentives too. One of the possible cost of fair pricing to the world arises when the production of the targeted good increases at fair prices. Since the assistance is targeted; by extension the targeted producers are better off than the non-targeted groups (Yanchus and Vanssay 2003; Shreck 2005). Reallocation of resources takes place; the targeted sector tends to get more attention at the cost of other sectors and a fight for limited resources like water and electricity may arise in future (Yanchus and Vanssay 2003).

Raynolds (2000) believes that the alternative trade-fairtrade- faces challenges as it operate "in and against the market' and contradict and jeopardizes the movement real agenda. The movement utilizes the existing market channels to build market for goods

produced under favorable conditions yet also criticizes the existing practices which promote global inequality. Shreck (2005) asserts that the movement will retain some inequalities and structure of the international market even if an alternate channel is developed. In response, advocates of fairtrade movement tend to put the blame on the capitalist system that encourages profit making by large corporations which have hijacked the fairtrade movement (Weber 2007).

Advocates of the movement argue that if the traditional supply demand mechanism is left out of the fair trade analysis the world learns how fair trade makes the trade more humane as the study by Ruben, Fort & Arias (2009) talks about the indirect effects of fairtrade on development. Raynolds (2000) and Ruben, Fort & Arias (2009) argue how fair trade products have created a new niche in the market together with challenging the inequalities and injustices of the trading system that give rise to exploitation especially in the agriculture sector.

Proponents of fair trade are well aware of such issues and they claim to have a mechanism to deal with these issue. For instance the issue of excess supply is dealt thorough the process of certification; where only those producers are certified who fulfill all the requirements, and secondly the selection process carried out by importers helps to deal with the surplus in the market (Mann 2008). Regardless of this, considering how the market for many fairtrade products is in the nascent stages, the problem of excess supply will persist for a considerable time period.

Authoritative voices like Brown et.al (1993), Bhagwati and Hudec (1996), Langille (1998), Leary (1996), Krugman (2001), have raised concern over the fair trade model

demands. They have pointed flaws in the movement by questioning the definition of fairness and what constitutes fairness. Shreck (2005) agrees with the concern shown by the neoliberal economists and states how the South has also been cautious of the movement and its structure. According to critics in South, it is the people in North who dictate the definition of 'fair' and 'Fair Trade' and the structure of the movement is top down and unidirectional (Shreck 2005). In addition according to the workings of the fairtrade movement, it is the collective decision of the North regarding which producers and commodities to trade under fairtrade. Hence, criticism arises that if South is being inspected by the North, who is inspecting North then?Also, labels are easy to attach but difficult to verify because the market is flooded with numerous labels and the 'label fatigue' is confusing for the customers (Freeman 1996; Levi & Linton 2003; Yanchus & Vanssay 2003).

Maseland & De Vaal (2002) tried to question the fairness of the fairtrade label. The study results show that the case for fairtrade is case dependent. The superiority of fairtrade over free trade depends on the price elasticity of the product in case of general equilibrium analysis (Heckscher Ohlin Model). Whereas in the static trade model, transportation costs and expenditure together with the share of the manufacturing sector were factors that had an impact upon the outcome of the fairness of the fair trade regime. Hence according to the authors the fair trade advocates must study the market they are planning to enter to maximize and assess the fairness of the regime.

Succinctly, the literature on fairtrade has been both supportive and critical. The theoretical model of fairtrade movement and philosophy paints a promising picture to eradicate inequalities and injustices from the system that they believe to exist. However

the received literatureregarding the impact that fairtrade certification has had on the lives of farmers and workers is somewhat ambiguous.

Therefore, the on-going debate between the supporters of trade and advocates of Fair Trade movement still require further analysis and concrete results to arrive at a better judgment and thus support (or oppose) the fair trade movement.

The literature has extensively and critically discussed not only the theoretical model of fairtrade but the impact it has made on coffee farmers and workers of banana industry. However, the impact that fairtrade has had on workers in the football industry is an area yet to be explored. This study therefore aims to fill this research gap and contribute towards the better understanding of the fairtrade label and the impact (or no impact) it is making in the lives of the workers.

Chapter 3

DATA AND METHODOLOGY

This chapter spells out the methodology used in collecting data and the econometric technique employed for estimation. Hence this chapter discusses in-depth the various research tools for data collection, the sampling technique, unit of data collection, the geographical area of research and the econometric technique used to interpret our results obtained from the data collected.

It is important to note that throughout this chapter we refer to two types of firm: labeled and non-labeled firms. A labeled firm refers to the firm that has joined the fairtrade labeling program. Consequently, the workers working in the labeled firm will be referred to as labeled workers. While on the other hand, a non-labeled firm is the one that does not follow the fairtrade code of conduct and hence the workers working in these firms are referred to as non-labeled workers. It is important to state the study's statement of purpose and hypothesis of the study before we discuss our methodology in detail.

3.1 STATEMENT OF PURPOSE AND HYPOTHESIS OF THE STUDY

The purpose of the current case study is to explore the phenomenon of labeling programs like fairtrade in dealing with the problem of low labor standards especially in the developing countries. The research will investigate the impact of the social labeling program like fairtrade to eradicate the labor issues from the soccer industry in Pakistan. Further, linked with this purpose is the aim to explore the impact of these changes upon the workers welfare and wellbeing.

It is anticipated that through this research we develop a better understanding and shortcomings of the fairtrade program in dealing with the issues of labor so that an informed decision can be made by the concerned stakeholders in combating the labor issues.

Therefore, to shed light on the research problem the following research hypothesis will be tested:

1) **Hypothesis 1: A labeled worker's socio-economic status is higher than a non labeled worker**

2) **Hypothesis 2: The welfare of a labeled worker and his/her family is greater than a non- labeled worker**

Theoretically the concept of welfare and socio-economic status is nested into one another whereas econometrically they differ in measurement. The measurement of socio-economic status and welfare will be discussed in the following sections.

3.2 METHODS/TECHNIQUES OF DATA COLLECTION

The following research design and data collection methods are used for the study.

3.2.1 Structured Interviews

In a structured interview, each respondent is exposed to same set of pre defined questions. "The idea in structured interviewing is always the same: to control the input that triggers people's responses so that their output can be reliably compared" (Bernard 2006 p. 251).

The current study uses personal one on one interview to collect the required data. The predefined survey is used to question workers regarding their individual, household and

workforce variables. The survey data has a mixture of close and open ended questions. The questionnaire focuses upon variables like age, gender, dependent rate, household asset, total family income, salary, fringe benefits etc. Also, the questionnaire dedicates a section related to fairtrade awareness and its knowledge (this section will be for labeled workers only). These set of variables provide information regarding workers' welfare position and enhance understanding related to less tangible activities and behavior.

