

Labour Market profile 2018



PAKISTAN

This profile is an updated report that provides a comprehensive overview of the country's labour market situation.

*Danish Trade Union
Development
Agency*

Analytical Unit



ULANDSSEKRETARIATET – DTDA
DANISH TRADE UNION DEVELOPMENT AGENCY



PREFACE

This report is divided in 11 thematic sections: trade unions, employers' organizations, tripartite structures (incl. social dialogue), national labour legislation, violations of trade union rights, working conditions, situation of the workforce (with subsections unemployment, sectoral employment, migration, informal economy, child labour, gender, and youth), education (incl. vocational training), social protection, general economic performance, and trade. Additionally, the Appendix presents a list of registered trade union centres in Morocco; list of collective labour agreements in force; list approved labour market related legislations from 2014 to 2017; and status of ratification of International Labour Organization (ILO) Conventions.

Estimations are based on data from international databanks (e.g. ILO's Key Indicators of the Labour Market (KILM) and NATLEX as well as the World Bank's World Development Indicators and Education Statistics), national statistical institutions and ministries. Information is also collected from the International Trade Union Confederation (ITUC), U.S. Department of State, media sources (e.g. LabourStart, national news, etc.) along with trade unions centers, employers' organizations, NGOs, among others.

Several indexes such as the Global Rights Index, the Doing Business Index, the Governance Indicators, the Human Development Index and the Global Competitiveness Index are used as proxy indicators of the labour market's environment. The indexes' methodologies and the data quality can be followed by the sources' websites.

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ACKNOWLEDGMENT

The Danish Trade Union Development Agency (DTDA) is the Danish trade union council for international development co-operation. It was established, under a slightly different name, in 1987 by the two largest Danish confederations: the Danish Federation of Trade Unions (LO) and the Danish Confederation of Salaried Employees and Civil Servants (FTF). The organization activities are related to: i) to support democratic development of the trade union movements in Africa, Middle East, Asia and Latin America; and ii) to contribute to democratic development in the societies in which the unions operate.

This Labour Market Profile is prepared by the DTDA's Analytical Unit in Copenhagen with support from the Sub-Regional Office in the Philippines. In addition, with our thanks to Mr. Zahoor Awan, Secretary General of the Pakistan Workers' Federation (PWF) and Mr. Sabur Ghayur, Economist and Chairman of the Center for Labour Advocacy and Dialogue (CLAD), who have contributed with comments and clarifications on the report's draft version.

Front page photo was from Chusaidin Shah, a district in Punjab, where mine workers in a private owned company carried sacks with around 50 kilos of coal through 1 to 2 kilometers low shafts under very vulnerable working conditions. The picture was taken by Jens Aarup.

A wide range of other labour market profiles are available here:

<http://www.ulandssekretariatet.dk/content/landeanalyser>

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EXECUTIVE SUMMARY

The economy in Pakistan has grown steadily in recent years, but staying below the South Asia region average. Despite an increasing inflow of investments for China-Pakistan Economic Corridor (CPEC), issues such as natural calamities, energy crisis, fight against terrorism and political instability have created an un conducive environment to foreign investment and capital formation. Falling international prices of some key export sectors have triggered a loss of many formal jobs in the country. On the positive side, there has been a reduction among working poor during the last ten years, and the middle-class is growing slowly. Around one out of three workers is still living below US\$3.1 per day. The decline in the proportion of working poor is partly due to a real increase in the minimum wage. It is often overlooked, though, that the workers from the informal economy are not receiving the legal minimum wage or social benefits in practice.

Social dialogue remains a critical issue in the country. Among others, getting trade unions recognised as a collective bargaining agent (CBA) is covering only 20% of total trade union members. There are some steps of opening up for contractual employees as eligible voters in CBA referendum. On the enterprise level, workers' representation in Joint Work Councils is also difficult to be unfolded due to the domination of small and medium enterprises with a majority being in informality.

A wide range of legal reforms of the labour market were approved in recent years, which include constitutional amendments that opened up for provinces more autonomy, the Industrial Relations Act (IRA) of 2012 of labour issues and trade unionism. However, there are several flaws of key legislations in terms of the international labour standards, among others: a lack of explicit protection against anti-union discrimination as well as the prohibition of forming and joining unions. In this report it is registered that workers are often harassed including anti-union dismissals, physical violence, arbitrary imprisonments and the use of 'yellow' unions - i.e. worker organization that is dominated or influenced by an employer - in order to undermine the trade union movement.

Structural deficiencies on the labour market are showcased in the business environment, which is ranked poorly, especially trading across borders and the

administrative burden in paying taxes impede the overall doing business. Cooperation between employers and labourers, flexible wage determination and women participation are furthermore considered major problems for labour market efficiency in Pakistan.

