

# **The Impact of Globalisation and Regional Conflict on the Loom Units in Dibba Colony, Karachi**

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## Abbreviations:

- APTMA : All Pakistan Textile Mills Association  
CAA : Civil Aviation Authority  
KESC : Karachi Electric Supply Company  
KWSB : Karachi Water and Sewage Board  
SBCA : Sindh Building Control Authority  
SITE : Sindh Industrial Trading Estate

## Local Terms:

- seths* : entrepreneur  
*purchis* : notes  
*munshi* : accountant  
*karigars*: loom operators

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## 1. Reason for the Study

The textile industry is considered to be the backbone of Pakistan's economy.<sup>1</sup> Much of its weaving sector looms operate informally out of low income settlements. This informal loom sector has been facing a number of problems due to which land-use changes, migration patterns and a search for new forms of livelihood have emerged. This study is an initial exploration in trying to understand the causes behind these changes and their repercussions on a small settlement of about 25,000 persons in Karachi. But first, let us look at the textile industry and how it operates.

## 2. Pakistan's Textile Industry

Pakistan is the world's fourth largest producer of cotton and also the third largest consumer in the world. It is a major contributor to the economy in terms of exports being among the ten top textile exporters of the world. In the past decade the industry has gone through difficult times. This is evident from **Figure – 1: Growth of textile sector 2002-11** and **Table – 1: Trends in textile sector during last 10 years** in Appendix - 1. The reason for its problems are attributed to power outages, rising power tariff, unavailability of raw material and due to these factors large amount of losses in businesses.<sup>2</sup> The Karachi law and order situation, regional conflicts and neo-liberal reforms have also contributed to the crisis with many units shifting to other parts of Pakistan and also to other countries. (See **Box – 1: Shifting to Bangladesh**) It is important to note that according to the All Pakistan Textile Mills Association (APTMA), energy shortages have reduced the capacity of the textile industry by 30 per cent.<sup>3</sup> Again, it is has been estimated that due to strikes Sindh businesses alone suffer a loss of Rs 21 billion (US\$ 21 million) a day, and a major sufferer is the textile industry because of its large size.<sup>4</sup>

### Box – 1: Shifting to Bangladesh

It is claimed that because of severe gas and electricity shortages, the textile industry in Pakistan is shifting their activities to Bangladesh. But, there are severe power outages in Bangladesh as well. The main reasons for shifting are: one, the law and order situation in Karachi; and two, that Bangladesh has given tax-free access to 37 countries including the European Union, Canada and Australia. This second is the key reason why a large number of Pakistan textile units have relocated since 2012. Some estimates claim that 40 per cent of Pakistan textile industry and 200,000 power looms have been shifted to Bangladesh since 2007 as a result of which some 200,000 families in the Punjab alone have been directly or indirectly affected.

Labour costs in Bangladesh are also much lower than in Pakistan even though in 2011 Bangladesh doubled the minimum monthly wage in the garment industry to 25 pounds (US\$ 42). This is still low compared with competitors in China, India, Viet Nam, Thailand and Cambodia. Pakistan's minimum wage is high at 70 US dollars per month. Bangladesh's low wage is also an incentive to shift.

There is no official data illustrating the business migration but the media and representatives of the industry continue to report on industry closing down and shifting not only to other countries but also from Karachi to the Punjab where the law and order is better. Press reports tell us that 30,000 businesses have shifted from Karachi to the Punjab due to the better law and order situation over there. However,

<sup>1</sup> Aliya Ahmed, Senior R&D Officer; Textile Industry of Pakistan

<sup>2</sup> 40,000 power looms closed down: <http://www.pakistantoday.com.pk/2012/05/09/news/national/40000-power-looms-closed-down-100000-left-unemployed/>

<sup>3</sup> Daily Times, September 23, 2012

<sup>4</sup> Sindh business activities suffer Rs 21 billion loss; Daily Times, September 22, 2012

representatives of the industry point out that it is small traders and not industrialists that have moved to the Punjab. It is claimed that the industrialists have moved to other countries such as Sri Lanka and are exploring possibilities of establishing businesses in Viet Nam, Cambodia and African countries. Representatives of the industry also claim that other countries are luring them to establish their industries in their countries and offering incentives. They claim that between 15,000 to 20,000 small to large units in Karachi and some 5 to 10 per cent of big units of exporters of textiles have shifted to foreign destination. This migration of businesses has been made possible by the global neo-liberal order.

Source: <http://www.dawn.com/news/655674/from-pakistan-to-bangladesh>  
<http://www.dawn.com/news/784981/businesses-shifting-amid-poor-security>

The weaving sector is the most important sector of the textile industry. It is divided into three sub-sectors: integrated, independent weaving units and power loom units. The integrated and independent weaving units operate in the organised “mill sector” whereas the power looms fall in the informal non-mill sector. A loom can be installed in a house and one or two workers or a family can operate it. It is estimated that there are 360,000 power looms in Pakistan of which over 30,000 small or medium size power loom units are located in Karachi.<sup>5</sup>The small units normally comprise of 6 to 8 looms manned by 10 to 12 workers while the medium units comprise of up to 50 looms worked by 60 to 80 workers. All loom workers are male.<sup>6</sup>However, these are just estimates because unlike the organised mill sector, the non-mill sector does not maintain production statistics and much of it is not in the tax net either. In addition to various Karachi low income settlements (see **Map - 1** in Appendix - 1: **Karachi settlements with loom clusters**), the major power loom clusters in Pakistan are in Faisalabad, Multan, Kasur and Jhang (see **Map -2** in Appendix – 1: **Loom clusters in Pakistan**).