3.2.2   Semi-Structured Expert Interviews

Bernard (2006) explains key informant as someone who knows in detail about a certain topic and is willing to share information. A semi-structured or in-depth interview 'is a scheduled activity'. It is "open ended, but follows a general script and covers a list of topics" (Bernard 2006 p. 210). The key characteristics of semi-structured interview serve the purpose of probing. We define board areas of research and a set of questions regarding these areas. The questions serve as a purpose to start discussion related to the defined topics and we then further probe on the subject according to the answers provided by the expert.

Meuser and Nagel (2009) distinguish expert knowledge from common sense or everyday knowledge and hence describes an expert as someone who does not necessarily possess knowledge alone but they have knowledge which only they have access to, and it can be pertaining to certain group or persons but related to some decision processes too. An expert is identified keeping in mind the researcher's judgment (Meuser and Nagel 2009).

As the current study is investigating the fairtrade labeling program and its impact upon the worker's welfare hence the study has targeted human resource and compliance expert from each firm. We plan to use semi-structured interviews with the key knowledgeable (an expert) persons. A semi-structured interview is scheduled with a management representative from a particular department (human resource or compliance as mentioned earlier) from each firm. This stands to be an important qualitative research tool for the study where a knowledge insight regarding the fairtrade and certification programs is vital in enhancing our understanding of the fairtrade program. Also, these interviews are important so as to learn about the management's point of view; their perceptions and understanding related to fairtrade and other certification programs and their take on labor issues etcetera.

Besides management representative, we have also conducted semi- structured interview with workers' representative. The workers' representative in case of a non-labeled firm is a union president and in case of a labeled firm is a Fairtrade Premium Committee (FPC) president. This expert interview is important in the sense as these workers' representatives not only represent the entire population of workers' but are knowledgeable, than other workers, in certain areas. Hence have questioned and probed them regarding their views and knowledge about various work and compliance related issues. We have also talked about labor issues in general and those, if present, with regard to fairtrade. The labeled firm worker representative will also be questioned regarding their knowledge of fairtrade, and whether or not has they have grasped and understood the philosophy of fairtrade? One important piece of information to be probed and

extracted from labeled worker's representative is the knowledge related to premium, its management and spending.

3.3   UNIT OF DATA COLLECTION

A unit of data collection is the basic element that is closely linked to the research topic and the kind of information that needs to be extracted. The current study focuses upon the football industry broadly. However, the football industry is furthered divided into two categories; the labeled and non-labeled firms.

The unit of data collection for this study is an individual. Wehave interviewed workers, management and worker's representative from both the labeled and non-labeled categories.

3.4   GEOGRAPHICAL AREA OF RESEARCH

As the current research aims to study the fairtrade program and its effectiveness in raising labor standards and improving the welfare of the workers therefore, it must concentrate on the industry which has been affiliated with the program the longest. In Pakistan the football industry has been associated with the program for the last 18 years. Since the concentration of the football industry is mainly in Sialkot and spread through Gujarat and Wazirabad therefore the geographical area for this study is the city of Sialkot located in the North-East side of the province of Punjab.

3.5   SAMPLING

Sampling stands to be an important element of any research work. Due to time and resource constraints we had to rely upon a sample which represents the population closely. Bryman (2015) explains population as "the universe of units from which the

sample is to be selected" and a sample as "the segment/subset of the population that is selected for investigation" (p. 187).

Sampling can be based upon either probability or non probability sampling. The current study uses a type of probability sampling, and this sampling method follows stringent probability rules and everyone has an equal chance of being selected in the sample (Sarantakos 1998). We first define clusters and then randomly select the predefined sample from each cluster for this study hence making it a two-stage design.

3.5.1 Cluster Sampling

Bernard (2006) states how cluster sampling as a sampling method where there is non-availability of sampling list or frame and saves time and cost of the researcher. Bryman (2015) describes cluster sampling as dividing the population into groups or aggregations. These groups or aggregations are then termed as clusters.

"Cluster sampling is based on the fact that people act out their lives in more or less natural groups, or clusters. They live in geographic areas (like countries), and they participate in the activities of institutions (schools)" (Bernard 2006 p. 157). Cluster is similar to stratified sampling in the sense of dividing the population into subgroups (known as strata in this case) however, the criteria to divide the population differs. It is more systematic and stringent in case of stratified sampling.

In the current study, we divide the population into two clusters. In our case, the population refers to the total number of firms producing football in Sialkot or the football industry. The population is sub grouped into two cluster based on the labeling status of the firms: labeled or non-labeled. The first cluster consists of all those firms that have

joined the fairtrade labeling program and the second cluster consists of firms which have not joined the fairtrade labeling program.

From the first cluster a total of six firms have joined the fairtrade labeling program. However, only five firms are included in the first cluster as the sixth firm refused to be a part of the study. A total of hundred workers, five management representatives and five FPC presidents have been interviewed. The second cluster consists of all the non labeled firms or firms that are not a part of the fairtrade labeling program. In the second cluster a total of six firms and 100 workers were interviewed. In addition, six management representatives and six workers' union representative were part of the study. A total of 11 firms, 200 workers, 11 management representatives and 11 workers' representatives were interviewed for the study.

3.6   ECONOMETRIC TECHNIQUE

The study empirically tests hypothesis to draw conclusion and measure the effectiveness of fairtrade labeling program. The fair trade movement claims to improve the conditions of the workers in the football industry in Pakistan via the use of the fairtrade label. As mentioned above, some firms/producers are part of this program intervention while other firms are not certified as fairtrade producers. Therefore,the basic objective of the study is to calculate the difference between two groups: those receiving the treatment (labeled) and those without the treatment (non-labeled) conditioned on the assignment of the treatment. Ruben, Fort & Arias (2009) have also used propensity score to measure the impact of development of fairtrade on coffee and banana producers.

Often the data used in analysis is observational (non-randomized) in nature. Calculating treatment effects with observational data can be tricky as the chances of biasness increase many fold (Becker & Ichino 2002; Dehejia & Wahba 2002; List et.al 2002). Rosenbaum & Rubin (1983) proposed Propensity Score Matching as a methodology to help solve and capture the biasness in observational data (Dehejia & Wahba 2002; Wooldridge 2010). Propensity Score Matching (PSM) controls for biasness in the observational data (Becker & Ichino 2002, Dehejia & Wahba 2002) and is being extensively used in evaluating the effects of economic policy intervention (see Heckman, Ichimura &Todd 1997; List et.al 2002; O'Keefe 2004; Ruben, Fort & Arias 2009).

One of the issue in calculating treatment effect of program intervention is information asymmetry (Dehejia & Wahba 2002). We are interested in the outcome when the subject is exposed to the treatment however; the counterfactual outcome is missing. Since the outcome is conditional to the assignment of the treatment and due to the data being non random only one of the two outcomes is observed. The treated cannot belong to the same group as the non-treated. PSMhelps us in this regard. The calculation of propensity score is discussed in detail below.