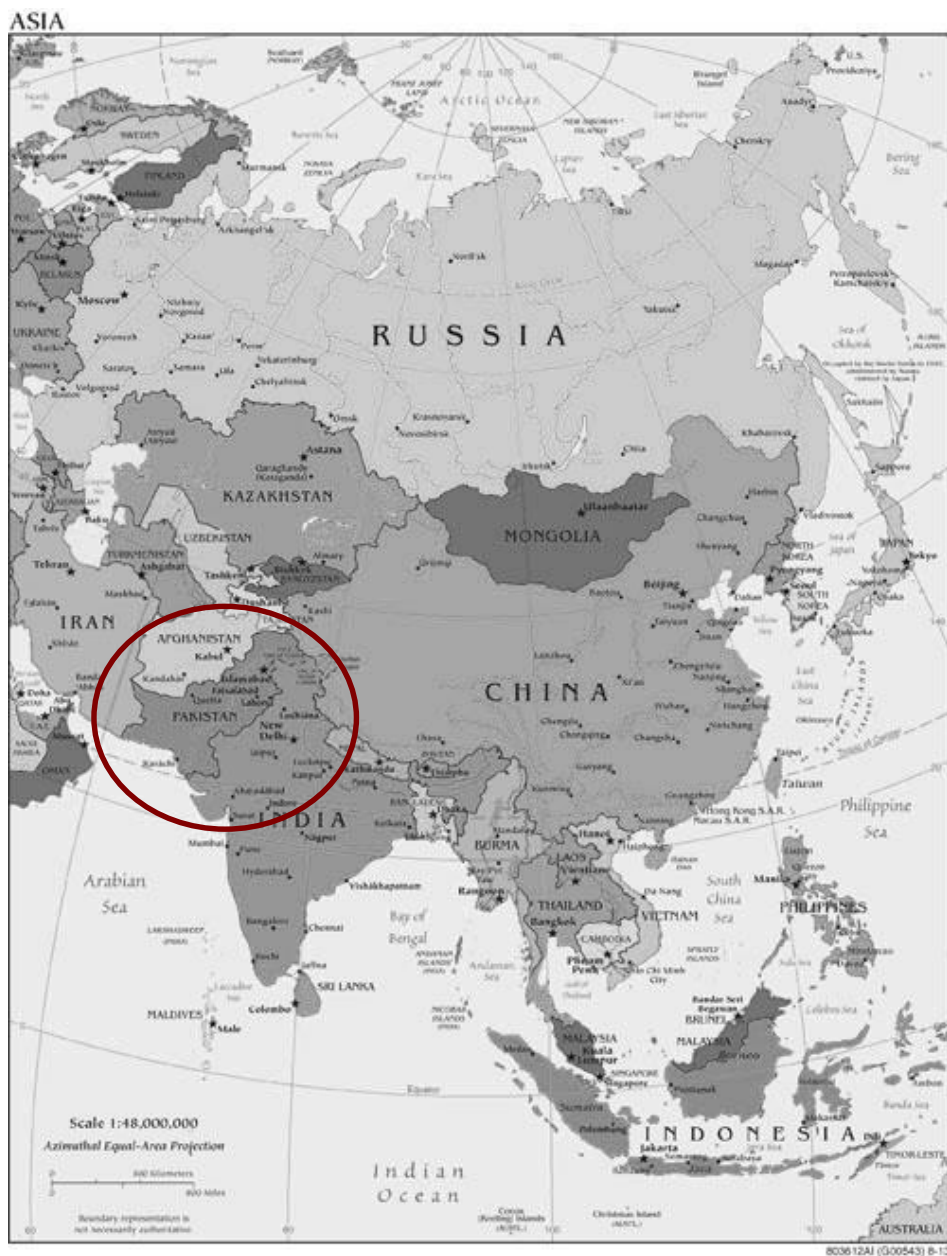
Total employment-to-population rate in Pakistan is relatively low of 51%, and just one out of five (21%) of women is employed. There is a deep gender gap present with cultural constraints that are hindering women's participation on the labour market. Women's participation rate was growing slowly in recent years, though. Labour productivity is increasing sluggishly. Open unemployment rate has been fairly stable at around 4% in recent years; but a higher potential was curbed by the underemployment prevalent. The makeup of the labour market regarding status in employment has not changed during the last decade and employees - i.e. workers who get a basic remuneration not directly dependent the revenue of the employer - are merely representing two out of five (39%) of the total employment.

