



ECONOMY OF TOMORROW

GSP PLUS STATUS AND COMPLIANCE OF LABOR STANDARDS

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- Pakistan acquired the status of European Union's Generalised System of Preferences (GSP) Plus which allows increased access of several eligible categories of Pakistani products through incentives of duty-free exports to EU markets from 1st January 2014. The scheme is conditional upon Pakistan to ensure ratification and compliance of twenty seven International Conventions on human and labour rights, governance, and environment; including eight core Labour Standards of International Labour Organization.
- The study analyses the situation of Pakistan's exports to EU markets, recent trends and explores potential increases in near and medium future terms. It investigates the state of labour market governance with reference to the core ILO Conventions and related labour laws regime in Pakistan.
- The study emphasises that Pakistan's potential increase of export under GSP-plus necessitates rectification of its foreign-exchange rates and energy shortages. Importantly the continuity of the GSP plus benefits hinges on the effective compliance of the ratified ILO Conventions. Current labour market governance in Pakistan remotely meets the terms stipulated by the core labour standards.
- The provincial and national governments need to urgently undertake necessary legislations to remove discrepancies with the ratified ILO Conventions. The governments have to adopt necessary measures to strengthen institutional mechanisms to effectively address violation of workers' rights and implement labour laws to arrest widening gaps in establishing decent work.



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ACRONYMS

DCO	District Coordination Officer
EU	European Union
FES	Friedrich-Ebert-Stiftung
FTA	Free Trade Area
GDP	Gross Domestic Product
GoP	Government of Pakistan
GSP+	Generalised Scheme of Preferences (Plus)
HS Code	Harmonized Code
ILO	International Labour Organization
ITC	International Trade Commission
LFPR	Labor Force Participation Rate
LFS	Labour Force Survey
MFN	Most Favored Nation
PBS	Pakistan Bureau of Statistics
PES	Pakistan Economic Survey
SBP	State Bank of Pakistan
TOR	Terms of Reference
U.K.	United Kingdom
UN	United Nation
WTO	World Trade Organization

The “Economy of Tomorrow “and GSP Plus

In 2013, the “Economy of Tomorrow” (EoT) project was established by the FES Pakistan office. In times of an instable economic environment both domestically as well as internationally, FES set up a platform for debating economic policy challenges. The aim of this new working line is not only to analyze the past performance and to properly understand the current situation, but also to develop proposals for achieving a more inclusive economic growth model. In the context of the predominant neoclassical paradigm, the project started on the conviction that an alternative narrative is needed in order to form new alliances including a wide range of different stakeholders. Beyond the important academic basis and the relevant policy debates, the “EoT” project also seeks to connect economic thinking to a broader normative vision which is lacking in common perceptions about the economy: the “Good Society” with full capabilities for all.

The “Generalised Scheme of Preferences” (GSP) Plus agreement between the European Union and Pakistan, allowing preferential access to important export goods to the EU market, has become functional since 1st January 2014. Providing a good opportunity for the growth of export sectors as well as industrial policy initiatives in the long term, the agreement is conditional upon the ratification and implementation of 27 international human rights, environmental and labor conventions.

This study focuses on GSP Plus and Labor Compliance, in order to contribute to a healthy public debate about understanding the implications of the GSP Plus agreement, about industrial policy challenges and about setting the right priorities on the way towards a more socially just, sustainable and green dynamic growth model for Pakistan.

Philipp Kauppert

Resident Director

FES Pakistan

Islamabad, November 2014



INTRODUCTION

This study focuses on the subject of GSP Plus Status and Compliance of Labor Standards. The contents are given as follows:

A. Agenda: Pakistan GSP Plus: background, social-economic and governance benefits, capturing the expected gains for decent work in export sector in the context of Economy of Tomorrow Project, along with the executive summary of the recommendations/reform agenda of the paper.

B. General Analyses: Export sectors situation to the EU and general: quantitative, qualitative, sub-sector, economic and social dimension analyses of labor situation, labor force size, characteristics, wages and working conditions, export products and related topics;

C. Specific analysis of legislative framework, implementation, monitoring and compliance challenges with regard to the following eight (8) core labour standards, by studying key requirement of the Conventions, current arrangements by Pakistan in terms of laws, institutions and practices to meet the key requirements, as well as weaknesses in the implementation:

- Convention concerning Forced or Compulsory Labour, No.29 (1930)
- Convention concerning the Abolition of Forced Labour, No.105 (1957)
- Convention concerning the Application of the Freedom of Association and Right to Organize, No.87
- Convention concerning the Application of the Principles of the Right to Organize and to Bargain Collectively, No.98 (1949)
- Convention concerning Equal Remuneration of Men and Women Workers for Work of Equal Value, No.100 (1951)
- Convention regarding discrimination in Respect of Employment and Occupation, No.111 (1958)
- Convention concerning Minimum Age for Admission to Employment, No.138 (1973)
- Convention concerning the Prohibition and Immediate Action for the Elimination for the Worst Forms of Child Labour, No.182 (1999)

D. Critical elements of Progressive agenda of labour compliance under GSP Plus.



Chapter 1:

PAKISTAN'S EXPORTS TO THE EU

This chapter reviews the trends in Pakistan's exports to EU countries. Section 1 identifies the major markets within EU of Pakistani exports and the trends in exports to these markets. Section 2 describes the commodity composition of exports to these markets. Section 3 quantifies the importance of EU in exports from Pakistan and the share of Pakistan in total EU imports. Future prospects of exports to EU are analysed in Section 4 on the basis of recent trends in total textile and clothing imports by EU and the respective shares of different countries in exports of these products to EU.

1.1. Major Export Markets within EU

Table 1.1 gives the total exports of Pakistan to the 28 EU countries. The countries with a over five percent share are Belgium, France, Germany, Italy, Netherlands, Spain and the U.K. The largest importer from Pakistan within EU is the UK, followed by Germany. Collectively, these seven countries account for 86 percent of Pakistan's exports to EU.

Overall, the share of EU in total exports of Pakistan is 24 percent. It has fallen from 26 percent in 2009. There was rapid growth of over 25 percent in 2011, accompanied by a big fall in 2012. Some recovery has taken place in 2013, but not enough to exceed the level attained in 2011.

The fastest growing market in EU for Pakistan has been Germany. This is not surprising since Germany remains the best performing economy in the EU, in a period of economic slowdown, and financial crisis in some countries of the region.

S.No	Countries	2012
1	Austria	29.6
2	Belgium*	467.9
3	Bulgaria	36.4
4	Croatia	14.8
5	Cyprus	8.5
6	Czech Republic	30.5
7	Denmark	93.7
8	Estonia	11.8
9	Finland	52.1
10	France*	481.7
11	Germany*	1151.1
12	Greece	56.4
13	Hungary	16.3
14	Ireland	56.4
15	Italy*	676.4



16	Latria	5.2
17	Lithuania	29.6
18	Luxembourg	1.4
19	Malta	3.3
20	Netherlands*	425.2
21	Poland	74.4
22	Portugal	135.3
23	Romania	29.3
24	Slovakia	7.8
25	Slovenia	12.9
26	Spain*	534.9
27	Sweden	123.6
28	U.K.*	1303.6
	TOTAL	5870.1
Source: SBP		
*Seven Countries for detailed study of Exports		
	Belgium	467.9
	France	481.7
	Germany	1151.7
	Italy	676.4
	Netherlands	425.2
	Spain	534.9
	U.K.	1303.6
	TOTAL OF ABOVE	5041.4
	SHARE (%)	86%

Table 1.2						
Trend in Exports to Major EU Countries						
<i>(US \$ Million)</i>						
	2009	2010	2011	2012	2013	ACGR (%)
Belgium	341	391	499	383	454	7.4
France	622	682	869	708	800	6.5
Germany	922	1133	1563	1260	1401	11.0
Italy	585	650	810	553	631	1.8
Netherlands	333	326	408	333	415	5.7
Spain	466	486	597	512	591	6.1
U.K.	1142	1317	1545	1307	1450	6.2
Total Exports to EU	4623	5070 (9.67)*	6363 (25.50)	5278 (-17.05)	6015 (13.96)	6.8
Share of Total Pakistan's Exports (%)	26.3	23.7	25.1	21.4	23.9	
Source: UNCOMTRADE						
* Annual Growth Rate (%)						



1.2. Commodity wise Composition of Exports to EU

Table 1.3 identifies the major items exported to the seven EU countries. The analysis is conducted at the four digit level of the Harmonized Code. The dominance of textiles in exports to the EU is clearly revealed. The major items are as follows:

HS Code	Items
5208 & 5209	Woven Cotton Fabrics
6105	Gents Shirts
6113	Garments
6203	Men's or Boys Suits
6204	Women's or Girls Suits
6302	Bed or Table Linen

Exports are more diversified to the two large counties, the UK and Germany.

