

OCTOBER 2, 2025

## Challenges in minimum wage compliance and wage deductions for garment and textile workers in Pakistan

### THE ISSUE

Pakistan's minimum wage structures for workers of different skill levels vary by region, and workers in key garment and textile hubs—Punjab and Sindh—are at risk of losing wages due to improper implementation of those structures by suppliers. Additionally, some suppliers are unfairly deducting workers' incomes for factory-provided services, resulting in a significant loss of wages for workers.

### BACKGROUND

Minimum wage implementation in Punjab and Sindh has long faced persistent challenges, such as employers implementing wage increases retrospectively, uncertainty around classifying workers by skill level, and ongoing confusion over deductions for factory-provided services such as meals and transportation.

Like in many South Asian countries, Pakistan's wage structure sets different minimums by skill category—unskilled, semi-skilled, skilled, and highly skilled—based on criteria and job categories defined in provincial wage announcements.

In 2018, the Sindh government decided not to set minimum wage levels for semi-skilled, skilled, and highly skilled workers in the garment and textile sector. In response, the Fair Labor Association (FLA), together with two prominent local workers' rights organizations, sent a [joint letter](#) urging the government to reconsider. The Sindh government has since reversed this policy and resumed announcing higher wage levels for skilled categories. However, the wage gap between highly skilled and unskilled workers in Sindh currently stands at 30%.

The Punjab government has recently discontinued the practice of declaring distinct minimum wages for semi-skilled, skilled, and highly skilled garment and textile workers.<sup>1</sup> Although Punjab does recommend higher wages for skilled workers, the absence of clearly defined minimum wage levels has created a loophole—similar to what happened in Sindh before its policy was reversed. There is a risk that employers will either apply the unskilled worker minimum wage to all employees or offer only minimal increases to semi-skilled and skilled workers. If Punjab's policy remains unchanged, it is possible that workers in these categories will be denied comparable raises

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<sup>1</sup> Punjab Workers Welfare Fund. (2024, July 11). *Punjab increases minimum wage to Rs. 40,000*. <https://pwwfpunjab.pk/punjab-increases-minimum-wage-to-rs-40000/>

to workers in Sindh. Workers without union representation and genuine bargaining power are at a greater risk of wage losses.

Pakistan has faced an average consumer price inflation of around 22% over the past three years. The recent 8% minimum wage increase in Sindh has raised unskilled workers' minimum wage to PKR 40,000 per month—still only about half of what many local civil society organizations, such as the Human Rights Commission of Pakistan (HRCP) consider a living wage.<sup>2</sup> In the absence of union representation, genuine bargaining power, and a performance- and skills-based transparent wage system, garment and textile workers are often forced to rely on excessive overtime to meet their basic needs.

Additionally, workers are facing income losses due to deductions from wages for factory-provided services such as transportation, accommodation, and meals, which directly reduce their take-home pay. Workers may opt out of these services. However, they may be unaware they can opt out, or they may be charged regardless of if they use the services.

The two provinces have taken different approaches to regulating deductions for factory-provided services: in Sindh, such deductions are prohibited under Articles 11 and 12 of the most recent minimum wage update, whereas in Punjab, the latest announcement specifies maximum thresholds. Most notably, Punjab has now introduced permitted deductions for meals—a new cost not included in previous announcements. Under the current rules, nearly 11% of an unskilled worker's monthly minimum wage can be deducted for meals and transportation, the two most commonly used services. The deductions may not reflect actual costs per worker, as employers may simply apply the maximum thresholds, when allowed. The cost of transportation deductions alone has surged dramatically, from 98 PKR to 1,800 PKR per month—a nearly 1,740% increase compared to last year.

