

## **Elimination of Bonded Labour in South Asia: The Process Patronage and Labourers' Right to Access Micro Credit in Brick Kiln Industry of Pakistan.**

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### **Abstract**

This study examined the process of microcredit disbursement among brick kiln labourers and paying off loan in monthly installments. In depth interviews were conducted with the brick kiln labourers to solicit their experiences and difficulties regarding acquisition of microcredit. The process of acquiring microcredit involves many steps from the awareness about microcredit to disbursement of the loans. A local NGO was responsible to guide brick kiln labourers about different steps of getting microcredit. The study explains how the prevalence of inequitable and manipulative practices involved at different stages of acquiring microcredit may restrict labourers' right of access to the facility of loan.

**Key words:** microcredit, brick kiln, labourers

### **Background**

Bonded labour is increasingly becoming a critical issue in Pakistan. It exists in the form of debt bondage and is commonly known as peshgi (advance) system at local level. Labourer families take an advance from their employer in form of monetary favors under an agreement to provide their labour until their debt is paid off (Abbasi et al., 2013; Iqbal, 2006). This advance may be taken for a number of different reasons including health issues, wedding and in case of an emergency. Bonded labour is especially prevalent in Sindh and Punjab province of Pakistan. The sectors mostly affected by the violation of labour rights are agriculture, industry and brick kiln (Abbasi et al., 2013; Awan, 2010).

Brick kiln sector is one of the major sectors in Pakistan where debt bondage exists. It is estimated that there are around 8000 to 10,000 brick kilns across

Pakistan providing livelihood to 1.5 million people (Awan, 2010). Often employers provide space to the family of labourers to build their mud huts in the vicinity of the kiln (Abbasi et al., 2013). Poverty is considered as the main reason for peshgi. Low wages compel labourers to opt for debt in the time of need, for instance in case of illness and marriages. It accumulates economic burden on the labourer families to keep working for the employer for years and at times for generations (Ercelawn, 2004; Iqbal, 2006).

The Government of Pakistan has taken various steps to address the issue of persistent bonded labour in brick kiln industry (Abbasi et al., 2013). One of the most noteworthy among them is the “Elimination of Bonded Labour in Brick Kilns” (EBLIK) project assisted by the International Labour Organization (ILO). The project was launched by the Government of Punjab in selective districts of Punjab Province for the period of six years, from 2008-2014. One of the important components of the EBLIK project was the provision of interest free microcredit loan to the brick kiln labourers. The program intended to empower the poor labourers by lending them microcredit loans, so that they can establish their small businesses, add to their family income and improve their living standards (Labour and Human Resource Department, 2009).

Microcredit has extensively been used as a tool for poverty reduction by creating economic independence among the poor sections of society (Quibria, 2012; Wright, 2008). It helps poor people to start small scale businesses and add to their family income (Ahmad, 2007, Harper, 2007; Harris, 2006). Different national and international organizations working in the area of poverty reduction are funding NGOs in Pakistan to address the issue of bonded labour in brick kiln industry. Provision of microcredit to the brick kiln labourer has been one of the popular ways adopted by the local organizations to eradicate debt bondage among labourers. Brick kiln labourers can increase their family income through effective use of small loans, which reduce their dependence on advance taken from the brick kiln owners (Daru et al., 2002; Dawn, 2010).

The present study was conducted to evaluate the effectiveness of a microcredit program funded by an international organization. The project aimed to address the issue of bonded labour at brick kilns in Pakistan. A local non-governmental organization (NGO) was responsible to implement the program at brick kilns. Project implementation team had to assess the eligibility of borrowers, facilitate them in documentation process for acquiring loan, loan disbursement, and recovery of monthly installments from the labourers for payment of loan. Labourers could apply for a loan in the range of Rs. 5000 to Rs. 25000. After returning the installments of previous loan, they were eligible to obtain another loan. Female members were encouraged to avail this microcredit facility and they were given equal opportunity to apply for it. After the disbursement of loans, the implementation team was required to provide the details of administrative expenses, amount actually delivered to the project beneficiaries and the plan about collecting amount from the borrowers in form of monthly installments. The

microcredit program, as a pilot project, was launched in two districts of Punjab Province.

