Employment Regulations

The labour policy issued by the Government of Pakistan lays down the parameters for the growth of trade unionism, the protection of workers' rights, the settlement of industrial disputes, and the redress of workers' grievances. The policy also provides for the compliance with international labour standards ratified by Pakistan. At present, the labour policy as approved in year 2002 is in force. With the efforts of Government and enlightened elements within labour and employers, a forum i.e. "Workers Employers Bilateral Council of Pakistan (WEBCOP)" has been established which facilitates the resolution of issues relating to bilateral rights.

Labour is a “concurrent subject”, under the Pakistani Constitution: that means that both Federal and Provincial Government are responsible for that. In practice, in order to guarantee more uniformity, Province may stipulate their own regulation according with the conditions set by the Federal Government. Other regulations are accepted only for specific needs of the Province at issue. The total labour force of Pakistan is comprised of approximately 37.15 million people, with 47% within the agriculture sector, 10.50% in the manufacturing & mining sector and remaining 42.50% in various other professions.
Child Labour Awareness of the problem provided the basis for enactment of the **Employment of Children Act, 1991** in Pakistan, which has been followed by a number of administrative and other initiatives to address the issue of child labour effectively. The Constitution of the Country also protects the rights of children and states:

"*No child below the age of fourteen shall be engaged in any factory or mine or in any other hazardous employment. All forms of forced labour and human trafficking are prohibited.*"

**Work Permits**

To enter Pakistan, for any kind of reason, you need to provide the following documents in order to get a visa:

- Dully filled Visa form.
- Original Passport (valid for at least six months) along with its photocopy.
- Two recent passport size photographs (with white background).
- Any other document(s) that can be helpful in obtaining a visa.

For any kind of visa requirement, these are the documents you need. Concerning business visa, the Pakistan’s Government has worked up a Friendly List (BVL) of 69 Countries, including United Kingdom: that means, the businessmen from these Countries will receive a Visa on Arrival (VOA) for 30 days validity on stay. In order to profit by this special term, businessmen arriving in Pakistan need to provide:

- Recommendation letter from CC&I of the respective country of the foreigner.
- Invitation letter from Business organization duly recommended by the concerned Trade Organization/Association in Pakistan.
- Recommendatory letter by Honorary Investment Counsellor of BOI / Commercial Attach posted at Missions abroad.
The Employment Market

Based on an estimated population of 149m people in mid-2004 and a participation rate of 30%, the government estimates the size of the labour force to be about 44m, 67% rural and 33% urban. The employed labour force is defined as individuals of at least ten years of age who work for at least one hour during the reference period and are either "paid employees" or "self-employed". According to the government's 2003/04 economic survey, the total number of employed persons was 41.3m in June 2004, compared with 40.5m a year earlier. During 2003/04, the number of employed persons in urban areas increased from 13.1m to 13.4m, and that in rural areas grew from 27.4m to 27.9m. Employment increased at the rate of 2.1%, the same as in the previous year.

Agriculture remains the largest employer in Pakistan, employing 42.1% of the total labour force, according to the 2003/04 economic survey. The proportion of people employed in the community and social-services sector increased from 14.2% of the total labour force in 2000 to 15.5% in June 2004; in the trade sector, the share increased from 13.5% in 2000 to 14.8% in June 2004. The manufacturing and mining, construction and transport sectors employed 13.8%, 6.1% and 5.9%, respectively, of the total in June 2004, compared with 11.6%, 5.8% and 5% in 2000. The estimated official unemployment rate was at 8.3% from July 2002 through June 2004, with rural and urban rates of 7.6% and 9.8%, respectively.

There is growing international pressure on Pakistan to improve its labour standards, especially for child labour. The government also faces the task of retraining an estimated 250,000 workers from the public sector who are considered surplus. There is no legal retirement age in the private sector; workers may retire according to company policy, which ranges by age from 55 to 60 years and by years of service from 15 to 24.
Un-skilled, semi-skilled and skilled labour is available and there are a number of employment agencies in Pakistan. However, for skilled managerial staff, it is best to advertise in the local press and conduct your own interviews.