## FLA RECOMMENDATIONS

To effectively address these risks, companies sourcing from Punjab and Sindh should review how minimum wage structures are being implemented by suppliers for semi-skilled, skilled, and highly skilled workers, as well as what deduction schemes are applied for factory-provided services. The following points should be considered:

### 1. Suppliers in the Punjab region

#### Minimum wage for skilled workers

Although the Punjab government did not declare specific minimum wage levels for semi-skilled, skilled, and highly skilled workers in its most recent announcement, it still requires employers to pay higher wages to these categories. Companies are therefore urged to engage with their suppliers to verify whether meaningful steps are being taken to comply with this requirement, such as:

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<sup>2</sup> International Monetary Fund. (n.d.). *PCIPCH@WEO – Pakistan* [Data map]. IMF Data Mapper. Retrieved September 30, 2025, from <https://www.imf.org/external/datamapper/PCIPCH@WEO/PAK?zoom=PAK&highlight=PAK>

- Documenting whether wage structures are based on transparent, performance- and skills-based criteria;
- Ensuring jobs are classified using transparent criteria and wage slips show a clear wage breakdown;
- Conducting regular wage reviews and adjustments; and
- Ensuring unions and/or worker representatives have been consulted in the process.

FLA recommends applying the minimum wage levels announced in Sindh's most recent notification, ensuring that wages for these categories are no less than the following rates:

- Semi-skilled workers: PKR 41,381;
- Skilled workers: PKR 49,628; and
- Highly skilled workers: PKR 51,745.

### **Deductions for factory-provided services**

The recent sharp increase in monthly transportation deductions must be closely monitored and strictly justified based on the actual cost of the service. Suppliers should provide full documentation showing that deductions for transportation, meals, and accommodation reflect actual costs per worker, rather than simply applying the maximum thresholds allowed in the announcement.

Factories must also inform and train workers to ensure they clearly understand that factory-provided services are voluntary, not mandatory. Workers should always retain the right to decline such services and, if they do, must not be subjected to related deductions.

## **2. Suppliers in the Sindh region**

### **Minimum wage for skilled workers**

Although the Sindh government declared specific minimum wage levels for semi-skilled, skilled, and highly skilled workers in its most recent announcement, the declaration lacks clarity. Key criteria for proper implementation is missing, and it remains unclear how workers should be classified into these categories. Companies are therefore urged to engage with their suppliers to verify they are:

- Seeking clarification on these categories through consulting local government, industry associations and/or civil society organizations;
- Engaging with unions or worker representatives to align on fair, transparent criteria for classifying workers;
- Reviewing comparable job classification systems in other provinces or other national labor laws to inform practices; and
- Documenting their efforts to demonstrate proactive compliance efforts.

### **Deductions for factory-provided services**

The recent Sindh government minimum wage declaration clearly prohibits deductions from workers' wages for factory-provided services. However, FLA has received reports of employers failing to comply with this requirement. Companies are encouraged to check with their suppliers to ensure proper implementation and full adherence to the prohibition on such deductions.

FLA is actively monitoring the situation and is committed to keeping its members regularly updated on this issue, which has a direct impact on the income, financial security, and overall well-being of garment and textile workers in Pakistan. To address these ongoing challenges around minimum wage implementation and wage deductions, FLA is following advocacy efforts by local workers' rights organizations in Punjab and Sindh, and exploring potential actions such as renewed collaborative advocacy similar to the joint initiative undertaken in 2018.

Please contact [info@fairlabor.org](mailto:info@fairlabor.org) for more information about this update.

## FLA CODE ELEMENTS

### FLA COMPENSATION BENCHMARKS

**C.1:** *Employers shall comply with all national laws, regulations and procedures concerning the payment of compensation to workers.*

*In any case where differences or conflicts in national law and FLA Workplace Code arise, employers are expected to apply the highest standard.*

**C.2 :** *Employers shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher, for regular working hours (not including overtime). Workers should also be informed about the legal minimum wage.*

**C.7:** *All payments to workers, including hourly wages, piecework, fringe benefits and other incentives shall be calculated, recorded, and paid accurately.*

**C.19:** *Employers shall make every reasonable effort to ensure workers understand their compensation.*

**C.20:** *All workers have a right to use or not to use services provided by employers, such as housing or meals.*

*Deductions for services to workers shall not exceed the cost of the service to employers. Employers must be able to demonstrate the accuracy or reasonableness of these charges.*

### ABOUT THE FAIR LABOR ASSOCIATION

*The Fair Labor Association (FLA) promotes human rights at work. We are an international network of companies, universities, and civil society organizations collaborating to ensure that millions of people working at the world's factories and farms are paid fairly and protected from risks to their health, safety, and well-being.*