3.7   PROPENSITY SCORE MATCHING

Suppose P is the entire population of the workers working in the football industry. Workers may either be receiving treatment (worker is labeled) or may not be receiving treatment (worker is not labeled). Let us denote the treatment by D which will be equal to 1 if treatment is received (treatment group) and 0 otherwise (controlled group), and assume that Y is the outcome of the treatment. Y_1 and Y_0 are the respective outcome when the treatment is received and when the treatment is not received. The worker cannot be a

part of both the treatment groups at the same time hence we define the outcome equation

as defined by Rosenbaum and Rubin (1983)[12]

$$Y = DY_1 + D(1 - Y_0) \quad (1)$$

and the gain or the mean outcome from the treatment is the difference between the two

outcomes given as

$$\Delta = Y_1 - Y_0 \quad (2)$$

Let X be a vector of observable variables from both the groups. Then the function for

outcome is expressed as

$$Y_1 = \beta_1 X + \varepsilon_1 \quad (3a)$$

$$Y_0 = \beta_0 X + \varepsilon_0 \quad (3b)$$

(Where $\varepsilon_0 \, and \, \varepsilon_1$ are the error terms)

Then the mean effect of the treatment on the treated (TT) would be defined as

$$E(Y_1 - Y_0 / X, t = 1) = E(\Delta / X, t = 1)$$
$$= \beta_1 X - \beta_0 X + E(\varepsilon_1 - \varepsilon_2 / X, t = 1) \quad (4)$$

In line with the objectives of the study we are interested in calculating the impact of the

fairtrade label on our variables of interest or succinctly the treatment effect.

In order to calculate the Average Treatment Effect on the Treated (ATET) so as to

measure the effect of D (fairtrade label) upon our variable of interest Socio-economic

status and welfare complete information is necessary (Dehejia & Wahba 2002;

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[12] The use of such formulation can also be dated back to Fisher (1951), Kempthrone (1952) and later
developed by Rubin (1974, 1977, 1978 and 1980) (Rosenbaum and Rubin 1983)

Wooldridge 2010). Hence before we compare and match control and treated group and calculate the treatment effect, propensity scores are calculated using Logit/Probit model.

Propensity scores calculate the conditional probability of treatment given the observed covariates (Rosenbaum and Rubin 1983; Becker & Ichino2002; Dehejia & Wahba 2002; Wooldridge 2010). The idea of propensity scores is to control for biasness and make the comparison more meaningful by assigning a score to all individuals who are as similar as possible and differ upon the treatment level alone (Rosenbaum and Rubin 1983)[13]. Propensity Score [given as *p(z)*] summarizes "the pre treatment characteristics into a single index variable" (Becker & Ichino 2002 p. 359) which as a result assists us in matching the treated and the control group. The conditional probability of receiving treatment given a vector of characteristics X is calculated using a Probit model and is given as

$P(X) \equiv Pr \{D=1/X\}$

$\quad = E \{D/X\}$ (5)

where D is the treatment and X is a vector of observable characteristics with a condition that the vector of observable characteristics is independent of the treatment[14]. Besides the restriction on X there are two important properties that must be satisfied before the propensity scores are calculated (Becker & Ichino 2002). The balancing property and the

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[13] For a detailed discussion on propensity scores; their mathematical derivations and explanation read Rosenbaum and Rubin (1983), and Rubin (1974, 1977, 1978 and 1980).

[14] This condition is applied because there is missing data on the pre treatment characteristics. The mathematical notation is as follow:

$$Y_1, Y_0 \perp D/X$$

common support are two properties that must be satisfied before the propensity scores are to be calculated; they also help improve the quality of the matches and treatment effect.[15]

Once the propensity score [$p(X_i)$]for each individual i is known, the treatment effects can be calculated using different matching algorithms. There is a range of defined matching techniques to help calculate the treatment effects. The following three methods are used to calculate the ATET

1) Nearest Neighbor Matching

2) Radius Matching with a Radius set to (0.1)

3) Kernel Matching

Nearest Neighbor Matching is the simplest algorithm (Becker & Ichino 2002; List et.al 2002). According to this method, each treated unit is compared with the controlled unit having the closest propensity score. Whereas, according to the Radius Matching the comparing of the treated and controlled group is conditioned to 'a pre defined neighborhood'. Hence, each treated unit is matched with the control units' propensity score that fall within the defined radius. Kernel Matching gives weights to all control units such that the propensity score of control unit closer to the treated unit is given higher weights. Thus weightsassigned are inversely proportional to the distance between the propensity score of the two units. Using different matching methods helps us check the robustness of the estimates.

The matching methods help us calculate the treatment effect and for this study we have calculated the Average Treatment Effect on the Treated (ATET). This measure is relevant

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[15] For the mathematical proof of the properties see Rosenbaum & Rubin (1983)

to calculate the differences between treated and non-treated captured in X and is given by the following formula

$$\text{Average Treatment Effect on the Treated (ATET)} = E \, (y1i - y0i/D=1)$$

$$= E \, \{E\{Y_{1i} - Y_{0i}\}/D_i=1, \, p(X_i)\}\}$$

$$= E\{E\{Y_{1i}/D_i=1, \, p(X_i)\} - E\{Y_{0i}/D_i=0, \, p(X_i)\}/D_i=1\} \quad (6)$$

$$\text{where } E \, [.] \text{ is the expected value.}$$

It measures the average treatment effects upon the outcome variable when $D=1$; where the treatment has been received or as Wooldridge (2010) writes Average Treatment Effect on the Treated "is the mean effect for those who actually participated in the program" (p. 605).

3.8   DATA AND VARIABLE

The key dependent variables in our study are Socio-economic status (SES) and welfare. Both these dependent variables cannot be measured directly and hence we are to rely on statistical techniques like PCA or use of proxy to construct these variables. In order to construct an index for socio-economic status Principal Component Analysis (PCA) is applied whereas, a proxy variable for welfare isused. Since SES is a multi faceted concept and cannot be measure using a single variable hence an index is calculated using PCA; a data reduction technique. On the other hand, there was no need for using PCA for welfare as data reduction was not needed due to the nature of the variable.

The structured interview with workers using a questionnaire recorded information about individual, work and family characteristics of the respondent. Table 1 below lists down the description of all the variables recorded using the questionnaire.

Table 3.1
Description of Variables

Dependent Variables	
Socio Economic Status (SES)	It is a long term variable and cannot be measured directly and a data reduction technique needs to be used to create an index for SES
Welfare	Total Expenditure of the Household (Consumption Approach) will be used to measure the welfare of the worker.