The organised mill sector uses what are known as shuttleless looms<sup>7</sup> or air jet looms. These are used for the production of cotton textiles which are the main textile produce of Pakistan. The power loom sector uses shuttle looms,<sup>8</sup> which manufacture both cotton and silk. It is to be noted that silk is produced almost exclusively on shuttle looms in the power loom sector.

The importance of the power loom sector can be gauged from the fact that in 2009-10 it supplied 8.5 billion square metres of total export fabric which amounts to 65 per cent of the total supply by the weaving sector.<sup>9</sup> However, due to the problems mentioned above, it is estimated that between 2008 and 2012, 40,000 power looms were converted to scrap and 10,000 were partially closed due to which 100,000 workers became unemployed.<sup>10</sup>Another factor that should

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<sup>5</sup>. Labour Rights in Pakistan: Declining decent work and emerging struggles; Pakistan Institute of Labour Education and Research, Karachi, 2010

<sup>6</sup>. Ibid.

<sup>7</sup>. M. Farooq Khan; Status of Power Loom Sector in Pakistan; Pakistan Textile Journal, Karachi, June 2011

<sup>8</sup>. The shuttle loom is the oldest type of weaving loom which uses a shuttle which contains a bobbin of filling yarn that appears through a hole situated in the side. The shuttle is batted across the loom and during this process, it leaves a trail of the filling at the rate of about 110 to 225 picks per minute (ppm). Although very effective and versatile, the shuttle looms are slow and noisy. Also the shuttle sometimes leads to abrasion on the warp yarns and at other times causes thread breaks. As a result the machine has to be stopped for tying the broken yarns. Shuttleless looms overcome the problems faced by shuttle looms and are of various varieties. [http://textilelearner.blogspot.com/2011/08/what-is-loom-define-loom-shuttle-loom\\_6904.html#ixzz36Hg1sNWI](http://textilelearner.blogspot.com/2011/08/what-is-loom-define-loom-shuttle-loom_6904.html#ixzz36Hg1sNWI)

<sup>9</sup>. 40,000 power loom workers: <http://www.pakistantoday.com.pk/2012/05/09/news/national/40000-power-loom-closed-down-100000-left-unemployed/>

<sup>10</sup>. Ibid.

be emphasised is that the fabric manufactured on power looms is of inferior quality and does not fetch high value in the international market.<sup>11</sup>

### 3. The Study Area

The area chosen for the study is known as Dibba Colony in the Baldia Town of Karachi. Baldia is one of Karachi's 18 towns (see **Map– 3** in Appendix 1: **Location of Baldia Town**). Each town is an administrative unit. Baldia consists of 7,200 acres (292 hectares)<sup>12</sup> and is divided into union councils which are the lowest rung of local government (see **Map–4** in Appendix 1: **Map identifying union councils**). Baldia Town has 8 union councils of which Saeedabad is one, in which Dibba Colony is located. The population of Baldia Town, according to the 1998 census, is just over 400,000<sup>13</sup> while estimates today place it at one million. Baldia Town also contains the rapidly expanding informal settlements of Islam Nagar and Ittehad Town. Baldia Town is ethnically very mixed and contains all the major ethnic and linguistic groups of Pakistan. However, no group has a clear majority in the area.

Baldia Town began as a planned settlement in 1962. Refugees (1947 migrants from India) living in the inner city informal settlements or squatting in the open areas of Karachi were shifted to Mohajir (refugee) Camp and Saeedabad. Here, they were given 80 square yard plots and sewage and water related infrastructure. They built their own homes incrementally. The advantage of this location was that the Sindh Industrial Trading Estate (SITE), Karachi's main industrial area was adjacent to these new planned settlements and at that time work was available at SITE. The shiftees were almost entirely Urdu speakers.

In official planning, there is no such thing as Dibba Colony. This name has been given by its inhabitants to an area comprising about 2,500 80 square yard residential plots and about 200 120 square yard commercial plots along the main Altaf Hussain Road. The settlement covers an area of 19 hectares and the "mill area" is 11 hectares. (See **Map – 5** in Appendix 1: **Location of Dibba Colony**) The commercial plots were meant for businesses and not for establishing manufacturing units. However, manufacturing units, as described in the following section, were established on these 120 square yard plots and the area where they were located came to be known informally as the "mill area".<sup>14</sup> The mill area has an area of about 11 hectares.