HS Code	BELGIUM	2010-11	2011-12
6203	Men's or Boys Suits	41.5	55.8
6204	Women's or Girls Suits	11.9	30.3
6302	Bed or Table Linen	123.1	110.9
	TOTAL	176.5	197.0
	FRANCE		
4203	Leather Apparel	37.2	35.3
6203	Men's or Boys Suits	39.6	61.2
6302	Bed or Table Linen	115.2	118.9
	TOTAL	176.5	197.0
	GERMANY		
4113	Prepared Leather	36.2	30.0
4203	Leather Apparel	66.8	79.1
5208	Woven Cotton Fabrics	37.3	44.1
5209	Woven Cotton Fabrics	39.8	40.9
6113	Garments	132.1	93.7
6203	Men's or Boys Suits	64.6	118.7
6204	Women's or Girls Suits	29.8	30.0
6302	Bed or Table Linen	282.4	205.8
9018	Surgical Instruments	43.6	43.6
9506	Sports Goods	43.1	45.3
	TOTAL	775.7	731.2

*Above \$ 25 million.



Composition of Exports* to Major EU Countries (US \$ Million)			
HS Code	ITALY	2010-11	2011-12
4113	Prepared Leather	32.2	29.7
5205	Cotton Yarn	34.1	29.2
5208	Woven Cotton Fabrics	54.8	52.9
5209	Woven Cotton Fabrics	42.4	47.8
5212	Woven Cotton Fabrics	31.4	39.9
6203	Men's or Boys Suits	24.8	34.4
6302	Bed or Table Linen	105.6	99.9
	TOTAL	325.3	333.8
NETHERLANDS			
6302	Bed or Table Linen	93.9	97.1
	TOTAL	93.9	97.1
SPAIN			
5208	Woven Cotton Fabrics	21.3	25.7
6105	Gents Shirts	19.1	31.2
6203	Men's or Boys Suits	19.4	79.2
6204	Women's or Girls Suits	15.8	29.4
6302	Bed and Table Linen	97.6	92.4
	TOTAL	173.2	257.9
UNITED KINGDOM			
1006	Rice	77.4	52.7
4203	Leather Apparel	28.6	32.9
5209	Woven Cotton Fabrics	25.1	26.1
6103	Gents Suits	28.1	34.2
6105	Gents Shirts	102.9	119.2
6203	Men's or Boys Suits	98.2	130.0
6204	Women's Girls Suits	20.6	30.0
6302	Bed and Table Linen	307.8	305.8
9018	Surgical Instruments	28.7	32.6
9506	Sports Goods	26.0	30.9
	TOTAL	734.4	794.4
Source: SBP			



Other exports, which are relatively small in magnitude, include the following:

HS Code	Items
4113	Prepared Leather
4203	Leather Apparel
9018	Surgical Instruments
9506	Sports Goods

Table 1.4 highlights the share of Pakistan in total EU imports of the above-mentioned items. Pakistan has a relatively large share in some items, viz., bed or table linen (28 percent), and woven cotton fabrics (26 percent). Overall, the share of Pakistan in the above items is 6 percent, as compared to a share of only 0.3 percent in overall EU imports.

Table 1.4 Share of EU in Pakistan for Selected Items and Shares of these items in Total EU imports, 2013 (US \$ Million)						
HS Code	Description	Pakistan's Exports to EU	Pakistan's Exports to World	Share (%)	EUs Imports from World	Share of Pakistan (%)
4203	Leather Apparel	390	969	56.0	2043	19.1
5205	Cotton Yarn	102	2205	4.6	1199	8.5
5208	Woven Cotton Fabrics	320	747	42.8	1254	25.5
5209	Woven Cotton Fabrics	199	1210	16.4	720	27.6
6203	Men's Boy's Suits	583	970	60.1	10199	5.7
6204	Women's or Girls Suits	331	691	47.9	11939	2.8
6302	Bed or Table Linen	1164	2852	40.8	4225	27.6
9018	Surgical Instruments	111	316	35.1	17219	0.6
9506	Sports Goods	120	220	54.5	3924	3.1
	Total of Above	3320	10180	33.5	52722	6.3
	Others	2695	15213	17.7	2190704	0.1
	TOTAL	6015	25393	23.9	2243426	0.3

Source: UNCOMTRADE



For Pakistan, the EU market is very important in a number of items. The latter’s share in total global exports of Pakistan is very high in leather apparel (56 percent), woven cotton fabrics (27 percent), men’s or boys suits (60 percent), women’s or girls suits (48 percent), surgical instruments (35 percent) and Sports Goods (55 percent). It is in these items that exporters are likely to focus on opportunities created by the granting of GSP+ to Pakistan.

1.3. Pakistan’s Major Competitors in EU

The major developing countries competing with Pakistan in export of textiles to EU are given in Table 1.5. In textiles, Pakistan’s ranking in exports to EU is fifth, after intra-EU trade, China, Turkey and India. In clothing, Pakistan is less competitive and ranked ninth after China, Turkey, Bangladesh, India, Tunisia, Morocco and Vietnam. Turkey has a FTA with EU. Bangladesh also enjoys GSP+ status.

	Value 2012 (US \$ million)	2012 Share (%)	Growth Rate (%)		
			2005-2012	2011	2012
TEXTILES EU	74118	100.0	0	14	-12
EU	46992	63.4	-1	13	-12
China	9154	12.4	9	15	-9
Turkey	4574	6.2	2	-21	-12
India	2723	3.7	1	21	-23
Pakistan (5)*	1960	2.6	4	25	-26
CLOTHING	170044	100.0	4	14	-11
EU	80356	47.3	3	14	-9
China	37613	22.1	7	11	-16
Turkey	10749	6.3	1	11	-9
Bangladesh	10613	6.2	13	36	0
India	5739	3.4	4	16	-20
Pakistan (9)*	1944	1.1	7	29	-10

*Ranking among exporting countries
Source: WTO

The competitive edge given to the Pakistan with respect to the non-GSP+ competitors for the EU market is quantified in Chapter 2.



Chapter 2:

GSP+ to Pakistan

The objective of this Chapter is to describe the benefits of GSP+ to Pakistan. Section 1 outlines the GSP+ program of EU. Section 2 presents the conditions that have to be fulfilled for continuation of GSP+. Section 3 gives an estimate of the potential increase in exports to EU after receiving the GSP+ status.

2.1. The GSP+

From January 1, 2014, onwards Pakistan became eligible for an EU trade program known as GSP+. This will allow virtually all exports of Pakistan to enter the EU free of duty.

Pakistan can now export some 6,000 tariff lines including textiles and clothing, free of duty to the European Union's 27 member countries. Historically, Pakistan has had difficulty competing in the EU market because competitors such as Bangladesh, Sri Lanka, Turkey, Morocco, Tunisia and Mexico already enjoyed duty free access. GSP+ will also provide Pakistan's industries with an edge compared to countries such as China, which does not have duty free access to the EU, and India, which has only limited concessions for apparels under the standard GSP.

The coverage of GSP+ is restricted to those countries which are considered to be vulnerable due to a lack of diversification and insufficient integration into the international trading system. These countries have to meet the following two criteria:

- (i) GSP-covered imports should represent less than 2 percent of the EU's imports from all GSP beneficiaries (Pakistan's share of total GSP imports is 1.6 percent).
- (ii) The seven largest GSP-covered products / sections must cover at least 75 percent of the country's total GSP-covered exports to the EU (Pakistan's seven largest GSP sections account for 94.6 percent of its total GSP-covered exports).

Even if a developing country meets the above criteria, however, its entry into GSP+ is not automatic. The country must also demonstrate that it has ratified and implemented 27 core international conventions on human and labor rights, sustainable development, and good governance (see below).