Independent Variables	
A) Family level variables	
Number of household members	Continuous measure of people living in the household of the respondent.
Age	Age of the respondent and the members of the household in completed years
Education	Education level of the respondent and the members of the household. This variable is a categorical variable and respondent had to choose one of the categories they fall into. The education variable was divided into primary, middle, secondary, intermediate and above intermediate and informal schooling categories.
Gender	A dummy was created for the variable of gender.
No of Rooms	This is a continuous variable and states the total number of rooms available in the house and it is a continuous variable

Number of household earners	Continuous measure of earning of people living in household of the respondent
Land ownership	A binary variable stating whether the respondent has any possession of any form of land
Livestock ownership	This variable records the current market value of the livestock of the respondent in case if he has livestock
Toilet Facility	This is a categorical variable where a higher value indicates a better toilet facility available in the house
Household Assets Availability	A binary variable (Yes, No) against a lists of 14 assets (Example TV, Bicycle, Mobile, Iron etcetera)
Total Household Expenditure	A continuous variable that records the expenditure of the household on: i) food ii) health iii) education and iv)other expenditures and totals them
Loan	This is binary variable stating whether the respondent or their family has opted for any kind of loan or not.

B) Work related variable

Experience	A continuous variable stating the number of years the respondent has been working with the said firm
Wages	This continuous variable records the wages of the respondent in PKR
Side Business	A binary variable asking whether the respondent has a side business besides their job at the factory

Source: Research Instrument used for data collection

From these variables we further construct more variables which help us in analyzing and interpreting other variables as well as in constructing our dependent variables.

Table3.2

List of Variables Generated from the Raw Data

Variable	Description
Family Size	The total number of members currently living together
Dependency Ratio (% of working age population)	This is calculated by dividing the age groups into three categories according to age. Dividing the dependent age group over the earning age group
Household Asset Index	This is an index giving a score of one to each asset that the respondent says yes to and dividing it over the total number of assets
Per Capita Household Education Level	The total income earned by the household is divided by the number of family members living in the household
Per Capita Household Education Level	The average education of the household divided by the number of family members living in the household
Worker Label	A binary variable, with a value one given to the worker working with a certified producer.
Per capita room available	The total number of rooms were divided by the family size
Per capita livestock available	The per person livestock value available by dividing the livestock value over family size

Source: Research Instrument used for data collection

3.8.1 Using Principal Component Analysis (PCA) to Construct an Index for Socio Economic Status (SES)

Principal Component Analysis (PCA) is one of the most popular multivariate statistical techniques and its basis and use can be traced to Cauchy (1829), Jordan (1874) and Pearson (1901). The current form of PCA was developed overtime and the term 'Principal Component' was formalized in 1933 by Hotelling (Abdi & Williams 2010).

SES is our first dependent variable to be calculated. The concept of SES is multi faceted and cannot be measured by a single variable and hence data reduction technique like Principal Component Analysis (PCA) has to be used to construct the SES variable.

Abdi & Williams (2010) explain in depth the idea and working behind the PCA. PCA is a data reduction technique that simplifies the data and extracts the important information from a large data set. PCA assists in analyzing 'the structure of the variables' and express them as orthogonal variables called principal components, which are linear combination of the original variables. The generated components explain the variance (i.e. inertia in the data). The first component 'explains' and capture the maximum inertia in the data. The next component is depended on the first component such that the second component is calculated under the constraint that it has to be orthogonal to the first component. The second component explains the maximum variance in the data and the process is repeated until the predefinednumbers of components have been reached. The values obtained from these components are called factor scores.

The Table A3 and A4 in the Appendix lists down the component and Eigen values of all the variables used to construct SES. The weights of the variables were assigned using the

Eigen values of the first principal component (PC1). The following table (Table 3) lists down all the six variables with their respective weights in constructing an index for SES

Table 3.3

Variables with their Respective weights used forEstimating SES

Variable	Weights
Per Capita Household Income Level	**-0.093**
Per Capita Household Education Level	**0.077**
Household Asset Index	**0.24**
Toilet Facility available	**0.17**
Per capita Number of Rooms available	**0.25**
Per person availability of livestock	**0.18**

Source: Author's Calculations using the data collected from the field study

Once the weights have been assigned the following equation is used to estimate the Socio-economic (SES) variable:

$$SES= -0.0938*Percapitahousehold\ income\ + 0.077*Percapitahouseholdeducationlevel+ 0.24*Household\ assestindex + 0.17*Toiletfacilityavaialble + 0.25*Percapitanumberofroomsavavailable + 0.18*Perpersonavailabilityoflivestock\ (7)$$

3.8.2   Consumption Approach for Welfare

The second dependent variable under analysis is that of welfare as our second objective states to measure the impact of labeling upon the welfare of the workers. Welfare cannot be measured directly and in order to measure welfare we have used a proxy variable.

There has been debate related to the measurement of living standard and welfare however; no one proxy has been termed as the 'best proxy' and the selection of proxy is ad hoc and based on study specific basis (Montgomery et.al 1999). Information on household income (income approach) and consumption (consumption approach) is considered a preferred proxy for measuring the living standard and welfare of the community or the household (Montgomery et.al 1999; Pradhan 2009).

As far as developing countries are concerned, it is believed that consumption approach seems to be a relatively preferred proxy due to the fact that the mostly the economic activities in developing countries are in the informal sector and reporting of income is largely undervalued (Pradhan 2009). Also consumption approach directly relates to the current living standard and helps identify and map the data as to where do the household spend their income (Montgomery 2001). The study hence uses consumption approach to calculate the welfare of the workers and measure the impact that fairtrade has had on the welfare of the workers.

To sum up a combination of various techniques together with the two stages sampling method has been used to gather information from the workers working in the football industry in Sialkot, Pakistan.

Chapter 4

RESULTS AND DISCUSSION

This chapter will discuss the results obtained by the econometric technique discussed in depth in the last chapter. Before we begin our discussion, it is important to revisit the objectives of the study. The study had endeavored to calculate the impact of treatment variable (labeling) upon the socio-economic status and welfare of the workers in the football industry.

4.1   PROPENSITY SCORES AND PROBIT REGRESSION

Propensity scores are calculated to summarize the pre treatment multidimensional variables into a single index to make the comparison feasible. Before we calculate the propensity scores, Probit regression is used to obtain the regression coefficients. The regression coefficients control for the factors that might have affected the decision to join the fairtrade labeling program. Table 4gives a summary of the variables with their respective Probit regression coefficient and standard errors. The study has controlled for variables such as experience (Experience), gender (Gender_D), age (Age), dependency ratio (dr), access to loans (Loans) and per person expenditure (P_T_Exp). These variables were possible factors that might have affected the decision for treatment. Hence, the justification behind a Probit regression is to control for all such variables. However, the results summarized (in Table 4) explain to us that none of the pre-treatment factors played a significant role in the decision to join the labeling program. Considering that the data was collected from one geographical area and the pool of workers working in the football industry was concentrated in one region of Sialkot,hence the characteristics the labor would differ on are minimal.The Probit regression for propensity scores further

confirms this statement. After the Probit regression, propensity scores are calculated. Every individual is assigned a propensity score which controls for pre-treatment characteristics; the propensity scores calculate the conditional probability of receiving the treatment. The balancing property whereby the X covariates are independent of the assignment of the treatment assumption and the assumptionof common support are both satisfied. According to the common support assumption a block of propensity score is defined in the form of the range. The values falling in the defined range (by the common support) are considered while the remaining scores are discarded as they do not make good candidates for matching.