There were three major objectives of the present study a) to determine the association between the access of brick kiln laborers to microcredit and their perception about increase in their family income, eradication of peshgi and improvement in quality of their life. b) to examine the processes and dynamics of loan disbursement among brick kiln labourers and paying off microcredit in monthly installments and c) to analyze the improvement in quality of life of brick kiln laborers in terms of health, education and entertainment opportunities and reduced dependence on their owner. However, this paper analyzes only the findings about the processes and dynamics of loan disbursement among brick kiln labourers and paying off microcredit in monthly installments. It specifically aims to understand different steps of acquiring microcredit and procedure of paying back of loan with a special emphasis to explore the prevalence of inequitable and manipulative practices involved in the process of loan disbursement that may restrict laborers' right to access the microcredit facility.

## **Methodology**

In-depth interviews were conducted with the labourers, jamadars and munshi at brick kilns using interview guide as a tool for data collection. The major themes for conducting in-depth interviews revolved around the formation of community organization, process of getting microcredit and payment of loan. Purposive sampling technique was used to select sample from the brick kilns in under study districts. Repeaters (multiple loans) and non-repeaters (single loan), both men and women, were included in the sample. Along with munshi and jamadar, presidents and managers of the community organizations (COs) were also given representation in the selected sample. Ethical considerations of informed consent, privacy, anonymity and confidentiality were followed by the researchers. The names and addresses of the organizations and identities of the respondents are kept confidential in the paper publication. Data was transcribed, interpreted and analyzed using thematic analysis technique.

## **Findings of the Study**

The process of getting microcredit involves many steps including awareness about microcredit scheme, formation of community organization (CO), opening a bank account, applying for loan, verification by CIB, distribution of checks and monthly installments. Local NGO was responsible to guide the brick kiln labourers about different steps of microcredit acquisition.

## Creating awareness about microcredit

The first step was to create awareness among brick kiln labourers about microcredit program and its aim to reduce poverty and eliminate peshgi. For this purpose, social mobilizers of the local NGO approached the brick kiln owners and explained how the microcredit program is designed for the well being of their labourers. One of the social mobilizers highlighted that *“it is difficult to introduce microcredit program to labourers without support of their owners”*. It was mentioned that a few of the brick kiln owners initially did not cooperate. After acquiring the support of their owners, social mobilizers of local NGO introduced the microcredit program to brick kiln labourers. One of the labourers explained that *“when members of NGO introduced credit scheme, we thought that they are just deceiving us being poor and illiterate. Gradually we developed trust in them and formed CO”*.

A few of the labourers highlighted that they came to know about the microcredit scheme through diverse sources e.g. their relatives, friends, munshi and then invited the local mobilizers of NGO to further guide them. One of them said that:

Local NGO was giving loans to labourers at nearby brick kiln. My cousin works there. He informed us about its aim and process. We requested social mobilizers to visit and guide us as well and then we decided to go for microcredit.

It is the essential condition of microcredit program that the loan must not be used for non productive purposes, for instance weddings. In the awareness program, the brick kiln labourers were clearly told that loan was only meant for productive activities and not for consummative purposes. After understanding its terms and conditions, the interested labourers were asked to form a community organization (CO).

## Formation of community organization and right of membership

The foremost condition to get microcredit is the formation of community organization (CO). After introducing microcredit scheme to the labourers, social mobilizers of the NGO asked them to form a CO and choose their president and manager. CO usually consists of labourers living in a community and thus well familiar with each another. It may include a group of friends, relatives or co-workers. The number of members in a CO may vary from 5 to 15. The labourers mentioned that they select members on the basis of their good repute, trustworthiness and ability to pay back loan in time: *“We include those in CO who we think will not waste credit money for buying mobiles or TV etc, will use it productively and pay their installments in time”*. The respondents highlighted that they formed CO with the facilitation of social mobilizers of local NGO or in consultation with the members of a CO already formed in neighborhood.

The decision to include new members in CO is taken by the already selected members. Presidents of different COs highlighted that they do not allow outsiders to interfere in the selection process of new members. At times, a kinship group may suggest the name of a labourer and request for his inclusion in CO. They may also take responsibility of paying back loan, if that labourer is unable to pay. However, the final decision about their inclusion in CO is taken by the CO members. The respondents praised the role of social mobilizers of local NGO for guiding them in the process of CO formation.