If the GSP-covered imports exceed 2 percent of the EU's imports from all GSP beneficiaries (Pakistan's share of total GSP imports is 1.6 percent), it could lose GSP+ status when the scheme is reviewed after 3 years. Furthermore, the EU regulations on safeguards in the textile, agriculture and fisheries sector provide that on 1st January of each year, the European Commission can remove the tariff preferences for products whose imports increase by at least 13.5 percent in quantity (by volume) as compared with the previous calendar year. However, these provisions only apply for those products whose share exceeds 6 percent of total EU imports in value.

2.2. Conditions for Eligibility and Continuation

In addition to the vulnerability criteria discussed above, Pakistan had to ratify 27 core international conventions and subscribe to binding commitments to implement them effectively.



These are mainly UN and International Labor Organization (ILO) conventions and conventions on the environment and good governance. Examples of such conventions are the Convention on the Elimination of all Forms of Racial Discrimination, the International Convention on the Rights of the Child, the Freedom of Association and Protection of the Right to Organize Convention, and the Convention on International Trade in Endangered Species. Given below is the complete list of the required conventions.

The Government of Pakistan (GoP) has signed a 'binding undertaking' committing itself to maintaining the ratification of the 27 relevant international conventions and ensuring their effective implementation. It has also accepted, without reservation, reporting requirements and monitoring mechanisms imposed by those conventions. Finally, the GoP is committed to accepting and cooperating with the EU monitoring procedure. The EU is in the process of giving Pakistan a scorecard, which will form the basis of dialogue on GSP+ compliance.

The UN/ILO reporting systems are operational, but the EU will not limit itself on these sources. It may use information from civil society organizations and social partners that are considered to be accurate and reliable reporting sources. Detailed procedural rules have been drawn up regarding the specific roles for all contributing parties. European Commission, EU Member States, beneficiary country concerned, third parties, etc.

The EU will report on compliance every two years, with the first report to be issued by January 1, 2016 in the case of Pakistan. The report will cover the status of ratification of the relevant conventions, the compliance with any reporting obligations under those conventions, and the status of the effective implementation thereof.

GSP+ was taken away from Sri Lanka in 2010 due to non-effective implementation of certain human rights conventions. GSP concessions were also withdrawn from Belarus and Myanmar on the grounds of serious and systematic violation of labor rights. The GSP+ preferences can be withdrawn partially or fully if the GoP fails to meet its commitments on enforcing the required conventions. The burden of proof for compliance rests on the GoP. If, after investigation, the EU is convinced that the binding commitments are not met, it can temporarily withdraw the GSP+ concessions.

The following 27 conventions have been ratified by Pakistan as pre-condition for getting the GSP+ status from EU:

- 1) Convention on the Prevention and Punishment of the Crime of Genocide (1948)
- 2) International Convention on the Elimination of All Forms of Racial Discrimination (1965)
- 3) International Convention on Civil and Political Rights (1966)
- 4) International Convention on Economic Social and Cultural Rights (1966)
- 5) Convention on the Elimination of All Forms of Discrimination Against Women (1979)
- 6) Convention Against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (1984)



- 7) Convention on the Rights of the Child (1989)
- 8) Convention concerning Forced or Compulsory Labour, No.29 (1930)*
- 9) Convention concerning Freedom of Association and Protection of the Right to Organize, No.87 (1948)*
- 10) Convention concerning the Application of the Principles of the Right to Organize and to Bargain Collectively, No.98 (1949)*
- 11) Convention concerning Equal Remuneration of Men and Women Workers for Work for Equal Value, No.100 (1951)*
- 12) Convention concerning the Abolition of Forced Labor, No.105 (1957)*
- 13) Convention concerning Discrimination in Respect of Employment and Occupation, No.111 (1958)*
- 14) Convention concerning Minimum Age for Admission to Employment, No.138 (1973)*
- 15) Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor, No.182 (1999)*
- 16) Convention on International Trade in Endangered Species of Wild Fauna and Flora (1973)
- 17) Montreal Protocol on Substances that Deplete the Ozone Layer (1987)
- 18) Basel Convention on the Control of Trans boundary Movements of Hazardous Wastes and their disposal (1989)
- 19) Convention on Biological Diversity (1992)
- 20) The United Nations Framework Convention on Climate Change (1992)
- 21) Cartagena Protocol on Bio-safety (2000)
- 22) Stockholm Convention on persistent Organic Pollutants (2001)
- 23) Kyoto Protocol to be United Nations Framework Convention on Climate Change (1998)
- 24) United Nations Single Convention on Narcotic Drugs (1961)
- 25) United Nations Convention on Psychotropic Substances (1971)
- 26) United Nations Convention against illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988)
- 27) United Nations Convention against Corruption (2004)

*Labor-related conventions.



2.3. Potential Increase in Exports

According to an International Trade Commission (ITC) report, gains from increased exports are estimated at around USD \$580 million (approximately USD \$280 million in textiles, USD \$97 million in leather articles, and USD \$203 million for all other products). This estimate by the ITC is modest compared with others that have projected gains of up to of USD \$1 billion.

A simple methodology has been developed to project the increase in exports. For this, we designate the following:

ΔE = increase in exports to EU

t = MFN tariff (measure of the competitive edge to Pakistan after GSP+)

ε = price elasticity of exports (higher the present market share of Pakistan in EU)

E_0 = existing exports to EU

Then,

$$\Delta E = t | \varepsilon | E_0 \quad \dots \dots \dots [1]$$

Based on this methodology, exports by commodity are projected in Table 2.1. The results are as follows:

Increase in Exports to EU			
	Existing Exports (E_0) (2012)	Increase in Exports (ΔE)	% Increase
Textiles	3163	765	24.2
Others	2426	260	10.7
TOTAL	5589	1025	18.3

Therefore, the increase could be about \$1 billion. However, this is based on the assumption that there are no supply-side constraints like shortage of energy faced by Pakistani exporters.



Table 2.1 The Benefit of GSP+ to Pakistan's Major Exports* to EU									
HS Code (4 Digit)	Description	Global Export of Pakistan 2012	Export to EU 2012	Share (%)	Global Imports of EU 2012	Share of Imports from Pakistan	MFN Tariff	ε	Increase
TEXTILES									
5201	Cotton, not carded or combed	480	12	2	306	4	4	-1	-
5205	Cotton Yarn	1565	122	8	1199	10	4	-2	10
5208	Woven Cotton Fabrics	603	197	33	1154	17	4	-2	16
5209	"	1098	182	17	659	28	8	-3	44
5210	"	298	88	30	149	59	8	-3	21
5212	"	337	108	32	201	54	8	-3	26
5513	Synthetic Fabrics	485	116	24	246	47	8	-3	28
6105	Gent's Shirts	614	219	36	1798	12	12	-2	53
6109	T-shirts	204	39	19	9650	-	12	-	-
6113	Garments	417	194	46	695	28	12	-3	70
6115	Pantyhose	246	74	30	2265	3	12	-1	9
6203	Men's or Boys Suits	864	542	63	9718	6	12	-1	65
6204	Women's or Girls Suits	259	146	56	11939	1	12	-1	18
6302	Bed and Table Linen	2675	1124	42	3774	30	12	-3	405
Total			3163						765
OTHERS									
4113	Prepared Leather	328	113	34			4	-2	9
4203	Articles of Leather Apparel	484	261	54			9	-3	70
9018	Surgical Instruments								
9506	Sports Goods	364	165	45			3	-3	15
Total			657						101
Others			1769						
OVERALL TOTAL									1025

Source: Estimated



2.4. Recent Trends

According to the figures released by the SBP for country wise exports in 2013-14, there has been significant growth in exports of Pakistan to Major EU countries (see Table 3.2). The growth rate of exports to the seven major countries in EU is over 16 percent. However, this is relation to 2012-13, which was a year when total global imports of EU declined due to the economic slowdown. Consequently, Pakistan’s exports fell by 5 percent in 2012-13 to EU. As such, the growth in relation to 2011-12 is 10 percent. The absolute increase in \$504 million, equivalent to half the increase in potential exports estimated in the previous section.

The significant appreciation of the rupee in March 2014 has reduced the competitive edge given by GSP+. As highlighted earlier, the EU market is growing slowly and is very competitive. Further, Pakistani exporters are having difficulty in expanding output due to the energy shortage.