Once the propensity scores are assigned, the treatment effect is calculated using the three matching algorithms. Table 5 summarizes the treatment effect on the variable of interest using the three matching algorithms.

4.2   FAIRTRADE IMPACT

Table 5 summarizes the values of ATET obtained from the three matching methods. The first column of Table 5 summarizes the results of the treatment effect on the socio economic status (SES) of the workers. Whereas, column two in Table 5 measures the impact of the fairtrade label upon the workers welfare. The total household expenditure (consumption approach) was used as a proxy for welfare. The total household expenditure is obtained by summing each household's expenditure on food, health and education. Thus, the ATET is also calculated forthe disaggregated expenditure. Column three, four and five of Table 5 record the average treatment effect of labeling on expenditure on food, health and education respectively.

Column one of Table 5 records apositive value of the treatment effect (ATET) on SES however, it turns to be insignificant. The treatment results are consistent across the three matching methods indicating the robustness of the results.

Similarly, the treatment effect recorded upon the second variable of interest (welfare) is also positive but turns out to be insignificant. The disaggregation of the total expenditure into the expenditure on food, health and education (column 3, 4 and 5 respectively) reveals some interesting insight into the data. There is a positive treatment effect of fairtrade labeling program as far as the expenditure on food and health is concerned but it turns out be insignificant. Whereas, the average treatment effect (ATET)is positively significant for the expenditure on education.

Before we discuss the impact of fairtrade, it is imperative to distinguish between direct and indirect impact of fairtrade. The impact of fairtrade, as the received literature states, can be either direct or indirect (Raynolds 2000; Bacon 2005; Becchetti and Constantino 2008; Ruben and Schendel 2008; Raynolds 2009; Ruben, Fort & Arias 2009). The direct impact is tangible whereas, the indirect impact is less tangible. The increase in income or expenditure accrues as a direct impact. Whereas, the increased sense of security, satisfactionor capacity building of workers can be classified as indirect impact of fairtrade.

The payment of fair price for the fairtrade football and the resultant premium received is classified as a direct impact. The payment of fair prices; prices that are above the world prices is a concept well understood by the labeled workers. The fairtrade labeled workers positively receive the idea of fair prices and arefully aware of the concept of premium. As

a result, the fairtrade workers were easily able to identify the fairtrade logo and have sufficient knowledge regarding what it is means to be fairtrade certified. This result seems to be a positive development when compared with other impact studies. Theexisting literature observes limited knowhow understandingof the fairtrade label by the coffee farmers (Ronchi 2002; Raynolds 2009).

4.3   SOCIO-ECONOMIC STATUS

The study's first variable of interest socioeconomic status and its constructionused long term variables like household assets index, number of rooms, household income, household education level and availability of livestock. Though the treatment effect on the long term variables like household durables, household improvement or income is positive, it turns out to be insignificant(Column 1 of Table 5). The guarantee of fair wages and fair prices, which can be measured in monetary terms, is hence not fully reflected upon the variable of interest used in the calculation of SES except on the increased expenditure on education by the fairtrade workers (Column 5, Table 5).The guarantee of fair wages and premium althoughdoes instill in workers a sense of security, wage satisfaction and a know-how of the fairtrade program. However, the results indicate no impact of labeling on workers SES. Similar results were obtained by Ruben, Fort and Arias (2009) for coffee farmers and workers working on the banana farms.

The guarantee of fair wages and fair prices (which includes the premium amount) can be viewed as an additional income. However, this additional income has failed to register an impact on the SES of the treated group. There are two aspects to the additional income received by the workers. One, the amount of premium is directly proportional to the sale of the fairtrade footballs. Therefore, the low and fluctuating sales volume makes the

premium amount modest and limits its use and impact to few development projects. Secondly, this additional income especially in terms of the premium received and its effect is dispersed in numerous projects and hence its impact is difficult to capture as is evident from an insignificant positive treatment effect.

The sale of fairtrade footballs at fair prices guarantee workers premium. The premium received from the sale of football is invested in diverse community related development projects. The premium is allocated on different development projects with the consent of the workers. Projects financed through premium amount is either confined to projects within the factory, or investedin the community development projects or distributed amongst dependentsof workers in various forms. For instance, the premium received is used in programs like a monthly checkup of workers and their dependents. Free eye sight camps, diabetes and hepatitis check up are few in factory health programs arranged with the help of the fairtrade premium. Other development projects include the provision of clean water, sanitation and transport facility for workers. As already mentioned the premium received is channeled into various development projects. Therefore, the premium amount is also spent on the dependents of the workers especially their children. Hence what we have recorded is that the premium amount helps distribute books, stationery and school bags amongst the school going children of the workers. Although this does not seem to go well with workers with no school going children in the family, however this complaint came from a small pool of workers.

Similarly, the community related projects executed with the help of the premium amount include the installation of water filtration plants near the factory or in a village which benefits not only the members of the program but the community at large. Thebenefitsto

the community because of fairtrade are classified as 'spill over effects' of the fairtrade label. Impact studies by Ronchi (2002) and Becchetti and Constantino (2008) have also observed 'spill over effects', in terms of for example 'conversion projects', of the fairtrade certification.

Thus, what we observe is that the guarantee of increased income due to fair wages and fair prices is spread across and diverse amongst various development projects and none of theproject targets long term investments in for instance household assets or provision of toilet facility at the household levels. Hence, the treated group SES is not significantly different from the control group as the findings of the study shows.

4.4   WELFARE

The total household expenditure was used as a proxy to measure the welfare of the workers. Column two of Table 5 records the treatment effect of labeling upon the total expenditure of the workers. The results record an insignificant positive treatment effect on welfare.

According to the Probit regression (Table 4) the difference between the household expenditure was not significantly different between the treated and controlled units (P-T_Exp). Therefore, a positive treatment that turns out to be insignificant, provides us with the need to disaggregate the expenditure and document for the treatment effect of fairtrade on the disaggregated expenditure. Hence, disaggregating the household expenditure as the expenditure on food, health and education reveals some insight in to the workings of the fairtrade label. The fairtrade effect on the expenditure on food and health is positive however, it turns to be insignificant. However, the treatment effect is

significantly positive as far as the expenditure on education is concerned. This indicates towards the fact that fairtrade affiliated workers are spending in long term investment (in terms of expenditure on education) of their dependents even when the total expenditure is same for both the groups. A study by Ruben, Fort and Arias (2009) also found positive treatment effect of labeling upon education for coffee farmers and workers working on the banana farms.