According to the building byelaws and zoning regulations, no industrial activity is permitted in the commercial and residential areas. However, the government has tolerated such activity because people living in the area can work in their neighbourhood. This brings benefits to them in terms of saving time and cost in travelling to work and back and helps the city in dealing with its traffic problems. City government officials feel that if the byelaws and zoning regulations were strictly followed, low income residents would have much more problems than they have today.<sup>15</sup> It is important to note however, that where "cottage industry" sites have been developed, it is permissible for the owners of the industry to reside on the site. A cottage industry site was also developed in Baldia Town but it remains unoccupied to this day while power looms have been established in residential and commercial areas. Local government planners feel that there is a

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<sup>11</sup> M. Farooq Khan; Status of Power Loom Sector in Pakistan; Pakistan Textile Journal, Karachi, June 2011

<sup>12</sup> Interview No. 15

<sup>13</sup> City District Government Karachi (Defunct) official website: Baldia Town  
/cdgk/Home/Towns/BaldiaTown/tabid/201/Default.aspx

<sup>14</sup> Interview No. 13 and 15

<sup>15</sup> Interview No. 11 and 15

need to rationalise existing byelaws and zoning regulations to make it easier for people to legally live and work in the same areas.<sup>16</sup>

#### 4. Methodology

The methodology followed for the study is given below. First, Baldia Town was chosen since it was near the formal industrial area (SITE) and the Pakistan Institute of Labour Education and Research (an important national NGO) informed us that the majority of power looms were located in Baldia. During a general observational survey of Baldia we were informed by residents at various locations that the maximum density of power looms in Baldia Town are located in Saeedabad. The choice of Dibba Colony was made for two reasons. One, we had contacts in the Dibba Colony; and two, that the “mill area”, where the power looms began was adjacent to the residential area of Dibba Colony.

The study has relied on interviews and on secondary data. Persons interviewed include power loom workers and owners of loom units; brokers in the power loom sector; labourers; scrap dealers, recyclers of textile related waste; government officials and shopkeepers in the wholesale market; academics and corporate sector executives. A list of those interviewed is given in **Appendix – 2: List of Persons Interviewed**. Secondary data consulted has consisted of journals, research studies and press reports. A list of these is given in **Appendix – 3: List of Literature Consulted**.

#### 5. History of the Evolution of Establishing Power Loom Units in Dibba Colony

The first settlers in Dibba Colony were the Urdu speaking refugees who were given 99-year leases for 80 square yard plots. The refugees were mainly shopkeepers and white-collar workers and not skilled labour so they could not take advantage of the fact that they were living so near to SITE. In addition, the major low income Urdu speaking localities had land values that were much lower than those of Dibba Colony. As a result, they began to sell their properties and move to Buffer Zone, New Karachi, Korangi Crossing or Shah Latif Colony where Urdu speakers are located.<sup>17</sup> Initially, their place was slowly taken over by people from Mianwali, who were initially camel/camel cart transporters (required by the SITE industry), who in the 1970's converted to using trucks. Pushto speakers also established a presence in Dibba Colony to work in the rapidly expanding construction industry in SITE and Baldia and as transporters. With the coming of the power loom sector to Dibba Colony in the mid-1970s, skilled Punjabi speaking migrants grew rapidly in number.<sup>18</sup> This is because Punjab has a long textile related tradition and a well-developed system of apprenticeship. The town of Faisalabad contains the first textile mills which were established before Independence and partition.

In 1973, the then Bhutto government nationalised a lot of industries but the textile industry was exempted from nationalisation. Small loom units (up to 8 looms) were also exempted from taxation. To save on taxes and out of fear of nationalisation, entrepreneurs, commonly known as *seths*, decentralised their production to smaller units. Many of them sold their properties in SITE and in the other officially designated industrial estates at higher prices and invested in low income settlements which they believed were more secure because of the populist politics of the then government. There were other advantages in working out of the formal industrial sector. The *seths* could employ contract labour (which was cheaper) due to an absence of

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<sup>16</sup> Ibid

<sup>17</sup> Interview No. 13

<sup>18</sup> Ibid

centralised trade unionism and sack and hire labour at will. It was in this period that the commercial plots in Dibba Colony were purchased or rented from local residents by the *seths* and converted into loom units.<sup>19</sup> This change attracted more skilled labour from the Punjab. The process of converting yarn into fabric and wholesale is given in **Figure –2: The process of production** in Appendix 1.

These *seths* who set up the loom units managed the whole process. They acquired the yarn, did the coning, warping, sizing, finishing and transferred the finished product to their warehouses in Boulton Market. They estimated the amount of material that was required by the market and produced it. There were no other players in the process except for the producers of imported and locally produced yarn and the transporters who serviced the needs of this process.

Problems for the industry in Dibba Colony began in 1992-93 when due to liberalisation, Chinese and Indian silk flooded the market. However, in spite of this, the industry continued to function and make acceptable profits. The second blow took place after 2003. Due to regional conflicts export to Iran and Central Asia (which were big clients of the industry) became problematic because of border controls with Iran and difficulty of transit trade through Afghanistan. With Central Asia trade acquired a new dimension. Hordes of Central Asians visited Karachi as tourists and purchased silk and leather goods in bulk and took it back with them by air. For revenue purposes, the government of Pakistan promoted this process. With the anti-Taliban war and war in Afghanistan and terrorist attacks within Pakistan, a strict visa regime was introduced between Pakistan and Central Asian states as a result of which the Central Asians stopped coming.<sup>20</sup> Export to India continued since Pakistani product though more expensive, was of better quality and there was a demand for it in India. However, because of the erratic nature of India-Pakistan relations, borders were often closed, trade suspended and in many cases orders though produced, could not be delivered causing losses to the manufacturers and traders.<sup>21</sup> Ethnic politics and their related extortion of money from businesses also took its toll and there was growing insecurity among the Dibba Colony power loom owners, many of whom received *purchis* (notes) demanding money and giving threats if payment was not made.<sup>22</sup> However, there is general consensus among the persons interviewed that extortion was very limited in Dibba Colony as compared to other locations in Karachi, because no one political party dominated the area as it had a mixed ethnic composition. There is also a perception that labour was attracted to Dibba Colony because of an absence of control of the area by any one political party.<sup>23</sup>