Table 2.2 Growth in Exports to EU 2013-14 (\$ million)					
Countries	2011-12	2012-13	Growth Rate (%)	2013-14	Growth Rate (%)
Belgium	468	425	-9.2	471	10.8
France	481	454	-5.4	527	16.1
Germany	1151	1023	-11.1	1170	14.4
Netherlands	425	448	5.4	516	15.1
U.K.	1304	1370	5.0	1599	16.7
Italy	676	557	-17.6	671	20.5
Spain	534	537	0.6	639	19.0
TOTAL	5089	4814	-5.4	5593	16.2

Source: SBP*
*The estimates are different from UNCOMTRADE because SBP estimates include freight and insurance costs and are for the financial year, not calendar year.



Chapter 3:

The Labor Conventions

We describe below the key contents of the eight Labor Conventions and the labor standards that are embodied in these conventions.

3.1. Forced Labor Convention, 1930

The objective of this Convention is to suppress the use of forced or compulsory labor in all its forms. Forced or compulsory labor is all work or service which is exacted from a person under the menace of a penalty and for which the person has not offered himself voluntarily.

Exceptions include the following:

- (a) Compulsory military service;
- (b) Work or service as part of normal civic obligations;
- (c) Work or service during an emergency;
- (d) Community service.

The competent authority in a country will not allow forced labor for private gain. Also, the authority shall issue complete and precise regulations governing the use of forced labor.

The Annual Report that a member makes, who has ratified the Convention, shall contain information on the extent of recourse to forced labor and the purposes for which it has been used.

3.2. Abolition of Forced Labor Convention, 1957

This follows the 1930 Convention, described above. It contains proposals consistent with the UN Universal Declaration of Human Rights. It seeks to suppress the following forms of forced labor:

- (a) As a means of political coercion or education;
- (b) Mobilizing labor for economic development;
- (c) As a means of labor discipline;
- (d) As punishment for having participated in strikes;
- (e) As a means of racial, social, national or religious discrimination.

3.3. Freedom of Association and Right to Organize Convention, 1948

The Convention adopts proposals concerning freedom of association and right to organize as a means of improving conditions of labor and as essential to sustained progress. It states in Article 2 that workers and employers have the right to establish and join organizations of their choosing without previous authorization. Such organizations cannot be dissolved or suspended by administrative authority. However, these organizations will respect the law of the land.



The extent to which this Convention applies to the armed forces and the police shall be determined by national laws or regulations.

3.4. Right to Organize and Collective Bargaining Convention, 1949

This Convention shall apply particularly to the following:

- (a) Make the employment of a worker subject to the condition that he will not join a union or shall relinquish trade union membership;
- (b) Cause the dismissal of a worker by reason of union membership.

3.5. Equal Remuneration Convention, 1951

This Convention adopts proposals with regard to the principle of equal remuneration for men and women workers for work of equal value.

The term *remuneration* includes the basic or minimum wage or salary and any other emoluments in cash or in kind.

This principle of equal remuneration shall be applied by means of the following:

- (a) National laws or regulations;
- (b) Legally established or recognized machinery for wage determination;
- (c) Collective agreements between employers and workers;
- (d) A combination of these various means.

3.6. Discrimination (Employment and Occupation) Convention, 1958

This Convention focuses on the elimination of discrimination in the field of employment and occupation. For purposes of this Convention, the term *discrimination* includes:

- (a) any distinction, exclusion or preference made on the basis of race, color, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation;
- (b) such other distinction, exclusion or preference which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation as may be determined by the Member concerned after consultation with representative employers' and worker's organizations, where such exist, and with other appropriate bodies.

Any distinction, exclusion or preference in respect of a particular job based on the inherent requirements thereof shall not be deemed to be discrimination.



For the propose of this Convention the terms *employment* and *occupation* include access to vocational training, access to employment and to particular occupations, and terms and conditions of employment.

Each Member for which this Convention is in force undertakes, by methods appropriate to national conditions and practice:

- (a) To seek the cooperation of employer's and workers organizations and other appropriate bodies in promoting the acceptance and observance of the policy;
- (b) To enact such legislation and to promote such educational programs as may be calculated to secure the acceptance and observance of the policy;
- (c) To repeal any statutory provisions and modify any administrative instructions or practices which are inconsistent with the policy;
- (d) To pursue the policy in respect of employment under the direct control of a national authority;
- (e) To ensure observance of the policy in the activities of vocational guidance, vocational training and placement services under the direction of a national authority;
- (f) To indicate in its annual reports on the application of the Convention the action taken in pursuance of the policy and the results secured by such action.

Any measures affecting an individual who justifiably suspected of, or engaged in, activities prejudicial to the security of the State shall not be deemed to be discrimination, provided that the individual concerned shall have the right of appeal to a competent body established in accordance with national practice.

3.7. Minimum Age Convention, 1973

This Convention aims at total abolition of child labor. Each member commits to a national policy designed to progressively raise the minimum age for admission to employment to a level consistent with the fullest physical and mental development of young persons.

The minimum age for wage in the Convention is at least 15 years.

A Member whose economy and administrative facilities are insufficiently developed may, after consultation with the organizations of employers and workers concerned, where such exist, initially limit the scope of application of this Convention.

Each Member which avails itself of the above provisions shall specify, in a declaration appended to its ratification, the branches of economic activity or types of undertakings to which it will apply the provisions of the Convention.

The provisions of the Convention shall be applicable as a minimum to the following: mining and quarrying; manufacturing; construction; electricity, gas and water; sanitary services; transport,



storage and communication; and plantations and other agricultural undertakings mainly producing for commercial purposes, but excluding family and small-scale holdings producing for local consumption and not regularly employing hired workers.

This Convention does not apply to work done by children and young persons in schools for general, vocational or technical education or in other training institutions, or to work done by persons at least 14 years of age in undertakings, where such work is carried out in accordance with conditions prescribed by the competent authority, after consultation with the organizations of employers and workers concerned, where such exist, and is an integral part of:

- (a) A course of education or training for which a school or training institution is primarily responsible;
- (b) A program of training mainly or entirely in an undertaking, which program has been approved by the competent authority; or
- (c) A program of guidance or orientation designed to facilitate the choice of an occupation or of a line of training.

National laws or regulations may permit the employment or work of persons 13 to 15 years of age on light work which is:

- (a) Not likely to be harmful to their health or development; and
- (b) Not such as to prejudice their attendance at school, their participation in vocational orientation or training programs approved by the competent authority or their capacity to benefit from the instruction received.

3.8. Worst Forms of Child Labor Convention, 1999

For the purposes of this Convention, the term the *worst forms of child labor* comprises:

- (a) All forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labor, including forced or compulsory recruitment of children for use in armed conflict;
- (b) The use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances;
- (c) The use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs as defined in the relevant international treaties;
- (d) Work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.

Each member shall, after consultation with employers' and worker's organizations establish or designate appropriate mechanisms to monitor the implementation of this Convention.



Chapter 4:

State of the Labor Market of Pakistan

This chapter describes the conditions in the labor market of Pakistan. The objective is to identify areas where Pakistan needs to do more to ensure adherence to the eight labor related conventions.

4.1. Key Facts

The labor force of Pakistan¹ is 60.6 million as of 2012-13 (see Table 4.1). This is about 33 percent of the population. Given the 'youth bulge', the labor force is growing rapidly at the rate of 3.3 percent per annum. More recently, the rate of expansion has declined, because the worsening of economic conditions has created a 'discouraged worker' effort, especially in the case of young workers.

	2003-04	%	2008-09	%	2012-13	%
Labor Force	45059	100.0	55770	100.0	60608	100.0
Unemployed	3465	7.7	3045	5.5	3782	6.2
Employed	41594	92.3	52725	94.5	56826	93.8
Agriculture	17906	39.7	23678	42.4	24838	41.0
Non-Agriculture	23688	52.6	29047	52.1	31988	52.8
Formal	7106	15.8	7757	13.9	8446	13.9
Informal	16582	36.8	21290	38.2	23542	38.9

Source: LFS

Over the last decade, two periods can be distinguished. Between 2003-04 and 2008-09, the economy grew rapidly and the unemployment rate fell visibly from 7.7 percent to 5.4 percent. *From 2008-09 onwards, the economy has slowed down appreciably and the unemployment rate has risen to 6.2 percent.* It is estimated that in 2013-14, it may have approached 7 percent. The growth in number of jobs was rapid in the first period at almost 5 percent per annum. It fell to less than 2 percent in the second period.

The surprising feature about the sectoral composition of Pakistan's labor force is that during the fast growth period, the share of employment in agriculture in the labor force actually increased from 39.7 percent in 2003-04 to 42.4 percent in 2008-09. It has been alleged that this is due to reporting by PBS of a large increase in the number of female unpaid family workers during the period. This was apparently done to show a big drop in the unemployment rate during the peak of the Musharraf period.