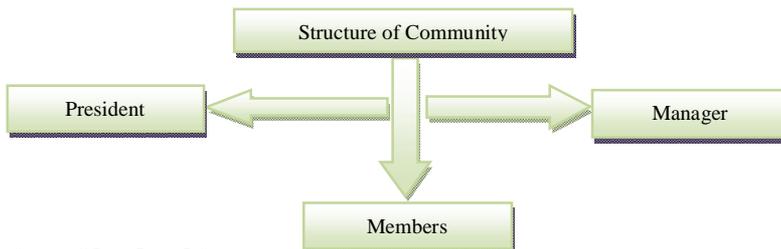
### **Power and patronage in CO formation**

The labourers were of the view that munshi and jamadar at brick kiln influence the selection process of labourers in CO. One of the labourers opined that the munshi and jamadar are more influential than the president and manager of CO in terms of selection of new members in CO. He stressed that *“the names recommended by the munshi or jamadar are certain to be included in CO”*.

The study found that the president and manager of COs may also influence the labourers’ right of inclusion in a CO. The respondents thought that the president and manager prefer their neighbors, acquaintances and co workers at brick kiln. Conversely, almost all presidents and managers emphasized that they do not manipulate the selection process of CO membership. One of them asserted that *“he neither restricts someone to avail this facility nor suggests any names for CO membership. He only gives an opinion about labourers’ repute and their ability to pay back installments”*.

Similarly, a few of the brick kiln labourers talked about the involvement of brick kiln owners in recommending the names of brick kiln labourers for CO membership. They were of the opinion that the brick kiln owners provide patronage to the labourers of their choice for inclusion in CO. It explains how the prevalence of undemocratic and manipulative practices in CO formation may restrict the labourers’ right of membership in COs.

**Figure 3.1 - Structure of community organization (CO)**



### **Selection of leadership**

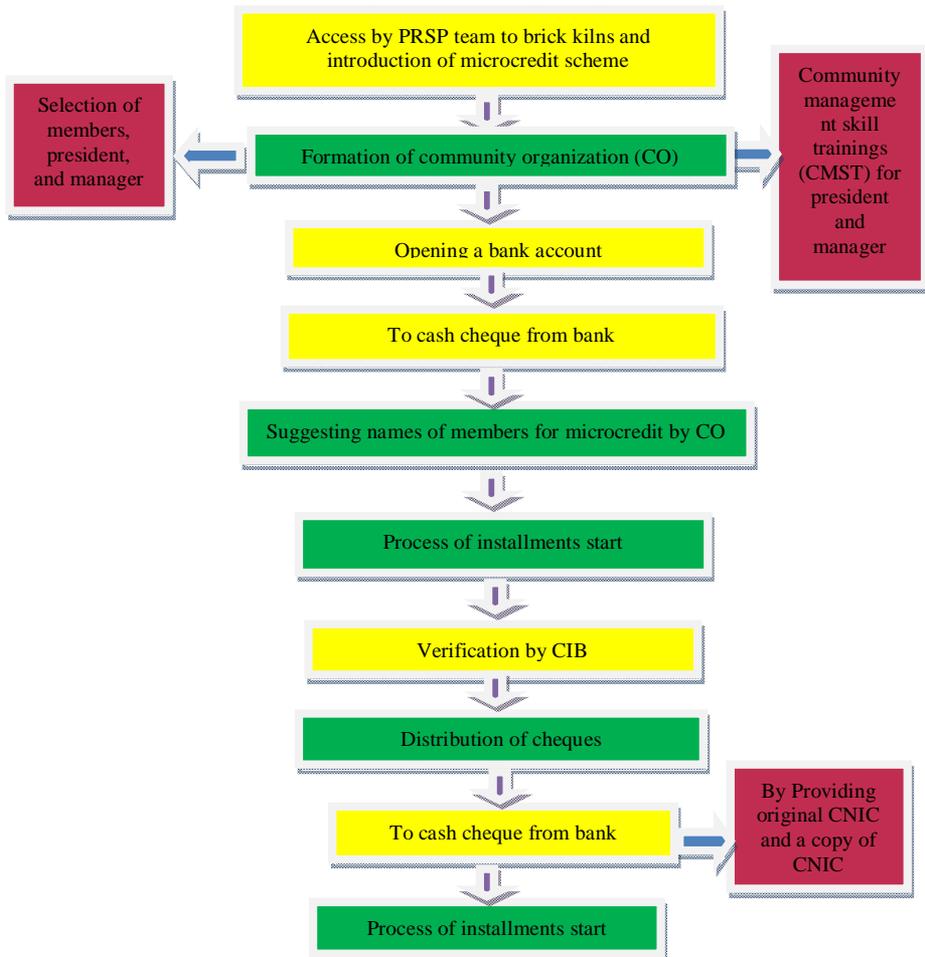
Labourers preferred the CO members for leadership roles, who are good at public dealing, know calculations and have decision making abilities. Mostly the elder