The final blow to the industry in Dibba Colony came with the growing power outages during 2004 and subsequently increasing to about six to seven hours a day. Since the looms work 24 hours a day, the outages meant a loss in production by at least 30 per cent. Beginning with 2004, energy costs also increased and within six years they almost doubled. There are no power outages to formal sector industry in SITE and other formal sector industrial areas as a policy of the state. This advantage could not benefit the Dibba Colony industry since it was informal and not in an officially designated industrial area.

As a result of the problems faced by the industry, these *seths* put up their looms for sale. These were bought by the more enterprising of the skilled labour of the loom units who often sought

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<sup>19</sup> Interview No. 1, 10, 13 and 14

<sup>20</sup> Interview No. 8

<sup>21</sup> Interview No. 1, 8 and 14

<sup>22</sup> Interview No. 1

<sup>23</sup> Interview No. 26

financial support from their families in the Punjab. Their families were willing to invest in Karachi because of better profits than in the Punjab. These better profits are there because yarn is imported through Karachi and its price increases by the time it gets to the Punjab.<sup>24</sup>

The new owners shifted the looms from the mill area to the residential areas, often to the ground floor of their residential accommodation or to space rented from other residents. This brought about a change in the land and real estate market in Dibba Colony which will be discussed later. Since 90 per cent of the new owners were from the Punjab, they encouraged further migration of Punjabi skilled labour which has had an affect on the ethnic composition of the area.<sup>25</sup> Moving to the residential area had two other advantages. Rents were lower and electricity charges were charged at residential rates which are much lower than the commercial rates paid by the *seths* in the commercial area. Also, plots of residential 80 square yards or less are exempted from property tax and the residential plots in Dibba Colony are 80 square yards.

There were two other repercussions of the crisis and the change in ownership of the power loom units. One, that some (no figures available) of the Dibba Colony entrepreneurs have returned to SITE and set up shuttleless loom units producing cotton instead of silk. Here they do not have to put up with power outages and unlike in the 70's and 80's, the trade unions are there "only in name".<sup>26</sup> The labour from Dibba Colony cannot work in these enterprises since they are not trained/accustomed to work on shuttleless or air jet machines.<sup>27</sup> Second, that the new owners did not have the financial and managerial capacity and/or capability of managing the entire system. As a result, a new system which involved a very important role for a middle man, known locally as the "broker" emerged. The new system, which operates today, is explained in the section below and its socio-economic, physical and land-use related repercussions in the subsequent sections.

## 6. The Existing System of Production and Marketing

In the existing system, which evolved after the *seths* sold their looms, the broker or commission agent is the king pin. He sits in the wholesale market in the business district of Karachi and also has an agent in Dibba Colony. An exporter or a local trader contacts him when there is a demand from a "party". The broker then contacts the loom unit and arranges for the supply of yarn to the loom unit. Warping is carried out at the loom unit if facilities are available there. If not, the broker arranges for the warping to be done. After the cloth has been produced, it is taken to a finishing factory (if required by the party) by the broker where it is washed, coloured and/or pressed. The party pays for the finishing directly to the finishing factory and picks up the product from them and delivers it to their client or stores it for future sale in its warehouse in the market. The broker has a commission in all these transactions.

As the crisis emerged in 2004-05, a number of things changed slowly in the financial relationship between the broker and the loom unit owners. Previously, along with the order, advance payment used to be made to them. Now only yarn is given and payments are made on completion of the order. There are complaints that sometimes payments are made after considerable delay (two months in one case).<sup>28</sup>

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<sup>24</sup> . Interview No. 05

<sup>25</sup> . Interview No. 08

<sup>26</sup> . Interview No. 05

<sup>27</sup> . Interview No. 04

<sup>28</sup> . Interview No. 09

The other problem is related to a lack of demand due to the reasons explained in Section 2 of the study. Due to this, there is a lot of competition between the loom unit owners to get an order. This reduces their profits considerably. It also leads to periods of inactivity which apart from lowering profits has other implications as well. For instance, 70 per cent of the loom unit premises are rented. Even if there is no work, rent has to be paid. If there is no work for six months, the loom unit owner is heavily in debt.<sup>29</sup>

Imported silk related yarn is expensive. Local yarn is produced only by one company. When they see that there is a larger demand in the market, they increase their prices which affect the profits of the brokers and the loom unit owners adversely. Also, the imported yarn is of a heavy quality whereas Chinese and Indian yarn is of a lighter quality and as such produces cheaper produce which sells better in the local market. Another factor is that market operators make higher profits by wholesale sale of imported textiles than by wholesaling local material. The retailers also make a higher profit. The solution offered by the brokers and loom unit owners is that the government should patronise its own product and put a ban on imported silk textiles. However, there is an understanding that this is not possible given the global economic regime. The respondents also feel that if such a ban was imposed, foreign textile would keep coming to Pakistan through smuggling which it is claimed happens even today.<sup>30</sup>