¹ Aged 10 to 65 years, as defined by the PBS



The non-agricultural component of the labor force is about 53 percent of the labor force in 2012-13. A striking finding is that the share of employment in the formal sector has fallen from 16 percent to about 14 percent. Not only is this share small but it indicates that there has been a degree of 'jobless' growth in this sector, even during a period of fast growth. Labor conditions in the formal sector are more likely to represent 'decent work', as defined by ILO.

Table 4.2 gives other key indicators of the labor market. As highlighted above the male labor force participation rate has declined. A positive development is that the low labor force participation rate of females is rising. But there are two views regarding the factors beyond the increase. First, between 2003-04 and 2007-08, it is perhaps due to reporting of a big increase in the number of unpaid female family workers. Second, the increase from 2008-09 onwards is due perhaps to high inflation and worsening employment opportunities for men. This has forced women to seek jobs to supplement family incomes. We take up this issue again later.

Indicator	Unit	2003-04	2007-08	2012-13
Labor Force Participation Rate	%	50.7	52.5	53.1
Male	%	82.7	82.4	81.1
Female	%	18.0	21.8	24.3
Unemployment Rate	%	7.4	5.0	6.2
Male	%	6.2	4.0	5.3
Female	%	12.9	8.7	9.3
Share of Agriculture in Total Employment	%	41.8	42.8	42.2
Male	%	37.0	35.2	33.1
Female	%	67.7	73.8	74.9
Share of Wage & Salaried Workers in Employment	%	35.8	37.1	39.7
Male	%	39.8	40.6	43.9
Female	%	31.5	22.9	24.9
Share of Self-Employed Workers	%	38.6	35.9	34.9
Male	%	42.9	41.2	40.9
Female	%	17.0	13.9	15.9
Share of Employment in the Informal Sector*	%	69.4	72.3	72.3
Male	%	69.9	72.4	73.6
Female	%	64.5	71.7	70.9
Share of Employment Working 50 hours or more a week	%	42.7	39.3	36.3
Male	%	48.9	47.0	44.4
Female	%	11.6	7.6	7.3

*in the non-agricultural economy
Source: PBS



4.2. Key Indicators Related to Conventions

The key indicators which determine to which extent the eight Labor Conventions are being adhered to in Pakistan are listed Chart 4.1. The magnitudes of these indicators are presented below.

4.2.1. Bonded Labor

Bonded labor in Pakistan arises primarily due to non-repayment of debt. A laborer becomes bonded when his or her labor is demanded in repayment for a loan. This is known as *peshgi* in Pakistan. The worker is then forced to work for little or no wage, often for seven days a week.

The bonded worker essentially forfeits his/her right to choice of employment, right to move freely and the right to sell his/her labor at market value. Additionally, bonded laborers are routinely threatened and subjected to all kinds of physical abuse by employers.

Bonded labor is present in some sectors of the economy of Pakistan, most notably in agriculture, brick kilns, carpet weaving, fisheries, and mining. No reliable statistics exist of the number of bonded worker. However, *ILO estimates that the number of bonded workers in Pakistan is in excess of 2 million.*

4.2.2. Child Labor

Convention on Minimum Age, 1973 deals with child workers, aged up to 15 years. *Table 5.1 indicates that in 2012-13 the number of child workers in the labor force is almost 2.7 million.* This is over 11 percent of the children in the age group of 10-14 years.

87 percent of the child workers are resident in the rural areas and the remainder, 13 percent in the urban areas. 56 percent are male and 44 percent female. Unemployment rates are high at above ten percent. *A positive development is that the absolute number of child workers has declined by 9 percent between 2008-09 and 2012-13.*



Chart 4.1 Key Indicators of Adherence to Conventions
Bonded Labor
Prevalence of Bonded Labor
Child Labor
Prevalence of Child Labor by Sector
Access / Gender
Labor Force Participation Rates by Sex Incidence of Women in Marginal Occupations Employment Distribution by Sex by Sector Incidence of Women who are Unpaid Family Workers
Wages
Incidence of Workers with wages below the Minimum Wage Wage Differential by Sex Trend in Real Wages Wage Differentials by Occupation
'Decent' Work
Share of Workers in the Informal Sector Share of 'Overworked' Workers (> 50 hours a week) Share of Part Time Workers (< 35 hours a week) Distribution of Workers by Employment Status
Labor Productivity
Trend in Labor Productivity by Sector
Collective Bargaining
Extent of Trade Unionization of Workers Presence of Unionization by Sector Incidence of Industrial Disputes
Safety
Incidence of Work Related diseases/injury by Sector
Unemployment
Unemployment Rates by Sex by Age Group Unemployment by Level of Education

Table 4.3 Incidence of Child Workers (<i>'000'</i>)			
	2003-04	2008-09	2012-13
Population	148159	169996	184349
% of Population aged 10-14 years	12.82	13.28	12.79
Number of Children aged 10-14 years	18993	22575	23578
Labor Force Participation Rate (%)	12.80	13.08	11.40
Number of Child Workers	2431	2953	2688
Source: LFS			



4.2.3. Female Workers

As indicated earlier, the labor force participation rate (LFPR) of females is relatively low in Pakistan, compared to other South Asian Countries. In 2012-13, the LFPR of females aged 10 years and above is just over 24 percent, less than one third of the male LFPR. *The positive development is that the female LFPR is rising.*

The distribution of employment by gender is given in Table 4.4. Overall, females account for 15 percent of the total employment. The presence of females in different sectors is generally determined by prevailing social norms and the physical nature of work.

Sectors with relatively greater presence of females include agriculture, manufacturing and community, social and personal services, especially education and health. Their presence is very limited in sectors like construction, trade and transport.

The Labor Force Survey also quantifies the number of women in marginal occupations like subsistence agriculture; own construction of one's dwelling, etc. The number is estimated at 10 million in 2012-13, with a decline of 3 percent since 2008-09. Inclusion of marginal occupations leads to a doubling of the female LFPR.

Table 4.5 presents the distribution by gender of employment in different occupations. Women have an extremely limited presence of only 2 percent in high level occupations like senior officials, managers and legislators. This highlights problems of access, despite the presence of quotas in the civil service.

Table 4.4
Distribution of Employment by Sex within Sectors
(‘000’)

	Male	%	Female	%	Total
Number Employed	52188	85	9098	15	61277
Sectoral Distribution:	468	425	-9.2	471	10.8
Agriculture	19949	77	5873	23	25822
Manufacturing	7104	84	1378	16	8482
Construction	3699	100	-	-	3699
Wholesale and Retail Trade	8914	98	167	2	9081
Transport and Communication	3570	99	37	1	3607
Finance and Insurance	538	99	6	1	544
Community, Social and Personal Services	7911	83	1589	17	9500
Others	503	93	39	7	542

Source: LFS



Table 4.5
Distribution of Employment by Sex within Occupations ('000')

	Male	%	Female	%	Total
Number Employed	52188	85	9098	15	61277
Legislators, Senior Officials and Managers	6896	98	168	2	7064
Professionals	1045	82	224	18	1269
Technical and Associate Professionals	2048	70	863	30	2911
Clerks	1015	97	31	3	1046
Service Workers and Sales Workers	3357	97	111	3	3468
Skilled Agricultural Workers	17241	81	4029	19	21270
Craft and Related Trades Workers	8572	86	1360	14	9932
Plant & Machine Operators & Assemblers	2378	100	19	-	100
Elementary (Unskilled) Occupations	9635	81	2285	19	11920

Source: LFS

Women have higher presence of 18 to 30 percent in three occupations, namely, professionals, technicians and associate professionals and skilled agricultural workers. *Given the rising number of highly education women in the country, the challenge is to promote upward mobility of such women. Today, almost 40 percent of the persons in Pakistan with degree, post-graduate or Ph.D qualifications are women.*

At the lower end of the labor market, a very high proportion of unpaid family workers are women. Almost 80 percent these women are engaged in agricultural activities. Since this labor input is not remunerated, despite its contribution to output, the GDP of Pakistan is somewhat understated.

We turn next to an important indicator, the differential in wages by gender. For an unbiased comparison, there is need to control for differences in sectoral and occupational distribution. Focusing on individual sectors, *women have approached men in the level of remuneration in sectors like finance and insurance, public administration and education services*, as shown in Table 4.6. These sectors are mostly part of the formal economy and there is apparently no wage/salary discrimination for a particular job.



