

ISSUE BRIEF

The FLA is a multi-stakeholder organization combining the efforts of businesses, universities, and civil-society organizations to improve conditions for workers around the world. Occasionally, the FLA publishes briefs on current issues in the global supply chain. We intend for these briefs to provide an overview of the various perspectives on a given issue. At all times, the FLA expects its business affiliates to comply with all legal requirements, as well as the provisions of its Workplace Code of Conduct.

LEGAL MINIMUM WAGES IN PAKISTAN

May 2018

THE ISSUE: How should brands respond to the Sindh Province's flat minimum wage rate for all workers regardless of skills, given the neighboring Punjab Province's higher minimum wage rates for unskilled, semi-skilled, and skilled workers?

LOCAL JURISDICTION OVER WAGES:

Since 2011, when the federal jurisdiction of the Ministry of Labour in Pakistan devolved to the country's provinces, minimum wage rates have been considered and recommended by tripartite Provincial Minimum Wage Boards¹ in accord with Minimum Wages Ordinance, 1961. This law empowers the wage boards to recommend minimum wages for all industrial establishments' employees whether skilled, unskilled, apprentices, or home workers. Minimum Wage Board recommendations, though technically advisory only, are regularly adopted by the provinces, and become enforceable when accepted and notified by their respective governments.

Typically, new federal basic minimum wage rates are announced in early June when the federal budget is adopted. All provincial budgets adopt the annual federal minimum wage level for unskilled workers and then proceed to determine minimum wage levels for jobs requiring higher skills. In Pakistan, setting specified minimum wage rates for different skill levels is especially important in the textile and garment industry, which employs almost 45 percent of the workforce.

Most recently, all provinces adopted the federal minimum wage rate for unskilled work at PKR 15,000 per month until July 2018. However, the Minimum Wage Boards in Punjab and Sindh provinces (where much of the country's garment-manufacturing workforce is concentrated)

THE GOVERNING ELEMENT OF THE FLA CODE: COMPENSATION*

"Every worker has a right to compensation for a regular work week that is sufficient to meet the worker's basic needs and provide some discretionary income. Employers shall pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract. Where compensation does not meet workers' basic needs and provide some discretionary income, each employer shall work with the FLA to take appropriate actions that seek to progressively realize a level of compensation that does.."

* <http://www.fairlabor.org/our-work/labor-standards>

¹ The tripartite boards comprise three social partners – worker, employer, and government - who meet, discuss, and solve work related issues and recommend annual minimum wage rates according to skill level and type of work to the provincial governments. They also address minimum wage rates for time work; piece work; overtime work; work on weekly rest day; paid holidays; and the minimum time rates for workers employed on piece work.

adopted inconsistent minimum wage rates for semi-skilled and skilled workers, resulting in a serious wage disparity between workers in neighboring provinces who are doing the same jobs.

COMPARISON OF WAGE RATES IN SINDH AND PUNJAB PROVINCES:

The Minimum Wage Board of Punjab province specified minimum wage rates up to PKR 3,053 higher for workers in the skilled and semi-skilled categories.

However, the Minimum Wage Board of Sindh province did not recommend specific minimum wage rates for skilled and semi-skilled workers. Instead, the Wage Board in Sindh recommended that the minimum wage rate for these workers should “not be less than” the minimum wage rates for unskilled workers.

The practical result in many factories in Sindh province was a decrease in the wages of semi-skilled workers and skilled workers. With no specified level, workers are often paid at the minimum rate without regard to skill. The absence of defined minimum wage rates for skilled and semi-skilled workers in Sindh province reduces wages by up to 20 percent for workers in these skill categories. The tables in the attached appendix provide more information on the specific wage rates.

The current minimum wage for all categories of workers is already well below the living wage estimates in Pakistan as set out in the FLA report on global compensation rates published in 2016.² The further reduction of wages for virtually all semi-skilled and skilled workers through a failure to set specific minimum rates for those categories is a therefore critical setback

² See the FLA report “Toward Fair Compensation in Global Supply Chains: Factory Pay Assessments in 21 Countries,” August 2016, Pakistan Appendix A, pages 138-147; www.fairlabor.org/report/toward-fair-compensation-global-supply-chains-factory-pay-assessments-21-countries

in fair compensation for the garment industry workforce. Especially for workers in factories without unions and collective bargaining mechanisms, it is important for the government to set minimum wage rates for skilled and semi-skilled workers so that employers cannot exploit their workers with unfair wages.

As stated in the FLA Workplace Code of Conduct, “Every worker has a right to compensation for a regular work week that is sufficient to meet the worker’s basic needs and provide some discretionary income.”

FLA RECOMMENDATIONS:

The minimum wage setting procedure followed by the Sindh Minimum Wage Board in recent years has demonstrated that leaving minimum wage setting for semi-skilled and skilled workers to employers’ discretion has resulted in unfair wages for workers. The FLA calls on the Minimum Wage Board in Sindh province to specify the minimum wage rates for skilled and semi-skilled workers in different industries as of this year to prevent the decrease in wages for semi-skilled and skilled workers. The FLA likewise urges the Sindh Provincial Labor Department to set detailed minimum wages according to comparable prevailing wages based on skill level.

Even though local minimum wage setting procedures have exacerbated the problem of low wages among workers in these provinces, brands sourcing apparel and textiles from Pakistan need not wait on the government to act before working with suppliers in support of higher wages. With current wage levels in Pakistan for most skilled workers falling well short of living wage estimates recommended by unions and civil society, action by brands and suppliers is needed to provide workers with fair compensation that meets FLA standards.

APPENDIX

Minimum Wage Differences, Valid until July 2018; Ready-Made Garment Industry

		Sindh Province	Punjab Province	Difference		
Sewing Operator	Unskilled	15,000 PKR	15,000	PKR	0	PKR
	Semi-Skilled B		15,546		546	
	Skilled A		16,951		1,951	
	Highly Skilled A		16,549		1,549	
	Highly Skilled B		17,301		2,301	
Cutting Operator	Unskilled	15,000 PKR	15,000	PKR	0	PKR
	Semi-skilled A		15,846		846	
	Semi-Skilled B		15,510		510	
	Skilled A		16,549		1,549	
	Highly Skilled A		18,053		3,053	
	Highly Skilled B		17,301		2,301	
QC Operator	Unskilled	15,000 PKR	15,000	PKR	0	PKR
	Semi-Skilled A		15,846		846	
	Semi-Skilled B		15,510		510	
	Skilled B		16,549		1,549	
	Highly Skilled A		18,053		3,053	

Minimum Wage Differences, Valid until July 2018; Hosiery/Knitwear Industry

		Sindh Province	Punjab Province	Difference		
Sewing Operator	Unskilled	15,000 PKR	15,000	PKR	0	PKR
	Semi-Skilled B		15,546		546	
	Skilled A		16,951		1,951	
	Highly Skilled A		16,549		1,549	
	Highly Skilled B		17,301		2,301	
Cutting Operator	Unskilled	15,000 PKR	15,000	PKR	0	PKR
	Semi-skilled A		15,546		546	
	Semi-Skilled B		16,941		1,941	
	Skilled A		16,549		1,549	
	Highly Skilled A		18,053		3,053	
	Highly Skilled B		17,301		2,301	
QC Operator	Unskilled	15,000 PKR	15,000	PKR	0	PKR
	Semi-Skilled A		15,846		846	
	Semi-Skilled B		15,546		546	
	Skilled B		16,549		1,549	
	Highly Skilled A		18,053		3,053	
	Highly Skilled B		17,301		2,301	