Loom unit owners have other complaints as well. One is that labour is no longer willing to work for “reasonable” rates. They agree that rates that they can offer have fallen due to a reduction in demand and an increase in costs of electricity. If labour cannot get Rs 15,000 (US\$ 150) to Rs 20,000 (US\$ 200) they start looking for other alternatives. Some have gone into the scrap business and others into tailoring. Many have migrated to Faisalabad or are trying to find work on shuttleless machines.<sup>31</sup> The crisis is so severe that looms that were sold for Rs 100,000 in the open market now sell for no more than Rs 30,000 to 40,000.<sup>32</sup>

It is also claimed by the respondents that the loom units still functioning in Dibba Colony is because they are small units and their rent and overheads are relatively low. They point out that the larger units having 20 or more looms which operated in the Shershah area of Karachi, have all closed down and have converted into warehousing.<sup>33</sup> This was facilitated by the Lyari gang wars because of which the Lyari warehouses could not operate normally. Rent from warehousing, it is claimed, is more profitable than running a large loom unit.

There seems to be a general consensus that if the power outages were controlled, there would be a 30 per cent increase in production and as such in profits. However, even then the crisis would continue because the issue is of the non-availability of orders for production.<sup>34</sup> This is also borne out of conversations held with the wholesale and retail merchants in the main textile market in the city centre. Apart from textiles that are silk or partly silk, all the other products that they purchase are made in Pakistan. They claim that the Pakistani silk quality is better though more expensive. Also, the majority of the shopkeepers buy Pakistani products directly from the finishing factories and Indian and Chinese from wholesale dealers in Boulton Market, the main textile retail and wholesale market. In addition, all the shopkeepers are of the opinion that the

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<sup>29</sup> Interview No. 03

<sup>30</sup> Interview No. 14

<sup>31</sup> Interview No. 05 and 08

<sup>32</sup> Interview No. 08

<sup>33</sup> Interview No. 13 and 14

<sup>34</sup> Interview No. 14



sale has dropped to an extent that many would like to close down their businesses. This they attribute to inflation, recession and the Karachi law and order situation.<sup>35</sup>

The other aspect that surfaced in the discussions in the market and from Prof. Noman Ahmed's interview<sup>36</sup> was that brokers can disappear with an advance but a retailer cannot since he has a shop. In addition, he cannot fight for recovery of money, as a broker can, since he has to remain in business. As such, many exporters, local traders and retailers are reluctant to advance loans to brokers as they used to before. This is because of the anarchic situation in Karachi.<sup>37</sup>

The power loom owners of Saeedabad (which includes Dibba Colony) have an association that presents their claims and guards their gains in dealing with officialdom and with other players in the power loom business. They have approximately 600 members and they employ around 4,000 persons. They have not been able to influence government policies but they did succeed in coming to an understanding with the Karachi Electric Supply Company (KESC) whereby outages were limited to two hours a day. For this facility and for upgrading the electricity transmission and distribution system, they collected and officially paid the KESC Rs 20 million (US\$ 200,000). However, after a few months the system reverted back to what it was before and has remained the same ever since in spite of several attempts by the association to revive it. With recession in the business and little hope of improvement, the union members are losing interest.<sup>38</sup>

The possibility of solar energy was also discussed with the brokers and the loom unit owners. The costs are prohibitive because the looms operate 24 hours a day and so storage of energy becomes a problem.

## 7. Labour related Issues

All the power loom units in Dibba Colony consist of shuttle looms and produce silk textiles. Though exact figures are not available, it is estimated that there are 4,500 looms in Saeedabad of which 1,000 looms are in Dibba Colony. This means that at the rate of 8 looms per unit there are 562 units in Saeedabad of which 125 units are in Dibba Colony.<sup>39</sup>

Each unit employs one master technician, who maintains the looms; one *munshi* (accountant); two *karigars* (loom operators) and two helpers who wind and unwind the thread. Helpers, who have initiative, learn on the job and often become *karigars* and *karigars* with initiatives also become master technicians. As such, there are about 3,500 persons directly involved in production. Transporters, persons working in finishing factories outside of Dibba Colony, and loaders are in addition to this. Salary of a helper varies and at an average is Rs 1,500 (US\$ 15) per month. Current rates for a *karigar* are Rs 4.25 per metre that he produces. If he has work he can earn about Rs 13,000 (US\$ 130) per month.<sup>40</sup>

Loom unit staff works 12 hours a day and on alternative days 12 hours a night. They have no holidays but are given a break of three to four hours on Friday. Looms operate 24 hours a day. Workers are paid every 15 days on the basis of how much they produce. There is no contract

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<sup>35</sup>. Shopkeepers Interview No. 16 to 23