Structural adjustment programs have caused reductions in social budgets and it affected negatively the already feeble social protection coverage in Pakistan. Enrolment in education on all level remains lower than the South Asia average, and women are lagging behind in primary and secondary education levels. Vocational training is more popular in the country in comparison with the region average, but, in spite of a political increased focus, the enrolment is on a declining trend. Not to mention, unemployment is more prevalent among the higher graduated youth, and the acquired skills are often irrelevant for the labour market demands.

The trade union movement faces challenges of internal division and fragmentations along ethnic, sectarian, linguistic and regional lines. Membership is growing, but the trade union density trend has dropped slightly and reaching 5.5% of employees in 2017, which was an impact of a high population growth, legal restrictions and anti-union practices. The National Industrial Relations Commission (NIRC) trade unionism register is not fully updated; trade union federations' own records are double as high. Unionization in the informal economy remains minimal.



COUNTRY MAP



Source: Google



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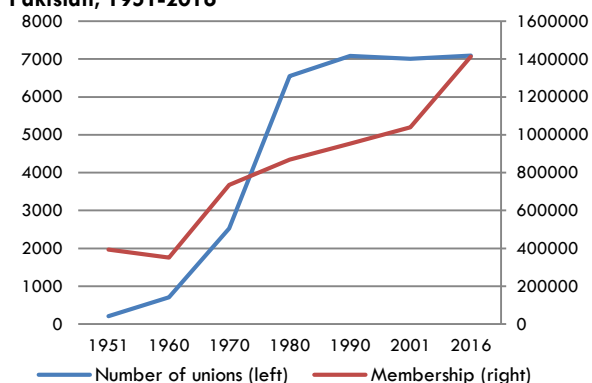
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TRADE UNIONS

Trade union movement in Pakistan can be traced back to the pre-independence period with India. During the last 50 years, this movement went through a growing number of trade unions from 209 in 1951 to 7,096 in 2016; and the largest upsurge was in the 1970s. Also the number of trade union members expanded from 393,000 to 1.4 million during the same period, according to the available data from the National Industrial Relations Commission (NIRC) (Figure 1).

Figure 1: Number of Unions and Total Membership in Pakistan, 1951-2016



Source: National Industry Relations Commission (NIRC)

In 2016 20% of total membership was registered as collective bargaining agents (CBAs) and 80% were non-CBA unions. The former trade unions are entitled to undertake collective bargaining with: i) the employer on matters connected with employment; ii) non-employment; and iii) the terms of employment or any right guaranteed or secured to it or any worker by or under any law along with any award or settlement. The non-CBA unions remains a grey zone since after the secret ballot is held for determination of a CBA, the losing union(s) tend to become inactive and sometime even cease to exist because their members automatically become members of the unions that wins the CBA referendum. To point out, most organized workers are operating in the formal sector with a major share in public enterprises. Unionization in the informal economy remains minimal.¹

The NIRC register of trade unions and membership diverges significantly from the trade union federations' records. Based on data from sixteen main federations, the trade union membership was recorded at around 2.8 million in 2016, which is double as high as the NIRC's presented number. One reason of the difference in the data is related to that NIRC and the Provincial Labour Departments do not tend to update their records.² On the other hand, data from federations' registers could sometimes be inflated by bringing more

informal members into the equation. This contrast is demonstrated by data from three central federations – the Pakistan Workers' Federation (PWF), the Muttahida Labour Federation (MLF), and the National Labour Federation (NLF) – that registered 800 unions with around 1.1 million members while NIRC recorded 605 unions and close to 600,000 members in 2016 (see more on Appendix Table 30).

Table 1 below provides an overview of the status of the unionism in Pakistan that is based on data from NIRC and the main trade union federations. The trade union density (i.e. ratio of trade union members to employees in terms of ILO international definition³) is calculated at 5.5% (NIRC data) and 11% (federations' data), respectively. According to NIRC, this density was estimated slightly higher at 16% due to national definition of formal employment. Despite the relatively narrow share of formal workers (or employees) in the country (Figure 5), the trade union density is low in comparison with the Organization for Economic Cooperation and Development's (OECD) estimation of 25% on average in 2015 among 33 developed countries.⁴ In addition, a broader trade union density of the total employment in Pakistan is significantly lower at 2.2% (NIRC data) and 4.3% (federations' data).

Table 1: Status in Trade Unions in Pakistan, 2016

Number of trade unions (collective bargaining agreement status)	1,390
Number of trade unions (non-collective bargaining agreements)	5,706
Trade Union members (NIRC register)	1,414,160
Trade Union members (16 federations register)	2,755,352
Trade union members to total employment	2.2 % *
Trade union members to employees	5.5 % *
Trade union members to workforce for the formal sector	16 % **
Women member share of trade unions	N/a

* Own calculations based on data from NIRC and ILOSTAT employment estimations. ** NIRC estimation.

Source: National Industry Relations Commission (NIRC), DTDA research and calculations on trade union density.