A positive treatment effect on the household expenditure on education can be analyzed on two fronts. First, the investment in education is basically investment in the human capital of the household which will yield an improvement in the well being of the household, wealth and asset position in the long run. Secondly, an immediate impact that can be inferred from the increased investment in education is the decrease in the number of children joining the labor force as child laborers. As mentioned earlier, one of the many project financed by the fairtrade premium involves giving away of free books, stationery and school bags which might have encouraged and incentivized the workers to send their children to school rather makethem join the labor market. However, a detailed quantitative analysis is still required to measure the impact of fairtrade upon the incidence of child labor. Although the received literature states that social labeling has significantly decreased the incidence of child labor in the carpet industry of Nepal and India (see Chakrabarty and Grote 2009; Chakrabarty et.al 2011). We can only predict that the increased spending on education would mean a decrease in the incidence of child labor.

The treatment effect is insignificant as far as the expenditure on food and health is concerned. The food programs like 'Ramazan Food Package' carried out by the premium

amount are sporadic in nature. Also, these food programs are tied to a specific month hence there impact has failed to reflect upon the food expenditure of labeled and non-labeled workers.

As far as the expenditure on health is concerned,the expert interviews reveal that the premium amount is also being spent on health of workers and their dependents. Hence, labeled workers enjoy free health camps made possible due to the premium amount. However, the cost per worker on health camp is small and hence it has failed to create a significant difference amongst the treated and the controlled group despite the fact that the health checkups (like education projects) is a yearly program of FPC[16]. Also, according to expert interviews the health system as defined by the Pakistani law is such that all workers have access to same health facilities (Worker's Welfare Hospital). The producers acting in accordance with the labor laws are to pay a health contribution per worker (it was PKR 750 for the year 2016) which is then channeled to the Worker's Welfare Hospital (WWH). WWH is a government provided facility where half the amount is paid by producers and the remaining amount is covered by the government. Almost all the workers working in the football industry avail the health facilities provided by the WWH[17]. Hence, no significant difference is recorded as far as the expenditure on health is concerned. Although the premium amount (as per the expert interviews) has helped few workers and their dependents undergo major surgeries and operations, an

[16] According to expert interviews health programs like eye sight or hepatitis checkup are those premium programs that are relatively economical in nature.
[17]According to expert interviews the health condition in the district of Sialkot is bleak. There are a total of ten beds, five dispensaries and three medical aids in WWH for the entire workers population in the district of Sialkot. The tertiary level[17] of health is missing from the WWH which means traveling to nearby cities like Lahore in case of emergencies.
There are three levels to provision of health facility. The primary level includes providing of pills and/or injection to patients. The secondary level includes a checkup by a specialist doctor. The tertiary level involves performing major surgeries on patients.

opportunity unavailable to non-labeled workers. However, these are rare cases and as the results indicate they have failed to make a significant impact on the health expenditure of the treated and the control group.

The disaggregated analysis also helps explain as to why the welfare of the treated and control groups do not differ significantly. Since two out of three components (food, health and education) of household expenditure do not record significant difference indicating a significant part of expenditure as similar. As a result, the fairtrade label's impact fails to materialize on the household expenditure (or welfare) of treated and control group.

4.5   INDIRECT IMPACT OF FAIRTRADE

The received literature on fairtrade greatly emphasizes the importance of calculating the indirect effects of the fairtrade. The indirect effects on fairtrade are less tangible. Although the study finds no significant difference between the SES and welfare of treated and the control group, there are however, few indirect benefits of fairtrade enjoyed by the treated group.

The standard for hired labor states the following of labor laws especially pertaining to wages and the payment of fair price is greatly stressed upon. The fair or living wages are equivalent of the minimum wages declared by the state. It was noticed during the field study that majority of the non-certified firms were less stringent as far as the payment of minimum wages was concerned. However, the fairtrade certified producers were particular about the payment of fair wages to the workers as the failure to do so could either result in a penalty or the cancellation of the certification.

The payment of fair wages has therefore, an important standing in the standard for hired labor. Therefore, it is pertinent to discuss the wage structure of the football industry. There are three types of workers in the football industry. The in-house workers, the stitchers and the contract based workers. The in house workers are placed in the factory and enjoy other fringe benefits besides the guaranteed minimum wages. The stitchers and the contract based workers, on the other hand, do not have a fixed amount of salary and their earnings depend upon the number of football they stitch per day and hence they are classified as the most vulnerable block of workers in the football industry. The fairtrade stitchers and contract based workers however enjoy the guarantee that the amount they will earn at the end of the month is at least equal to the minimum wages paid to the in-house workers. There is usually a high possibility of earning more than the minimum wages as their wages are conditioned to the number of balls stitched by the workers. In addition, the fairtrade standard for hired labor also guarantees them a share in the fairtrade movement via the use of premium through various community and development projects. The guarantee that minimum wages will be paid instills in the fairtrade labeled workers a sense of security and satisfaction. This sense of security and satisfaction found amongst workers is similar to the sense of security and satisfaction enjoyed by the certified coffee producers because of timely payments for their produce (see Pariente 2000; Ronchi 2002; Utting-Chamorro 2005).

According to the guidelines provided in the standard for hired labor, the producer must form a FairTrade Premium Committee (FPC) which is a registered body of workers that operates according to a constitution. FPC consists of a working body with a president together with other six to seven members. These members are elected by the workers

through elections where the workers vote for the members of the FPC. The members of the FPC hold regular meeting to discuss the working of the fairtrade program and it is the FPC who decides how the premium amount has to be spent. A separate bank account is maintained by the FPC where the FLO directly transfers the premium amount and it can only be withdrawn when it bears the signature of the president of the FPC. According to the premium received the committee circulates various tentative options on how and where to spend the premium money and it is the workers who decide how they want to spend the premium amount. Therefore, the decision reached by the workers via FPC is democratically decided. The number of fairtrade footballs sold and the premium received is widely communicated amongst workers which helpto keep them updated about the workings of the FPC. A managerial personnel (from within the firm) is also designated to help overlook the technical working of the FPC and assist the workers in areas where help is required. The establishment of the FPC and handling of its operation gives workers a sense of responsibility, recognition and control over resources. In addition to these benefits, it helps in the capacity building of the workers which has been confirmed by previous studies by Ronchi (2002), Utting-Chamorro (2005), Becchetti and Constantino (2008) and Ruben, Fort and Arias (2009).

In addition, having a compulsory female worker as a member in the FPC is a positive step to encourage female participation in the affairs of the fairtrade. However, commenting on whether fairtrade has had an effect upon women empowerment and gender equality is way too early as there is still a long way to go in achieving this goal and other impact studies on fairtrade confirms this result. Overall a positive change in the attitude of workers is noticed who now feel more connected to the firm and the

establishment of the FPC gives them a stake in the working of the movement and indirectly in the firm.

4.6 THE WAY FORWARD

The fairtrade movement in general has aimed to help fight poverty and transform the trading practices. Theresults of the study do not confirm the movement's success in terms of achieving their macro goals of poverty reduction and transforming trading practices.