<sup>36</sup>. Interview No. 25

<sup>37</sup>. Interview No. 25

<sup>38</sup>. Interview No. 13

<sup>39</sup>. Interview No. 01 and 14

<sup>40</sup>. Interview No. 01

with them and if they do not produce according to a target (which also varies from loom unit to loom unit or on the rates of the order they are working on) they can be sacked. There is no guarantee that employment can be renewed for the next 15 days. Often they are sacked for no apparent reason. Through this process, the loom unit owners can control any expression of discontent from their workers and can also prevent the development of any trade unionism.<sup>41</sup>

Facilities for the workers vary from factory to factory. There is no system or regulations in place that are followed by the loom unit owners. If facilities are provided, it is only through “philanthropy”. Most loom units have no drinking water or toilet facilities. Many have no fans, although those visited by the author do have exhaust fans. The absence of fans and adequate ventilation often makes the heat from the machines difficult to bear. In addition, floors are often unpaved and as such unhygienic. The regulations of the Sindh Building Control Authority (SBCA) and Labour Department are not followed and as a result there are no fire exits or fire fighting equipment available in any of the factories visited.

Due to the conditions described above and due to the fluff generated by the manufacturing process, respiratory track infections are common. Another health issue is related to the damage that is caused to the eyes. This is for two reasons. One, the *karigar* has to pass threads through very minute holes. Two, that the shine of the cloth they produce hurts the eyes. One of the respondents said that within six years of this work, the eyes invariably get damaged and one has to wear spectacles.<sup>42</sup>

There is general consensus that during the period of the *seths*, environmental conditions were much better since they provided toilet facilities and water coolers in addition to fans. There is also consensus that payments were more regular and better than what they are today. This is because the rates given to the *karigar* were determined through consensus by the offices of the *seths* in Boulton Market and were applied to all loom units. Thus, there was no “negotiation” for lowering rates in the process.<sup>43</sup>

It is claimed by the loom owners that 75 per cent of loom units in Dibba Colony have no work and are likely to shut down, some already have. Because of this *karigars* are seeking other jobs or are shifting to the Punjab where it is claimed businesses are doing better than in Karachi. (See **Box – 2: Alternative Livelihoods**) This is also having an affect on real estate prices in Dibba Colony.<sup>44</sup> This is discussed in the next section.

#### **Box – 2: Alternative Livelihoods**

Zafar lives in rented accommodation in Dibba Colony. He comes from District Jhang in the Punjab and came to Karachi at the age of 16 in the 1980s. In the 1990s he spent four years as a helper in a *seth* owned looms factory in the “mill area”. He worked for 12 hours a day but the times rotated: 12 hours a day for 15 days and 12 hours a night for the next 15 days. He begged the *karigars* and the *ustads* to teach him to operate the looms and repair and maintain them. However, over the last two years it has been very difficult to find work because there are not sufficient orders from the market and so the loom units do not operate regularly and many are closing down. So, Zafar started to look for an alternative livelihood. He decided to become a dealer of scrap from the loom units in Dibba Colony.

<sup>41</sup> Interview No. 01

<sup>42</sup> Interview No. 05

<sup>43</sup> This has been entered in most interviews: Interview No. 08 and 09

<sup>44</sup> Interview No. 26

A lot of thread is left over from the production of cloth. Zafar and his partner Abdul Hakeem purchase this thread from the loom units. They also purchase the plastic cones on which yarn is supplied to the loom units. In addition, they purchase cardboard boxes and the Geo Textile sacks in which the yarn is supplied. For this business Zafar has rented a small space as a store and installed a machine for collecting the threads and making them thicker. The space he has rented is small because if it was larger, the police would certainly have asked him for “protection” money.

The collected threads are sold to rope making factories in Orangi, Korangi and Malir. Most of these factories are small units but there are also a few larger factories that do this work. Ropes are made of different sizes. Most of them are purchased by the fishing industry for making nets and for anchoring boats. They are also used for weaving the surface of *charpais* (coats/beds) and for other furniture items such as chairs. In addition, they are sent to Quetta (where temperatures drop below freezing point) for being placed in quilts. The main markets for finished rope products are Juria Bazar and Ranchore Lines in Karachi. In their collected and unwashed form they are used by mechanics for servicing of machines and in their washed form they are used for cleaning purposes. The washing is not done by Zafar but by the workshops who purchase collected threads from him.

The plastic cones are also sold to small workshops in Shershah where they are granulated and subsequently turned into plastic toys and utensils. Some factories also send granulated plastic to the Punjab where it is similarly used. Cardboard boxes are sent to Shershah where they are recycled into making small boxes for the shoe and bangle industry. These small boxes are supplied to various towns in Sindh for packaging purposes. The Geo Textile sacks are also sold to retailers and wholesalers in various Karachi markets. They can be purchased in bulk from Akber Road and those who purchase them in bulk sell them to retailers or to whoever needs them.

The main problem that Zafar and Abdul Hakeem face is that to get scrap from a looms unit or a factory you have to pay an advance of at least Rs 50,000 (US\$ 500). This is apart from the money which they have to pay to buy the scrap. Business would be larger and profits far greater if Zafar and Abdul Hakeem could get a loan from a bank. Informal loans are not feasible as the interest rate is too high. Zafar tried to get a loan once and the bank representative visited his premises to see if he had sufficient collateral. The loan was refused because the amount that Zafar needed was too small.