members of community are given such roles as a sign of respect. The labourers mentioned that everyone trust elder members and remain united under their leadership. After their selection, the president and manager of a CO are given community management skill training (CMST) within 50 days of CO formation.

President and manager are expected to facilitate the CO members in the process of acquiring microcredit. One of the respondents mentioned that *“president and manager assist other members to negotiate with the social mobilizers of local NGO. They also facilitate local NGO team in collecting monthly installments from the members on due date”*.

Another labourer suggested that *“if a member is not able to arrange monthly installment, president and manager may pay it themselves and recover it from the member later”*. However, it is found that such favours to CO members promote undue involvement of group leaders in decision making processes. For instance, they may influence the process of selection of new members in CO without consulting other members.

**Figure 3.2 - Steps involved in getting microcredit**



### **Acquiring guarantee of others**

The selection of CO members requires guarantee of others that they will always abide by the terms and conditions of the microcredit program. It is essential for a new applicant to acquire at least one guarantee. Other CO members, a community member, munshi, jamadar or owner of the brick kiln may give guarantee of a labourer to facilitate his/her inclusion in CO. The respondents highlighted the role of president and manager in giving guarantee of labourers of their choice and backing them for their inclusion in CO. While giving guarantee for others, the respondents mentioned that they may consider their reputation among community members, credibility to pay back loan and propensity to use loan for productive purposes.

The study found that the social networking plays an important part in the process of giving guarantee for others. The labourers acquired guarantee for CO membership on the basis of their relations or networking with others. It was further explored that, at times, CO members may include needy labourers in CO as a moral responsibility and give their guarantee as well.

### **Opening a bank account for CO**

The members are asked to open a joint bank account for their CO in the name of president and manager. Fee for opening a bank account is contributed by the CO members. After CO formation and opening of a bank account, they can now formally apply for the loan.

### **Verification by Cross Investigation Bureau of NGO**

The eligibility of a member to apply for loan is verified by the Cross Investigation Bureau (CIB) of local NGO. After clarification of names, cheques are distributed among labourers in a ceremony. They can cash these cheques from bank on providing a copy of their CNIC. The process of installments starts next month.

The study found that the CO leadership and local influential such as brick kiln owner, munshi and jamadar provide patronage to the labourers of their choice in the process of acquiring loan. The respondents were of the view that they recommend the names of labourers to Cross Investigation Bureau (CIB) of local NGO for verification. One of the labourers highlighted that *“the social mobilizers of local NGO give a lot of importance to the opinion of munshi and president while allocating loan”*. A munshi mentioned that *“the social mobilizers ask me to help in identifying deserving labourers since I personally know every labourer working at brick kiln. Names suggested by me are likely to get loan”*.

It seems that the social mobilizers allow such inequitable involvement of munshi, jamadar, president and manager to ensure their facilitation for the recovery of loan. While the importance of such people cannot be overlooked to

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access brick kiln labourers and in recovery of loan, the study found that their facilitation is reciprocated by allowing them to influence the decision making process in COs, which is an exclusive right of CO members.

### Payment of loan and monthly installments

Interest free loans are given on a condition that the labourers will pay it back through monthly installments expanded over a year. The local NGO designed a regimented mechanism to ensure that the monthly installments are paid in time.