In order to achieve the goals set by the movement, one of the most important and immediate concern of fairtrade label should be to address the modest sales of the fairtrade sports balls. The fairtrade footballs sold have a meager percentage share when compared with the annually non fairtrade footballs exported to various countries. Every year approximately 40 million balls are exported to Europe, Japan, Australia and USA. On the other hand, only 1,064079[18] fairtrade balls were sold in the year 2016 which makes the share of the fairtrade footballs in the market meager and negligible (0.2% of the total footballs exported from Pakistan).The modest sale volume of the fair trade sports balls thus deserves attention.

The fairtrade label must work in collaboration with retail networks and large corporations. In addition, this movement message should be expanded, shared and collaborated with different football leagues, football players and most importantly FIFA. Big brands like Nike, Adidas and Puma should also be involved in the movement. There is however, a conflict of interest on two fronts. Firstly, big brands like Nike and retail

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[18] This total has been arrived by summing the order received from FLO to the certified producers in the year 2016. There are at least six producers that have joined the fairtrade certification. Out of the six firms only 5 firms responded and agreed to be interviewed. Therefore, one must be cautious in quoting this figure.

corporations like Wal-Mart operate and conduct business in the current capitalist system which the movement vehemently criticizes and hence aims to rectify. Secondly, brands like Nike and Wal-Mart have their own code of conduct and a partnership with fairtrade label would thenmean they are accepting the inferiority of their code of conduct which might send a wrong signal to their customers and hence significantly jeopardize their brand name. In addition a partnership with these corporations and retail organization would also mean that fairtrade is going against the real agenda of the movement.

There seems to be a deadlock, however; considering the modest sales of the fairtrade goods (apart from coffee) deserve attention and in order for the movement to thrive and grow and consequently fight poverty and restructure the trading practices the share of the fairtrade football needs to increase considerably.

Considering a negligible share of the fairtrade football in the market also means the movement's is far from achieving its goal to rectify the trading system. It is currently operating as a market niche however, if the movement wants to seriously consider their fight against the capitalist system the market for fairtrade footballs should be expanded.

To sum up the results, the data collected from the field reveals that the fairtrade label does not have a significant impact on the socio-economic status of the labeled workers. Similarly, there was no significant difference between the welfare positions of labeled workers versus the non labeled workers. We therefore, reject both the hypothesis.

As we reject both the hypothesis of the study, it is imperative to analyze the failure of the fairtrade labeling program in a broader sense.

The advocates of fairtrade may have thoughtto discover as Easterly (2001) calls 'elixir of life' in order to correct the weak labor laws in developing countries and hence help the most suppressed and marginalized class of the society. The pioneers of fairtrade may have calculated the correct cost of weak labor laws in economic, humanitarian or moral terms but the program (as the findings of this study concludes) has failed to give desirable and positive economic results. The failure of the fairtrade program is as Easterly (2001) succinctly describes as a 'practical policy' failure. The 1996 ban on the soccer industry is a classic example of the 'practical policy failure'. Assuming that the ban was motivated by moral concerns, the ban on the football industry worsened the problem of child labor for Pakistan as many switched their jobs into either more hazardous jobs or seeped into the informal sector away from the international scrutiny (Khalid and Shahnaz 2004).

What could possibly go wrong? Before, we further comment on the failure of the fairtrade program it is important to revisit the fact that the birth of fairtrade had happened in a foreign land completely ignorant of the local context. As Bhagwati (1995), Srinivasan (1998) pithily describe programs like fairtrade as aiming to impose cultural specific values of one country over the other, something they have little or no control over. In addition to this, the value that the country places on various labor laws reflects different position on nation's social welfare function (Brown et.al 1996).For instance, in some societies the child labor is frowned upon whereas in other societies it is not seen as an anomaly.

Since the program aims to rectify the weak labor structure of the developing countries it is important for fairtrade program to reevaluate their strategies and redesign them while being mindful of the local contexts.

Table 4.1

Probit Estimation for Calculating Propensity Score

Variables	Coefficient (Standard Errors)
Experience	-0.0017942 (0125278)
Gender_D	-0.8656775 (0.498944)
Age	0.0038276 (0.0147678)
SideBusiness_D	0.2625145 (0.202223)
dr	-0.0196854 (0.0685477)
Loans	0.1737886 (0.1861802)
P_T_Exp	-0.00018 (0.0000948)
_Constant	1.076896 (0.8441427)
Log likelihood	-133.60063
Pseudo R2	0.0363
No of Observations	200

Table 4.2
Matching Results for Average Treatment Effect on the Treated (ATET)

		SOCIO ECONOMIC STATUS		TOTAL EXPENDITURE		FOOD EXPENDITURE		HEALTH EXPENDITURE		EDUCATION EXPENDITURE	
		ATET	t-stats	ATET	t-stats	ATET	t-stats	ATET	t-stats	ATET	t-stats
Nearest Neighbor Matching	Analytical Standard Errors	0.016 (0.122)*	0.134	0.048 (0.056)	0.855	-0.014 (0.068)	-0.21	0.1 (0.162)	0.622	0.258 (0.087)	2.949
	Bootstrapped Standard Errors	0.016 (0.108)	0.574	0.048 (0.054)	0.894	-0.014 (0.072)	-0.917	0.1 (0.143)	0.701	0.258 (0.087)	2.974
Radius Matching	Analytical Standard Errors	0.047 (0.081)	0.574	0.011 (0.042)	0.248	-0.066 (0.051)	-1.292	0.061 (0.126)	0.482	0.064 (0.08)	0.805
	Bootstrapped Standard Errors	0.047 (0.081)	0.575	0.011 (0.039)	0.266	-0.066 (0.05)	-1.33	0.061 (128)	0.475	.	.
Kernel Matching	Analytical Standard Errors	0.069 .	.	0.007 .	.	-0.07 .	.	0.058 .	.	0.245 .	.

*The value in brackets is the Standard Deviation

Chapter 5

CONCLUSION AND POLICY RECOMMENDATIONS

5.1   CONCLUSION

The fairtrade labeling program has been central to the debates on international trade and harmonization of labor laws. The fairtrade advocates criticize the unjust and unequal structure of the trade and blame it for causing inequality along the 'North/South' axis. They disagree with the current trading practices which encourage profit maximization and result in ills like child labor, labor exploitation and unfair wages. Fairtrade through its code of conduct claims to act in the best interest of the marginalized group. They believe that the fairtrade code of conduct and certification helps fight evils like poverty and exploitation of workers.

As far as Pakistan is concerned, fairtrade has been operating in the football industry for the last 18 years. The certified fairtrade producers follow the code of conduct laid out by fairtrade standards, thus earningthem fairtrade certification and a fairtrade label on their product. The premium amount collected from the sale of fairtrade football is then further channeled to the workers via various development and community projects. Thus, the main idea and motivation behind the study was to quantify the impact of fairtrade labeling upon the workers.