Table 4.6
Ratio of Female to Male Wages by Sectors (2008-09 and 2012-13)
Average Wage per Month (Rs)

	Female		Male		Ratio of Wage (%)	
	Share (%)	Wage	Share (%)	Wage	2012-13	2008-09
Agriculture	38.1	3863	8.8	7873	49.1	59.4
Manufacturing	17.5	5169	24.1	11733	44.0	39.4
Electricity, Gas	0.1	19128	1.6	24904	76.8	81.0
Construction	0.8	10454	20.4	9609	108.8	96.1
Wholesale & Retail Trade	0.5	7245	9.7	8668	83.6	74.1
Finance & Insurance	0.6	28624	1.3	22293	128.4	44.2
Public Admin & Defence	0.9	21031	7.7	21559	97.5	66.5
Education	23.8	14282	6.6	21278	67.1	114.3
Health	5.8	15894	2.0	18131	87.7	109.3
Other Services	1.4	4421	2.4	8559	51.7	49.8
Domestic Services	9.2	4329	1.3	9079	47.7	44.2
TOTAL	100.0	7869	100.0	12804	61.4	64.9

Source: LFS

Turning to wage differentials by occupation, it is surprising to find that the average remuneration of female professionals and technicians is less than 70 percent of their male counterparts (see Table 4.7). This category includes almost 30 percent of female workers. There is need for an in-depth analysis of the gender wage differential in these occupations.

Table 4.7
Ratio of Female to Male Wages by Occupation (2012-13)
Average Wage per Month (Rs)

Occupation	Average Wage per Month (Rs)				Ratio of Wage (%)
	Female		Male		
	Share (%)	Wage	Share (%)	Wage	
Managers	0.9	34618	2.4	38113	90.8
Professionals	23.8	15051	7.1	24326	61.9
Technicians & Associate Professionals	6.1	13429	5.9	19801	67.8
Clerical Support Workers	0.8	13720	3.9	19029	72.1
Skilled Agricultural Workers	1.0	3246	1.1	9703	33.4
Service & Sales Works	1.2	9516	14.2	11052	86.1
Craft and Related Trade Workers	15.4	4563	23.2	11031	41.4
Plant and Machine Operators and Assemblers	0.4	6862	9.3	11729	58.5
Elementary Occupations	50.3	4309	32.7	8826	48.8
TOTAL	100.0	7869	100.0	12804	61.4

Source: LFS



4.2.4. Real Wages

There is conflicting evidence on the trend in real wages during the last few years. Table 4.8 presents the annual increase in real wages for skilled and unskilled workers by location in two periods, 2001 to 2008 and 2008 to 2013 respectively. A clear pattern is visible. *Real wages increased rapidly in the first period, 2001 to 2008, but have fallen significantly since 2008.* This is consistent with changing conditions in the labor market and *the slow growth in labor productivity*, as given in Table 4.9.

However, the LFS data presents a different picture. According to Table 4.10, real wages have continued to rise in most sectors of the economy. A fall is observed in only two sectors, viz., agriculture and services. The biggest increase in real wages is in public administration. This reflects the liberal policy on salary increases to government employees followed by the PPP government.

Table 4.8: Trend in Real Wages				
	Annual Increase in Wages (%)			
	2001 to 2008	Growth Rate of Real Wages	2008 to 2013	Growth Rate of Real Wages
Skilled Worker 1^a				
Islamabad	15.0	6.5	8.4	-2.6
Karachi	9.8	1.3	4.0	-7.0
Lahore	10.5	2.0	5.3	-5.7
Peshawar	11.7	3.2	6.4	-4.6
Quetta	13.3	4.8	8.4	-2.6
Skilled Worker 2^b				
Islamabad	15.0	6.5	8.4	-2.6
Karachi	11.2	2.7	5.1	-5.9
Lahore	11.3	2.8	4.4	-6.6
Peshawar	12.1	3.6	7.9	-3.1
Quetta	13.3	4.8	12.9	1.9
Unskilled Worker^c				
Islamabad	14.0	5.5	11.8	0.8
Karachi	9.8	1.3	7.4	-3.6
Lahore	10.9	2.4	9.6	-1.4
Peshawar	14.6	6.1	14.9	3.9
Quetta	17.0	8.5	12.9	1.9

^aCarpenter | ^bMason
Source: Pakistan Economic Survey (PES)



Table 4.9
Wages of Employees by Sector
(Rs per Month)

	2008-09	2012-13	Growth Rate of (%)	
			Nominal Wage	Real Wage
Agriculture	4349	6221	9.4	-1.6
Manufacturing	6768	11022	13.0	2.0
Wholesale & Retail Trade	5619	8656	11.4	0.4
Transport & Communications	8069	12470	11.5	0.5
Public Administration & Defence	11207	21549	17.8	6.8
Education	10424	18703	15.7	4.7
Health	9889	17412	15.2	4.2
Domestic Services	3680	6517	15.3	4.3
Other Services	6254	8197	7.0	-4.0

Source: LFS

Table 4.10
Trends in Labor Productivity
(Rs in Billion at 2005-06 prices)

	2005-06	2012-13
AGRICULTURE		
Value Added	1775.6	2152.3
Employment (million)	20.54	22.73
Labor Productivity	86446	87032
		(0.10%)
INDUSTRY		
Value Added	1616.1	2129.1
Employment (million)	9.82	12.54
Labor Productivity	164572	169786
		(0.45%)
SERVICES		
Value Added	4324.3	5945.3
Employment (million)	17.01	19.31
Labor Productivity	254221	308353
		(2.80%)
GDP		
Value Added	7716.0	10226.7
Employment (million)	47.37	56.58
Labor Productivity	162888	180748
		(1.50%)



4.2.5. 'Decent' Work

Decent work, according to ILO, involves opportunities for work that is productive, delivers a fair income, provides security at the workplace and social protection for families. It provides better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.

The Informal Work Force

A large part of the labor force works in the informal sector in Pakistan. Conditions for 'decent work' are seldom satisfied in the informal sector. Wages are low and variable, the working day is characterized by long hours of work, job security is minimal and the working environment has health and other hazards. There is also little or no scope for collective bargaining.

The LFS gives the distribution of the labor force into three segments – in agriculture, formal non - agriculture and informal non – agriculture. Trends in the number of workers in the last component are presented in Table 4.11. Currently, the number of workers employed in the informal sector is 23.5 million, representing over 41 percent of the total number employed.

The worrying trend is the fast growth in informal sector workers between 2003-04 and 2008-09 of over 5 percent annually. This was a period when the informal sector the economy grew very fast. The failure in labor absorption implies a degree of 'jobless growth' in the formal sector.

Incidence of Work Related Injuries / Diseases

The LFS gives the incidence of work related injuries / diseases, during the last twelve months prior to the Survey. *The incidence of injuries/diseases is relatively high and growing* (see Table 4.12). Over 4 percent of the workers have been affected in 2012-13. The incidence is almost twice in the case of male workers. The highest number of injuries / diseases is in agricultural work and among self-employed workers.



Table 4.11
Number of Employed Workers in the Informal Sector
(‘000’)

	2003-04	2008-09	2012-13
▪ Population	148159	169996	1843349
▪ % 10 years and above	69.53	71.85	71.94
▪ Population above 10 years of age	103015	122142	132621
▪ LFRP (%)	43.74	56.66	45.70
▪ Labor Force	45059	55770 (4.36)	60608 (2.10)
▪ Unemployment Rate (%)	7.69	5.46	6.24
▪ Employed Number	41594	52724 (4.85)	56826 (1.89)
▪ % Employed in Agriculture	43.05	44.91	43.71
▪ Employment of Non-Agricultural Workers	23688	29045 (4.16)	31987 (2.44)
▪ % in informal sector	70.0	73.30	73.60
▪ Number of Workers employed in the Informal Sector	16582	21290 (5.12)	23542 (2.54)

Source: PES



Table 4.12 Incidence* of Injuries / Diseases Work Related 2012-13 (%)		
	2008-09	2012-13
PAKISTAN	2.71	4.02
Male	3.15	4.52
Female	1.09	2.28
DISTRIBUTION BY SECTOR		
Agriculture	50.43	49.15
Manufacturing	13.96	13.32
Construction	14.54	15.24
Trade	7.54	9.20
Transport	8.14	7.03
Others		6.06
DISTRIBUTION BY OCCUPATION		
Craft and Related Workers	22.11	18.78
Agriculture	44.86	43.51
Elementary Occupations	19.83	20.92
Others		16.79
DISTRIBUTION BY EMPLOYMENT STATUS		
Self-Employed	38.87	38.80
Employee	38.36	38.12
Contributing Family Worker	22.68	22.42
Other		0.66
*in the 12 months prior to the survey		
Source: LFS, PBS		



'Over Worked' Workers

The share of workers working more than 49 hours a week is given in Table 4.13. *The percentage of 'overworked' workers is high, although it has been declining since 2001-02.* In 2012-13, almost 39 percent of the workers put in 49 or more hours a week.