**Engagement and Dismissal**

If your company counts more than 20 workers, you have to submit to the Industrial and Commercial Employment (Standing Orders) Ordinance that was enacted in 1968 to address the relationship between employer and employee and the contract of employment. The Ordinance applies to all industrial and commercial establishments throughout the country. Every employer in an industrial or commercial establishment is required to issue a formal appointment letter at the time of employment of each worker. The labour contract has specific compulsory contents, basically: the main terms and conditions of employment, namely nature and tenure of appointment, pay allowances and other fringe benefits admissible, terms and conditions of appointment. For the termination of a contract there’re specific rules.

In the case of workers in other establishments, domestic servants, farm workers or casual labour engaged by contractors, their labour contracts are generally unwritten and can be enforced through the courts on the basis of oral evidence or past practice. Regarding lawful profession or occupations and lawful trade or business, the article 18 of the Constitution allowed every citizen the right to enter in this sort of occupations.

Usually no permanent jobs don’t require any notice or pay in lieu of notice when they are dismissed. For permanent workers that’s not possible. The services cannot be terminated for any reason other than misconduct unless one month’s notice or wages in lieu thereof has been furnished by the employer or by the worker if he or she so chooses to leave his or her service. One month’s wages are calculated on the basis of the average wage earned
during the last three months of service. All terminations of service in any form must be documented in writing stating the reasons for such an act.

If a worker is aggrieved by an order of termination he or she may proceed under Section 46 of the Industrial Relations Ordinance 2002, aimed at regulating the labour-management relations in the country, and bring his or her grievance to the attention of his or her employer, in writing, either him or herself, through the shop steward or through his or her trade union within three months of the occurrence of the cause of action. Forms of termination have been described as removed, retrenched, discharged or dismissed from service.

To safeguard against any colourful exercise of power, victimization or unfair labour practices, the Labour Courts have been given powers to examine and intervene to find out whether there has been a violation of the principles of natural justice and whether any action by the employer was bona-fide or unjust.

**Employees' Rights and Remuneration**

In September 2002 the government adopted a new labour policy that aims eventually to consolidate more than 50 existing labour laws into just seven. Of these, a new Industrial Relations Ordinance 2002 (IRO 2002) was passed in October 2002 to replace the IRO 1969. The other six new laws being drafted are the Wages Ordinance, the Condition of Employment Ordinance, the Human Resource Development Ordinance, the Occupational Safety and Health Ordinance, the Labour Welfare and Social Safety Ordinance, and the Reformation of Labour Judiciary Ordinance; these are expected to be presented for parliamentary approval by the end of 2004. The government also aims to reform the labour judiciary, improve working conditions and strengthen democratic trade unionism. However, the trade unions have strongly criticized both the policy and the IRO 2002.
The unions oppose the IRO 2002 on various grounds. They point out that it has curtailed the power of courts to order the compulsory reinstatement of workers after wrongful termination, allowing them instead to order only compensation. Furthermore, courts may no longer send employers to prison; they may order fines of up to only PRs. 50,000. Unions claim that their registration process has been made more difficult. They also argue that a designated collective-bargaining agent could previously have ordered a re-audit of the company's accounts and that unions could have presented a panel of auditors from which the government would choose one; this is no longer possible under the IRO 2002. The IRO 2002 has also curtailed the power of the National Industrial Relations Commission, and proposes to abolish the labour appellate tribunal. Several joint negotiating forums have been eliminated and replaced with a workers' council that promises little. The government claims that these moves are meant to improve dialogue and reduce litigation.

The IRO 2002 (like its predecessor, the IRO 1969) gives employees the right to strike and employers the right to lock out, but it provides for more extensive preliminary conciliation and arbitration proceedings than the IRO 1969. However, the Essential Services Maintenance Act of 1952 restricts union activity in state-administered sectors, including railways, postal services, telephone and affiliated services, and airports and seaports. The IRO specifies the procedure to be followed before a strike can legally be called, although its provisions are not always followed. Certain actions are punishable as unfair labour practices: closure of an establishment without prior permission from the labour court (except for power failure, epidemic or civil commotion); illegal lockouts; illegal strikes; and slow-down tactics.