In line with the motivation of the study, the main aim of this research was to calculate the treatment effect of labeling upon the socio economic status and welfare of the workers employed in the football industry. Primary data through questionnaire and semi-

structured expert interview was collected from the football industry in Sialkot, Pakistan. Propensity Score Matching was used to calculate the treatment effect of the fairtrade labeling program. The key results from the current study are as follow:

1) The findings of the study fails to find a link between fairtrade labeling program and the socio economic status and welfare of the workers employed in the football industry in Pakistan.

2) Few benefits, for the treated group, in terms of an increased household expenditure on education, together with the increased sense of security, recognition, higher satisfaction amongst workers and 'spill-over effects' for the community are recorded.

3) In conclusion, the findings of the study document the failure of the fairtrade program.

As a result, therefore, there are certain aspects of the fairtrade labeling program that deserves attention.Thus, what follows from our study are few recommendations that will assist in the strengthening of the fairtrade labeling program.

5.2   POLICY RECOMMENDATIONS

Based upon the findings of the study the following are few recommendations for the fairtrade labeling organization:

1) The Fairtrade Labeling Organization (FLO) needs to devise and develop a mechanism to increase the market share of the fairtrade football which is modest when compared to the market share of the non-fairtrade football. Hence, an

effective marketing strategy to increase the sales of fairtrade football needs immediate attention.

2) In order to make labeling more increase the participation and reach of the program, the barriers to obtaining certification must be reduced so that producers can easily join the fairtrade certification program.

3) As the movement aims to fight poverty and improve the living standards of the workers therefore, it must devise development programs that are mindful and in harmony with the local context.

4) The current focus of fairtrade label is upon the promotional football variety only. Venturing into the market of superior quality of football should be aimed for.

5.3 LIMITATIONS OF THE STUDY

The resource and time constraints have limited the scope of this research. As a result of these constraints, we have limited our survey to few firms and workers. Future research must take into account these limitations and increase the size of the sample in terms of number of firms and workers to be surveyed.

5.4 DIRECTION FOR FUTURE RESEARCH

The research on fairtrade in Pakistan is in the nascent stages hence there are numerous directions as to where one can take the fairtrade research. As far as the current study is concerned it focuses upon the impact of fairtrade upon the welfare of workers. What need to be further analyzed are various other important facets of the fairtrade labeling program which include its impact upon the issue of child labor and its success or failure to empower women in the workplaces.

APPENDIX

A1
Major Threats/ Distortions faced by Free Trade since 1776

Time Frame	Threat	Explanation
19th Century	*Free trade was accepted with few theoretical exceptions*	The theoretical exceptions to theory of free trade were mainly developed in the Great Britain during this time frame: 1) J.S.Mill proposing the idea of infant industry; 2) Robert Torrens discussing the idea of monopoly power in trade argument and 3) Proposing of tariffs to interfere in others' markets.
End of the 19th Century	*Reciprocity, infant industry argument and fair trade*	The threats developed in the early 19th century was used by Britain as it power declined and diminished giant syndrome gripped her. USA and Germany (the emerging economic powers) used the infant industry arguments and tariffs to industrialize
1930s	*Macro-Economic Failures including slow growth, unemployment*	The Great Depression of 1930s compelled Keynes to support protectionism in times of distress and hence use them to increase a country's national income and employment. Further development includes the policies of 'beggar thy neighbor' proposed by Joan Robinson and the idea of using adjustable peg system to maintain balance (both external and internal).
1930s and Afterwards	*Imperfect Competition*	The development in the theory of imperfect competition by Edward Chamberlin and Joan Robinson challenged the idea of market prices reflecting social costs which indirectly undermined the case for free trade on a pretty small scale

1950s -1970s	*Imperfect competition in factor markets and non-economic objectives*	During this time frame the economic circumstances were favorably for countries like US and Germany. Hence the demands for protectionism came from developing countries due to the presence of imperfections in their factor markets. Further, the non-economic objectives like the need for industrialization for modernization were put forward by developing countries. The developed countries were experiencing a golden era hence supported pro-trade policies under GATT
Late 1970s and early 1980s	*Renewed Imperfect Competition in Product Markets Renewed Giant Syndrome Return of fair trade and reciprocity*	The diminishing giant syndrome gripping Britain at the end of 19th century was now being experienced by US and other developing countries hence the need for protectionism arose. Together with it came the revival of ideas like fair trade and reciprocity. The development in the theory of imperfect competition especially in product markets further strengthened the case for protectionism.
Late 1980s and onwards	*Harmonization, FairTrade and Level playing fields*	Increasing world competition and structural changes in the world economy led to the demands for harmonization, protection from unfair trade and the demand for level playing field.

Source: Bhagwati in Salvatore (1993)

A2

FLO has defined four main standards for the product to be certified and bear the 'fairtrade' logo. The table lists down the 21 products with their respective standards.

PRODUCT/STANDARD	Standards for SmallProducer Organization	Standard for Hired Labor	Standard for ContractProduction	Trader Standard
CANE SUGAR	✓			✓
CEREALS	✓		✓	✓
COCOA	✓		✓	✓
COFFEE	✓			✓
FIBRE CROPS	✓		✓	✓
FLOWERS AND PLANTS		✓		✓
FRESH FRUITS (INCLUDING BANANAS)	✓	✓		✓
FRESH VEGETABLES		✓		✓
GOLD	✓			✓
HERBS, HERBAL TEAS &SPICES	✓	✓		✓
HONEY	✓			✓
NUTS	✓			✓
OILSEEDS & OLEAGINOUS	✓			✓
PREPARED & PERSERVED FRUITS &	✓	✓	✓	✓
SECONDARY PRODUCTS	✓	✓		✓
TEA	✓	✓		✓
TIMBER	✓			✓
VEGETABLES (INCLUDING PULSES& POTATOES)	✓			✓
SPORTS BALLS		✓		✓

Source: Fairtrade Labeling Organization International

A3

The Eigen Values obtained using PCA to construct an index for SES

Component	Eigen Values	Difference	Proportion	Cumulative
Comp 1	1.58583	.360673	0.2643	0.2643
Comp 2	1.22515	.267008	0.2042	0.4685
Comp 3	.958147	.0990195	0.1597	0.6282
Comp 4	.859127	.140911	0.1432	0.7714
Comp 5	.718217	.0646893	0.1197	0.8911
Comp 6	.653527	.	0.1089	1.0000

PRINICIPAL COMPONENT (EIGEN VALUE)

A4

Principal Component Explained

Variable	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6	Unexplained
Per capita Household Income	-0.2127	0.4728	0.5490	0.6386	0.1138	0.0952	0
Per capita Household Education	0.1766	0.6931	0.3059	0.2577	0.0993	0.5644	0
Per capita Household No of Rooms	0.5670	0.0549	0.0765	0.0499	0.8125	0.0832	0
Per capita Household Livestock	0.4159	0.3935	0.2535	0.6062	0.1549	0.4652	0
Toilet Facility	0.3834	0.1695	0.7263	0.3537	0.3191	0.2642	0
Per capita Household HHAI	0.5311	0.3309	0.0858	0.1754	0.4372	0.6158	0

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