The incidence of 'overworked' workers is higher in the urban areas, among males and employers/self-employed.

Table 4.13			
Share of 'Overworked' Workers (Working 49 or more hours a week) (%)			
	2001-02	2008-09	2012-13
Total	43.2	38.2	37.7
Rural	41.5	34.4	33.1
Urban	45.7	50.0	48.4
Male	47.4	43.9	45.9
Female	16.4	17.0	9.1
By Occupation			
Employer	54.9	70.3	62.4
Self Employed	53.9	54.3	51.8
Unpaid Family Worker	31.1	21.6	18.3
Employees	38.0	38.4	38.0
Source: LFS			

4.2.6. Minimum Wages

The minimum wage in 2012-13 was Rs 8000 per month. According to Table 4.14, *over 44 percent of the workers received less than the minimum wage.* This percentage was higher in the case of females at 72 percent; among rural workers at 51 percent and in sectors like agriculture (74 percent), other services (61 percent) and domestic services (71 percent).



Table 4.14
Percentage of Employees receiving less than the Minimum Wage by Sector

	2012-13
PAKISTAN	44.5
Male	40.7
Female	72.0
Urban	37.7
Rural	50.9
SECTOR	
Agriculture	74.6
Manufacturing	47.7
Construction	47.8
Transport	34.8
Finance and Insurance	11.3
Public Admin and Defence	8.3
Education	25.4
Health	29.4
Other Services	61.3
Domestic Services	71.3

Source: LFS

4.2.7. Collective Bargaining

The trade union movement is relatively underdeveloped in Pakistan¹ as shown in Table 4.15. Also, more recent data is not available. In 2007, there were 455 registered trade unions, according to ILO. The total membership was 441,000, with a trade union density of 1.2 percent. This compares with 32.9 percent in India, 17.9 percent in Sri Lanka and 59 percent in Turkey. The fundamental question is why the process of formation of trade unions has been so slow and retarded in Pakistan.

Table 4.15
Trade Union Membership in Selected Developing Countries
(‘000’)

Country	Year	Number of Trade Unions	Number of Members (000)	Members per Union	Trade Union Density (%)
India	2008	9702	9573	979	32.9
Malaysia	2012	694	890	1282	9.3
Pakistan	2007	455	441	969	1.2
Philippines	2012	18428	1833	99	8.7
Sri Lanka	2011	2057	1042	506	17.9
Turkey	2008	102	3205	31420	59.0

Source: ILO



Chapter 5:

Labor Laws in Pakistan

There are a number of labor laws in Pakistan, which have been enacted either at the Federal or the Provincial level. Many of these laws pertain to the implementation of the eight international labor conventions that Pakistan has ratified. The list of labor laws is given in Chart 5.1.

Chart 5.1
Labor and Human Resource Laws

BONDED LABOUR SYSTEM (ABOLITION) ACT, 1992
COMPANIES PROFITS (WORKERS' PARTICIPATION) ACT, 1968
DISABLED PERSONS, (EMPLOYMENT AND REHABILITATION) ORDINANCE, 1981
EMPLOYEES' COST OF LIVING (RELIEF) ACT, 1973
EMPLOYMENT (RECORD OF SERVICES) ACT, 1951
EMPLOYMENT OF CHILDREN ACT, 1991
ESSENTIAL PERSONNEL (REGISTRATION) ORDINANCE, 1948
FACTORIES ACT, 1934
INDUSTRIAL STATISTICS ACT, 1942
MINIMUM WAGES ORDINANCE, 1961
PAYMENT OF WAGES ACT, 1936
PROVINCIAL EMPLOYEES' SOCIAL SECURITY ORDINANCE, 1965
EMPLOYEES SPECIAL ALLOWANCE (PAYMENT) ACT, 1988
FAIR PRICE SHOPS (FACTORIES) ORDINANCE, 1971
INDUSTRIAL RELATIONS ACT 2010
WEIGHTS AND MEASURES (INTERNATIONAL SYSTEM) ENFORCEMENT ACT, 1975
ROAD TRANSPORT WORKERS ORDINANCE, 1961
WEST PAKISTAN INDUSTRIAL AND COMMERCIAL EMPLOYMENT (STANDING ORDERS) ORDINANCE, 1968
WEST PAKISTAN MATERNITY BENEFIT ORDINANCE, 1958
WEST PAKISTAN MINIMUM WAGES FOR UNSKILLED WORKERS ORDINANCE, 1969
WEST PAKISTAN SHOPS AND ESTABLISHMENTS ORDINANCE, 1969
WORKERS CHILDREN (EDUCATION) ORDINANCE, 1972
WORKERS WELFARE FUND ORDINANCE, 1971
WORKMENS COMPENSATION ACT, 1923

We examine in the relevant laws the provisions that have been built in for enforcement mechanisms, penalties, etc.



Chart 5.2

²The Schedule (See section 3)

PART 1: OCCUPATIONS

- 1) Transport of passengers, goods or mail;
- 2) Work in a catering establishment at a railway station, involving the movement of a vendor or any other employee of the establishment from one platform to another or into or out of a moving train;
- 3) Work relating to the construction of a railway station or with any other work where such work is done in close proximity to or between the railway lines; and
- 4) A port authority within the limits of any port.

PART-II: PROCESSES

- 1) Work inside underground mines and above ground quarries including blasting and assisting in blasting.
- 2) Work with power driven cutting machinery like saws, shears, guillotines and agricultural machines, thrashers, fodder cutting machines.
- 3) Work with live electrical wires over 50 volts.
- 4) All operations related to leather tanning process e.g., soaking, de-haring, liming, chrome tanning, deliming, pickling, defleshing, ink application.
- 5) Mixing and manufacture of pesticides and insecticides, and fumigation.
- 6) Sandblasting and other work involving exposure to free silica.
- 7) Work with exposure to all toxic, explosive and carcinogenic chemicals e.g., asbestos, benzene, ammonia, chlorine, manganese, cadmium, sulphur dioxide, hydrogen sulphide, sulphuric acid, hydrochloric acid, nitric acid, caustic soda, phosphorus, benzidine dyes, isocyanates, carbon tetrachloride, carbon disulphide, epoxy resins, formaldehyde, metal fumes, heavy metals like nickel, mercury chromium, lead, arsenic, beryllium, fiber glass.
- 8) Work with exposure to cement dust in cement industry.
- 9) Work with exposure to coal dust.
- 10) Manufacture and sale of fireworks and explosives.
- 11) Work at the sites where liquid petroleum gas (LPG) and compressed natural gas (CNG) is filled in cylinders.
- 12) Work on glass and metal furnaces; and glass bangles manufacturing.
- 13) Work in the cloth weaving, printing, dyeing and finishing sections.
- 14) Work inside sewer pipelines, pits and storage tanks.
- 15) Stone crushing.
- 16) Lifting and carrying of heavy weight (15kg and above) especially in transport industry.
- 17) Carpet weaving.
- 18) Working two meters or more above the floor.
- 19) All scavenging including hospital waste.
- 20) Tobacco processing and manufacturing including niswar and bidi making.
- 21) Deep-sea fishing, commercial fishing and processing of fish and sea-food.
- 22) Sheep casing and wool industry.
- 23) Ship breaking.
- 24) Surgical instruments manufacturing especially in vendors' workshops.
- 25) Spice grinding.
- 26) Work in boiler house.
- 27) Work in cinemas, mini cinemas and cyber clubs.
- 28) Mica-cutting and splitting.
- 29) Shellac manufacturing.
- 30) Soap manufacture.
- 31) Wool cleaning.
- 32) Building and construction industry.
- 33) Manufacture of slate pencils including packing.
- 34) Manufacture of products from agate

² Subs. New Schedule for the original, Notification.S.R.O. 1280(1)2005,dated 20-12-2005. Gazette. Of Pak., Extra., Pt. I, December 27, 2005.