The Workmen's Compensation Act applies broadly to labourers earning less than PRs. 5,000 per month and entitles them to compensation for injuries resulting from on-the-job accidents. Employers are liable if incapacity lasts beyond a minimum of seven days. This law was modified with retroactive effect from July 2001.
**Employees social security ordinance, 1965.**

An Employees Social Security scheme was introduced in Pakistan under the provisions of the **Provincial Employees Social Security Ordinance, 1965.** The main objective is to provide comprehensive medical cover to the secured workers and their family members including parents and to provide financial assistance in case of sickness and employment injuries. The Social Security scheme is implemented on the basis of the contributory principle. The main source of income is the Social Security Contribution, which is collected under Section 70 of the Ordinance from the employers of the notified industrial and commercial establishment at a rate of 7% of the wages paid to their workers who are drawing wages up to Rs. 5,000/- p.m. or Rs. 200/- per day. The workers once covered under this scheme remain secured even if their wages exceed Rs. 5,000/- per month.

**Workers welfare fund ordinance, 1971.**

Through the Ordinance, the government has constituted a fund called "Workers' Welfare Fund" for the welfare of workers. The Fund consists of:

- An initial contribution of Rupees one hundred million by the Federal Government,
- Such moneys, as may from time to time, be paid by industrial establishments under the Ordinance.

An industrial establishment, the total income of which in any year is not less than one hundred thousand rupees shall pay to the Fund in respect of that year a sum equal to two percent of so much of its total income as is assessable under the Income Tax Ordinance, 2001.

The Fund is applied to:

- The financing of projects concerned with the establishment of housing estates or construction of houses for workers; and
The financing of other welfare measures including education training, re-skilling and apprenticeship for the welfare of workers.

**The Companies Profits (Workers' Participation) Act, 1968**

The Act provides for participation of workers in the profits of the companies. The Act applies to Companies engaged in as industrial undertaking that fulfils the prescribed criteria and such companies are required to:

- **a.** Establish a workers' participation fund in accordance with the scheme as soon as the accounts for the year in which the scheme becomes applicable to it are finalized, but not later than nine months after close of the year;
- **b.** Subject to adjustments, if any, pay every year to the Fund not later than nine months after the close of that year five percent of its profits during such year, which shall, where the accounts have been audited by an auditor appointed under section 23-B of the Industrial Relations Ordinance, 1969 (XXIII of 1969), be assessed on the basis of such audit; and
- **c.** Furnish to the Federal government and the Board, not later than nine months after the close of every year of account, its audited accounts for that year, duly signed by its auditors. The fund is distributed among workers of prescribed categories.

**Employees old age benefits act, 1976**

The Employees Old Age Benefits Act, 1976 (the Act) is applicable to every industry or establishment where ten or more persons are employed directly or indirectly. This statute intends to provide security and benefit for old age to employees of industrial, commercial or other organizations covered by it. The Employee Old Age Benefits Institute (the Institute) formed under it collects and receives contributions, donations, bequests and all other payments. It deals with pensions, invalidity pension, widow's pensions, old age grants and other benefits, out of contribution payable to the Institute by every employer of industry.
Contribution shall be payable monthly by the employer to the Institute in respect of every person in his insurable employment, at the rate of five percent of his wages.

**Factories Act, 1934** Regulates the working conditions in factories, employing 10 or more workers

**Payment of Wages Act, 1936** Determines the mode of payment of salaries and wages to the industrial workers

**Minimum Wages Ordinance, 1961** Specifies the minimum wage to be paid to different categories of workers

**West Pakistan Industrial & Commercial Employment (S.O.) Ordinance, 1968** Provides the framework and guidelines for the service rules of industrial and commercial workforce

**Punjab Fair Price Shops Ordinance, 1971** Provides criteria for the establishment of fair price shops at industrial units where 100 or more workers are employed

**Employment Record of Service Act, 1951** Provides guidelines for the maintenance of service records of workers in industries

**Canteen Rules, 1959** It envisages provision of a canteen facility, where 250 or more workers are employed

**Industrial Relations Ordinance, 2002** It provides framework for the industrial relations between management and the workers. It regulates trade union activities
**Hazardous Occupations Rules, 1978**
Gives guidelines for protection of workers against certain hazardous occupations in the factories

**Employment of Children Act, 1991**
Regulates the employment of children

**Maternity Benefit Ordinance, 1959**
Provides certain facilities to those female employees, who are expectant

**Shops & Commercial Establishments Ordinance, 1969**
Regulates the employment and working conditions of workers in shops as well as commercial establishments (such as banks, offices etc.)