Zafar is of the opinion that even if the loom units in Dibba Colony close down, he will still be in business. This is because SITE is only five minutes away and they will always be factories there and hence scrap. He says that he deals in scrap but his business is not scrappy.

Source: Conversations of Zafar and Abdul Hakeem with Arif Hasan and Mansoor Raza, November 2013 and February 2014.

## **8. The Current Situation and its Repercussions on Property Values and Land-use**

70 per cent of the households in Dibba Colony are owners of the properties they live in. Most of them (estimated at 65 per cent) are from the Punjab. They came and rented and worked in the loom units and some of them eventually purchased these properties. The majority of the operating loom units, on the other hand, are rented from the residents. In the “mill area”, all types of businesses (existed matches, food processing, looms) but they are either closed or are closing down. This is because of a massive increase in electricity charges for commercial enterprises during the last one and a half year. As a result, the prices of a 120 square yard plot in the mill area, has fallen from about Rs 2.5 million to Rs 1.6 million. Even then there are few buyers. Rents in the mill area have also fallen due to high electricity costs. Previously, they were Rs 13,000 to Rs 14,000 per month but have now fallen to Rs 7,000 to Rs 8,000. Land prices would have been much higher if people could informally increase the number of floors on their

property. But, they cannot go beyond three floors because there is a military air port nearby and planes usually fly low over this area.<sup>45</sup> These height restrictions cannot be ignored because in addition to the SBCA, the Civil Aviation Authority (CAA) and the Pakistan Air Force oversee their implementation.

Real estate agents are of the opinion that the entire area will overtime become a purely residential one for the loom units will close down. The mill area can only survive if high-end industry or commercial activity can be generated that can cover energy costs. Of this for the time being there is no sign. Some of the loom units in Dibba Colony have been converted into storage for second-hand clothing, metal scrap, and plastic assorted out of solid waste. If this continues, heavy traffic will enter the lanes of Dibba Colony. Some of the mill area commercial plots have also been converted to warehousing while many of them (estimated at 50 per cent) are unoccupied though built over.<sup>46</sup>

The cottage industry designated area planned by the city government is rapidly becoming an informal residential area being encroached by political parties for their supporters. It was designed as a 452 acres (183 hectares) site but now only 172 (about 70 hectares) are left. Properties belonging to the city government adjacent to the Naval Colony area have also been encroached upon and turned into a graveyard. A member of the national assembly was shot dead and his supporters from Baldia Town buried him on this open space. The area is now a graveyard and there are 400 graves around his mausoleum.<sup>47</sup> With these developments around it, real estate agents do not see the possibility of the same increase for residential land-use in property values as in similarly located settlements in the rest of Karachi.<sup>48</sup> However, along the western boundary of Dibba Colony is the Northern Bypass through which heavy cargo traffic moves from the Port to Balochistan in the West and to the rest of Pakistan in the North. As such, Dibba Colony is an excellent location for warehousing but not in the foreseeable future because there are still other locations nearer to the city markets that can accommodate warehousing.<sup>49</sup>

## 9. Conclusions / Further Studies

This study on power loom units and their relationship to the Dibba Colony residents has opened up a whole new field for academic research and investigative journalism. Some of the subjects that have surfaced are given below.

- i) The politics of the age and/or the regime have a major influence on industries and businesses and as such on people's livelihoods and property values. Pakistan's flirtation with socialism in the 1970's led to the nationalisation of large industrial units and also to the development of active trade unionism. To overcome the economic repercussions of these factors and the fear of being nationalised, many large industrial units were broken up into smaller units by the *seths* and relocated from formal industrial areas to low income residential settlements or their officially designated commercial areas. Although, cottage industry estates were made available by the government, they remained unoccupied for the most part. This is because working from low income settlements and through informal

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<sup>45</sup>. Interview No. 13

<sup>46</sup>. Authors' observations and random conversations

<sup>47</sup>. Interview No. 15

<sup>48</sup>. Interview No. 26

<sup>49</sup>. Ibid

arrangements of production the *seths* were able to lower production costs, make the development of trade unionism difficult and overcome their fear of being nationalised.

This study has only looked at the loom units and Dibba Colony. During this research it has been discovered that the same processes have been followed in other industries and settlements as well. Some of these areas have been identified.