5.1. Enforcement Mechanisms

Abolition of Bonded Labor: The law is titled Bonded Labor (Abolition) Act, 1992. The Government may confer such powers as required on the District Coordination Officer (DCO) to ensure that the provisions of the Act are carried out. It shall be the duty of the DCO to determine if bonded labor is being enforced in his jurisdiction.

Any person who forces bonded labor is punishable with imprisonment for a period not less than two years or more than five years, or with a fine which shall not be less than 50 thousand rupees, or with both. If a fine is recovered, payment shall be made to the bonded worker at the rate of not less than 50 rupees for each day for which bonded work as extracted for him.

A Vigilance Committee shall be set up at the District level, consisting of elected representatives, labor department, media, etc. The tasks of the Committee include implementation of the law and help in rehabilitation of freed bonded labor.

A Magistrate of the first class empowered in this behalf by the Provincial Government may try any offence under this Act. Any offence under this Act shall be tried summarily. The offence is cognizable and bailable.

Child Labor: The law is titled Employment of Children Act, 1991. A 'child' is defined as a person who has not completed his fourteenth year of age. The law prohibits employment of children in certain occupations and processes, as specified in a Schedule (see Chart 5.2).

A Cadre of Inspectors is to be appointed to check if any establishment is violating the law. The punishment for violation of the law is imprisonment for a period not less than six months and up to two years. No court inferior to that of a Magistrate of the first class shall try any offence under this Act.

Minimum Wages: The law is titled Minimum Wages Ordinance 1961. The law proposes the establishment of Minimum Wages Board by a Provincial Government, with representation both from employers and workers. The Board will recommend to the Provincial Government, the minimum rates of wages for adult unskilled workers and juvenile workers employed in industrial undertakings in the Province.

Any employer who contravenes the provisions of this Act shall be punishable with imprisonment for a term which may extent to six months and a fine of Rs 500. Cases of violation will be tried by a Magistrate.

Collective Bargaining: The law is titled *Industrial Relations Act, 2010*. Section 3 of the Act provides for freedom to a worker to join a trade union and for unions to be established, except is some activities specified in Section1: Unions can apply for registration under this Act. The Government can appoint Registrars of trade unions. In the presence of competing unions, the Registrar will decide which union is the legitimate collective bargaining agent. He will also regulate unfair practices.

The law also provides for registration of Federation of Trade Unions. A number of returns have to be filed to the Registrar by a Trade Union. Shop stewards are to be appointed as a link



between labor and management. There is also a provision for establishment of Workers Management Council in establishments employing fifty persons or more.

The Government may also establish Labor Courts, with the function of adjudicating on industrial disputes. Such courts will be deemed to be a Civil Courts. Further, the Government may also constitute Labor Appellate Tribunals.

A person who commits any breach of any term of any settlement shall be punished with a penalty. For the first offence, the penalty may be up to twenty thousand rupees and for any subsequent offence, up to fifty thousand rupees.

5.2. Assessment

The laws described above are comprehensive in character and cover key areas related to the Conventions like abolition of bonded labor, prohibition of child labor, minimum wages, establishment of trade unions and collective bargaining. An important 'missing' law is one that would ban discrimination in payment of wages, especially to women for equal work and in access to different occupations.

Special institutional arrangements have been proposed for ensuring implementation:

- (i) Setting up of Vigilance Committees in the Bonded Labor (Abolition Act).
- (ii) Setting up of a Cadre of Inspectors for enforcement of the Employment of Children Act.
- (iii) Establishment of Minimum Wages Board in the Minimum Wages Ordinance.
- (iv) Appointment of Registrars of Trade Unions and establishment of Labor Courts under the Industrial Relations Act.
- (v) Setting up coordination and monitoring mechanism at the provincial level with the secretariat in the labor department, and at the federal level in the Ministry of Commerce.

There is need for a *field survey* at the Provincial / District levels to determine if the above provisions of the laws have been honored. Further, if this is the case, assessment of the contribution made towards the attainment of objectives embodied under the Laws.



Chapter 6:

Conclusions and Recommendations

The principal conclusions in the different Chapters are presented below along with recommendations.

6.1. Pakistan's Exports to EU

- The share of the 28 EU countries in Pakistan's exports is close to one-fourth. The major seven markets are Belgium, France, Germany, Italy, Netherlands, Spain and the UK.
- The major exports are of textiles and clothing, leather goods, sports goods and surgical instruments
- GSP+ implies a duty reduction for imports to EU from Pakistan of four to twelve percentage points
- Conservative estimates of the increase in exports after GSP+ are \$1 billion.
- The market is very competitive in the EU and growing slowly. It is important that Pakistan have a correctly valued exchange rate and preference is given in supply of energy to export-oriented industries, especially textiles. This will enable full exploitation of the gains from GSP+.

6.2. GSP+

- 27 international conventions have been ratified by Pakistan as a pre-condition for GSP+ status. This includes eight labor related conventions.
- The first review of the extent of adherence to the Conventions will be in January 2016.
- For stronger implementation and monitoring, a special GSP+ cell should be established in the labor department of each Provincial Government, for the labor-related conventions.

6.3. State of the Labor Market in Pakistan

- The labor force of Pakistan is 60.6 million, growing at over 3 percent per annum.
- The unemployment rate is currently at 7 percent, up from 6.2 percent in 2008-09.
- According to ILO, the number of bonded workers in Pakistan is 2 million, in selected activities like brick kilns and agriculture.
- The number of child workers is 2.7 million, 11 percent of the children in the age group, 10-14 years. Bulk of the child labor is in rural areas.
- The labor force participation rate of females is low but rising currently, the share of females in the labor force is 15 percent. There are almost 10 million female workers in marginal occupations.



- On the average, the male-female wage differential is almost 40 percent. The difference is more pronounced in the informal economy.
- Real wages have shown a declining tendency during the last five years.
- The number of workers employed in the informal sector is 23.5 million, equivalent to 74 percent of the workers engaged in non-agricultural activities.
- Over 4 percent of the workers annually get injured or illness which is work-related.
- The share of 'overworked' works (working more than 49 hours a week) is 38 percent.
- Over 44 percent of the workers receive less than the minimum wage (Rs 8000 per month) in 2012-13. This percentage is higher in agriculture, other services and domestic services.
- Only 441,000 workers are members of trade unions. This is 1.2 percent of the urban labor force.
- The overall conclusion is that the labor market is underdeveloped in Pakistan. Worker's rights as per the Labor Conventions have been difficult to ensure in an environment of slow growth and rising unemployment. The particularly soft spots are bonded and child labor, access and relatively low wages of women and the absence of collective bargaining.

6.4. Labor Laws in Pakistan

- There are 24 labor-related laws in Pakistan. The following laws relate directly to the implementation of the eight Labor Conventions:
 - (i) Bonded Labor System (Abolition) Act, 1992
 - (ii) Employment of Children Act, 1991
 - (iii) Minimum Wages Ordinance, 1961
 - (iv) Industrial Relations Act, 2010
 - (v) West Pakistan Minimum Wages for Unskilled Workers' Ordinance, 1969
- It is important to note that there are 'missing' laws in the following two critical areas:
 - (i) Equal Remuneration of Men and Women Workers for work of equal value
 - (ii) Removal of Discrimination in respect of Employment and Occupation

These two laws need to be enacted quickly to remove discrimination in the labor market and to show Pakistan's commitment to the International Conventions.

- Special institutional arrangements have been proposed in the above five laws for ensuring implementation, as follows:



- (i) Setting up of Vigilance Committees in the Bonded Labor (Abolition) Act
 - (ii) Setting up of a cadre of Inspectors for enforcement of the Employment of Children Act.
 - (iii) Establishment of Minimum Wage Boards in the Minimum Wages Ordinance
 - (iv) Appointment of Registrars of Trade Unions and establishment of Labor Courts under the Industrial Relations Act.
- In addition, violation of the laws has been made a cognizable offence, with trial by a First Class Magistrate and varying levels of punishment.
 - There is need for a *field survey* at the Provincial / District level to determine if the above provision of the laws has been followed. Further, if this is the case, then an assessment can be made of the contribution to the implementation of the laws.



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