### Repeaters vs. non-repeaters

On inquiring about how they pay their monthly installments, the responses across repeaters and non-repeaters differed. The majority of respondents, both repeaters and non-repeaters, highlighted that they usually pay monthly installments through savings. One of the interviewee mentioned that *“we prefer not to borrow money from others since it adds economic pressure on us. We pay monthly installments by saving money and spending thrifty”*.

The repeaters mentioned that they mostly pay monthly installments through the additional income that they generate from their business. Conversely, the non-repeaters save money from their wages that they earn by rendering labour at brick kiln and use it to pay monthly installments. For them, it may take time to benefit from the economic activities that they start with microcredit.

While the majority of labourers do not like borrowing money from others, a few of them mentioned that they may borrow money from their relatives or at times from brick kiln owner. One of the respondents highlighted that *“when we are short of money and there is no other way to pay monthly installments, we just take it from our siblings, relatives or go at the door step of brick kiln owner”*. This quotation indicates how the brick kiln workers may engage themselves in the network of economic dependence in order to pay their monthly installments. It suggests that the microcredit, if not utilized in an effective way, may rather become an economic burden for the labourers and thus negate the essence of microcredit program.

The above discussion refers to the need of creating awareness among laborers about the aim of microcredit program, particularly their self empowerment while avoiding economic dependence on others. The study found that the majority of non-repeaters were less aware about the effective utilization of loan. On the contrary, more than a few repeaters highlighted that they started a small business a few months back with the help of microcredit and now they were able to pay monthly installments using the profit from business.

When asked about increase in their workload and responsibilities for the payment of monthly installments, some of the respondents suggested that their routine is quite the same as before. They did not feel extra burden. However, quite a few of them, especially the non-repeaters, highlighted that the pressure to pay

installment increased their workload and they were required to do extra labour. A few of them emphasized that they at times work on holidays as well.

## **Role of local NGO**

The labourers appreciated the role of social mobilizers and acknowledged their professional ethics. They explained how the social mobilizers encourage them to pay installments in time. One of the respondents mentioned that *“in order to sensitize other labourers, the social mobilizers publically appreciate those members who pay monthly installments in time.* At times, social mobilizers allow extra time to the labourers to pay monthly installments.

The labourers looked quite concerned about paying their monthly installments in time. While 10<sup>th</sup> of every month is the deadline to pay installments, the labourers usually start paying from 1<sup>st</sup> of the month. A few of them, however, may not manage to pay installments in time and thus the social mobilizers of local NGO pressurize them. One of the labourers said that:

Yes, they pressurize us to pay installments. Sometimes we do not buy flour and use that money for paying installments. As there is a fine for not paying installments on due date, everyone tries to pay installments in time.

The above discussion suggests how an inappropriate use of microcredit may compel the labourers to cut down their daily expenditures in order to pay monthly installments. In such a situation, loan is rather a curse than a blessing for the poor labourers and questions the core objectives of microcredit program. In order to address this issue, it is important to create awareness among brick kiln labourers about the effective use of microcredit.

## **Conclusion**

Brick kiln labourers mostly form a CO and include new members through mutual consultation. Nevertheless, the process of CO formation and selection of new members may at times involve the patronage of local influential i.e. brick kiln owner, munshi, jamadar or CO leadership. CO members choose their president and manager for leadership and facilitation roles. They are required to open a bank account for CO in order to formally apply for loan. After verification of members' eligibility by the Cross Investigation Bureau (CIB) of NGO, cheques are distributed among labourers. The process of installments starts from next month. The study found that the CO leadership and local influential such as brick kiln owner, munshi and jamadar may influence the process of acquiring loan by providing patronage to the labourers of their choice.

The dynamics of paying back loan through monthly installments may vary across repeaters and non-repeaters. Non-repeaters take some time to benefit from the new business they start with the help of microcredit. They mostly pay their

monthly installments by doing labour at the brick kiln. Conversely, the repeaters pay their monthly installments through the profit that they get from the economic activities that they had started using the loan. Labourers appreciated the mechanism devised by the local NGO for the recovery of monthly installments, which encourages them to pay back installments in time.

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