- ii) Liberalisation in the 1990's made the import of cheaper Chinese and Indian silk possible. This had an adverse affect on the silk industry in Pakistan. The main reason for the adverse affect was higher labour and energy costs in Pakistan and a more liberal investment regime in other countries. Liberalisation has made it possible for Pakistani industries to relocate to other countries such as Bangladesh and Sri Lanka. In addition, retailers and wholesalers make greater profits ad face less hassle in dealing with imported silk textiles rather than acquiring them from the local industry.
- iii) Regional conflicts have closed borders making legal over land trade difficult and at times erratic. This has discouraged production, make tourism almost impossible (tourists were a major source of purchasing Pakistani manufactured items such as silk and leather) and has led to the development of illegal trade which has adversely affected the functioning of the political and bureaucratic establishments in the country. There are no serious studies on this subject.
- iv) The conflict in Sindh between the Sindhi speakers, Urdu speakers and Pushto speakers has led to a battle for turf between these three ethnicities. Their disagreement over the nature of local government in Sindh in general and for Karachi in particular, has led to a breakdown of governance and to violence and strikes. In addition, Islamic militancy also resorts to targeted killings of its opponents and often to "days of protest when the city closes down". In these conflicts, the protagonists have sought the support of "criminal elements" through whom they extort protection money from traders and businesses. This leads the traders and businesses to protest through strikes and demonstrations. As a result, markets are often closed and even when they are open, business is slow. The retail markets in the residential areas of the city are not directly affected by these conditions but because of them, prices have gone up.
- v) When cost of production due to excessive energy charges, liberalisation and regional and provincial conflicts were increased to a level that producing silk was no longer profitable for the *seths*, they sold their looms to their workers and walked out of the production business. Their workers (the new owners) shifted the businesses from the commercial plots of the "mill areas" to their residential areas in Dibba Colony. There were three reasons for this. One, energy charges for residential areas (especially for low income areas) are much lower than for commercial areas. Two, the rents for the premises in Dibba Colony were much lower than for the commercial premises in the "mill area". And three, they saved on property tax since their premises were on non-commercial 80 square yard plots which are exempted from property tax and the charges of the Karachi Water and Sewage Board (KWSB) are also much lower.

Energy outages have reached a level that has reduced production by 30 per cent. The new owners have discovered that, unlike the formally designated industrial areas, they do not qualify for continuous electricity supply. For this reason they would like to relocate to formally designated areas but do not have the economic capacity to do so.

- vi) The study has shown that there is general consensus that labour was better and more regularly paid under the *seths* than under the present system. The class war was better managed because of the better financial and managerial capacity of the *seths* rather than of the present owners who belong to the same class as the *karigars* and their helpers. These new owners are, in the words of a respondent, “class traitors”. This is an interesting subject for further research.
- vii) The study also tells us a lot about migration and its relationship to location and history. The Urdu speakers who were the original allottees of the Dibba Colony plots could not use the advantage it offered of being next to an industrial area. This was because they were not skilled labour that industry needed but were white-collar workers for the most part. So they shifted to areas where people similar to them and of their ethnicity were already residing.

Skilled Punjabis have replaced the Urdu speakers. This is because the Punjab has a long tradition of textile related activities and industry. A system of training through apprenticeship has evolved over there since the 1920's. With increasing demand for *karigars*, the number of trained people in the Punjab has increased. A facility that existed has expanded. Training of *karigars* in other ethnicities has not taken off and has not been initiated. It is thus understandable that the loom units of the *seths* were purchased by the more enterprising of their labour force who were almost all from the Punjab. With recession in Dibba Colony, the Punjabi *karigars* are either looking for new livelihoods, where they can make use of their technical and related managerial skills, or are migrating back to the Punjab where conditions are better.

- viii) Industry in residential and commercial areas is not permitted by byelaws and zoning regulations. However, government building control and planning agencies permit these violations. This is for three reasons. One, this is on such a big scale that challenging it would be very difficult and disruptive. Two, it integrates work and residential areas and reduces costs and travel time for the workers. And three, it helps in reducing traffic within the city. They also feel that the existing regulations are irrational and need to be changed permitting mixed land-use.

The scale of the spatial spread of industry in low income residential areas, its relationship with government agencies and formal sector industry and businesses, and its contribution to Karachi's economy, remains undocumented even by the most recent Karachi Strategic Development Plan 2020. As such, modifications to existing byelaws and zoning regulations cannot be rationally made.

- ix) Byelaws and zoning regulations are routinely violated in Karachi. Buildings where only two floors are allowed, in formal and informal settlements, increase to five or even eight floors. The SBCA is paid informally by the builders to turn a blind eye to this. This cannot happen in Dibba Colony because it is next to a military airport and the Pakistan Air Force and the CAA see to it that buildings remain within three floors so as to make the planes safe.

Since the Dibba Colony plots cannot go beyond three floors, their price in the open market is less than in other similar low income settlements. This will determine its future land-use, which because of its proximity to the Northern Bypass, could be of warehouses for port and cargo related activities.

- x) A number of informal industrial activities and their location have been identified as a result of this study. These areas include Shershah, Akber Road, Korangi, Malir, Juria Bazaar, Boulton Market, Ranchore Lines, Nagin Chowrangi. Activities identified are cardboard and plastic recycling, second-hand clothing (storage and sale), rope making and quilt making and sale, scrap collection and sale, and retailing of these and other recycled material. Boulton Market is of special importance since this is where the wholesale markets surrounded by retail markets are located. How does this huge enterprise function consisting of brokers, importers, exporters, market operators, *havala* and *hundi* (two local and informal processes for currency transfers) dealers, transporters and labour.

The respondents who have been interviewed have offered no solution to the crisis faced by the loom units in Dibba Colony. Even if the energy crisis is solved they will not be able to make profit out of their business. This is because the real problem is that they are not getting orders for production. They are of the opinion that they can only function if border controls with Central Asia and Iran are withdrawn, there is peace with India (which is not in their hands) and if the government stops the importation of Indian and Chinese silk which under WTO is not possible. As one respondent put it "We are the victims of decisions in which we were not consulted and even if we had been, it would still not been in our hands".