**Road Transport Workers Ordinance, 1961**
Provides guidelines for welfare of transport workers

**Working Hours**
The Factories Act limits adults to an eight-hour working day or a 48-hour working week. The only exception is seasonal businesses, which operate no more than 180 days a year. In those businesses (e.g. timber-related work in mountainous areas), employees are limited to a ten-hour working day or a 60-hour working week. Many foreign companies observe a five-day week of 42-45 hours. Government offices have a five-day working week of 42 hours. There is no discrimination about working hours on the basis of sex.

**Termination of Employment**
Employee termination can be difficult. Pakistani laws establish procedures for terminating employees, although unions—especially in the public sector—can resist lay-offs. Either the employer or the
employee may terminate employment upon serving one month of notice or (for an employer) granting one month of salary. Hourly paid workers who are retrenched must be given either two weeks' notice or two weeks' wages.

**Wages and Benefits**

The Tripartite National Wage Council was set up in 2000 to determine the minimum wage for different business activities, industries and occupations in different provinces.

On the council's recommendations, in October 2001 the government approved PRs. 2,500 per month as the minimum wage for unskilled workers by amending the West Pakistan Minimum Wage for Unskilled Workers Ordinance of 1969. The minimum wage was given retrospective effect from August 2001, and it applies to all establishments. The new minimum wage included the existing cost-of-living allowance of PRs550-650. Although the figure is higher than the PRs1,500 minimum wage that had been set in 1993, it is lower than the PRs3,000 per month proposed by the government's labour adviser. The government also intends to revise the minimum wage every three years instead of every nine years, as previously.

Nevertheless, the actual average monthly wage had been around this level, since inflation has put increasing pressure on employers to raise wages: the average wage for unskilled workers in July 2004 was PRs3,000, with provisions for a one-day weekend every week on Sunday and a half working day of four hours on Friday before afternoon prayers. In the market of daily-wage unskilled workers, wages are PRs90-185 per day. Mandatory benefits for workers include bonuses, allowances for education of employees' children and pension contributions. Employees are also entitled to 14 days of paid leave plus 10 days of casual leave during each calendar year and 16 days of sick leave at half the daily wage during every 12 months of service. Foreign-owned companies generally provide more generous fringe
benefits (such as healthcare, retirement plans and other privileges, including employee-share-ownership plans) than do locally owned firms. The minimum wages in Pakistan might seem low compared with those of many other Asian countries.

**Minimum Wages**

The Government has prescribed the rates of minimum wages to be paid which are as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Minimum wage (Rs. Per month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministerial-A</td>
<td>3,100 to 3,115</td>
</tr>
<tr>
<td>Ministerial-B</td>
<td>2,880 to 2,960</td>
</tr>
<tr>
<td>Ministerial-C</td>
<td>2,750 to 2,810</td>
</tr>
<tr>
<td>Highly Skilled-A</td>
<td>3,100 to 3,190</td>
</tr>
<tr>
<td>Highly Skilled-B</td>
<td>2,950 to 3,040</td>
</tr>
<tr>
<td>Skilled-A</td>
<td>2,880 to 2,960</td>
</tr>
<tr>
<td>Skilled-B</td>
<td>2,800 to 2,855</td>
</tr>
<tr>
<td>Semi-Skilled-A</td>
<td>2,600 to 2,660</td>
</tr>
<tr>
<td>Semi-Skilled-B</td>
<td>2,550 to 2,600</td>
</tr>
<tr>
<td>Unskilled</td>
<td>2,500</td>
</tr>
<tr>
<td>Miscellaneous-A</td>
<td>3,050</td>
</tr>
<tr>
<td>Miscellaneous-B-I</td>
<td>2,750</td>
</tr>
<tr>
<td>Miscellaneous-B-II</td>
<td>2,600 to 2,615</td>
</tr>
</tbody>
</table>

**Employment of Foreigners**

Pakistan places no restrictions on employing foreigners, and foreign companies may appoint foreign citizens as chief
executives in Pakistan. Companies that want to employ foreigners must first seek permission from the government's Board of Investment. This is, however, merely a formality, and usually takes no more than two to three weeks.

Please note that this information was last updated in July 2008. The Information shown is for guideline purposes.

The Employers’ & Labour Bureau.