During the last 15 years, the number of trade union members increased by 36%, according to data from NIRC. However, this growth was lower than the evolution of the workforce. This is reflected in declining trends in the trade union density both in terms of the total employment and the employees under the ILO definition at a negative 0.5 percentage point and negative 1.9 percentage points in the period from



2001 to 2016, respectively (Table 2). Legal restrictions along with anti-union practices of employers are also key impediments (see more on the sections: National Labour Legislation and Trade Union Rights Violations).

Table 2: Trade Union Membership Trend in Pakistan, 2001-2016

Themes	2001	2016	Change
Trade union members	1,040,308	1,414,160	+36 % *
Ratio of members to total employment	2.6 %	2.2 %	-0.5 pp**
Ratio of members to employees	7.4 %	5.5 %	-1.9 pp**

* Percent change. ** Percentage point (pp) change.

Source: National Industry Relations Commission and own trade union density calculated by data from ILO ILOSTAT.

The agricultural sector covers 42% of the total employment. However, there is generally no provision allowing agricultural workers to unionize, as they are not defined as 'an industry' (see also the section: National Labour Legislation). As an exception, Sindh Industrial Relation Act 2013 extended its application to agriculture and fisheries. Ambiguity still prevails in this legislation as to proper unionization procedure for such an informal economy, though.⁵

A plurality of trade unions exists in Pakistan, but according to NIRC register, only three federations on national level had at least 2% (close to 30,000 members) of the 1.4 million unionized workers from Figure 1. A large majority of national federation and numerous active industrial/sector federations are instead rather small, diverging below 10,000 members and down to 200 members. As already mentioned, NIRC has often not updated their register over ten years, which could underestimate the real number of members. Below the three main federations are presented:

Pakistan Workers Federation (PWF)

PWF is the oldest and biggest federation in the country. In 2005, the organization went through a merger of three national trade union centres. Today, PWF has representation in 32 regional branches spread out in the four provinces. Table 3 below shows that the organization has 341 affiliated unions and approximately 510,280 members, according to NIRC. These data are lower than the federation's own register.

PWF is an independent national trade union centre without political affiliation. Internationally, PWF is affiliated with the International Trade Union Confederation (ITUC).⁶ The organization represents a

broad range of workers from different sectors, and activities include dispute settlement, advocacy and educational.⁷

Table 3: Pakistan Workers Federation (PWF) unions and members, 2016

NIRC data		PWF data	
No. of unions	Members	No. of unions	Members
341	510,280	396	840,570

Source: ILO, A profile of Trade Unionism and Industrial Relations in Pakistan, 2018; and DTDA research

In 2017, PWF has been advocating for the rights of domestic and home based workers in the informal economy who currently do not have any rights when it comes to social protection or minimum wages both nationally and in all the provinces. As mentioned, this has resulted in the provincial government of Sindh taking initial steps to provide the home based workers with legal protection and coverage. Furthermore, PWF has been fighting antiunion discrimination by large companies and lobbying the government of Pakistan providing evidence that the proposed increase in the minimum wage for unskilled workers is inadequate and used to exploit skilled labourers.⁸

Muttahida Labour Federation (MLF)

MLF was formed as a merger of three federations in 1988. It has 134 affiliated unions and approximately 44,537 members, according to NIRC. These data are lower than the federation's own register (Table 4). The organisation has strong ties in the Sindh and Khyber-Pakhtunkwah provinces and has a radical reformist political alignment. MLF, among others, organise workers from tobacco, textile and the private sector in Karachi. MLF has no international affiliation. It is furthermore in the process of becoming an affiliate to PWF.⁹

Table 4: Muttahida Labour Federation (MLF) unions and members, 2016

NIRC data		MLF data	
No. of unions	Members	No. of unions	Members
134	44,537	204	140,200

Source: ILO, A profile of Trade Unionism and Industrial Relations in Pakistan, 2018; and DTDA research

National Labour Federation Pakistan (NLF)

NLF was formed in the 1960s, and it has today 130 affiliated unions and around 42,210 members, according to NIRC. These data are lower than the federation's own register (Table 5).



Table 5: National Labour Federation Pakistan (NLF) unions and members, 2016

NIRC data		NLF data	
No. of unions	Members	No. of unions	Members
130	42,210	200	132,500

Source: ILO, *A profile of Trade Unionism and Industrial Relations in Pakistan, 2018*; and DTDA research

The organisation is based on Islamic ideology and is widely recognized as a labour wing of the rightist political party, Jamaat-e-Islami.¹⁰ NLF has no international affiliation.

It organises workers within the sectors of telecommunication, railways mechanical engineering, electricity and civic sectors. NLF has an anti-communist agenda encouraging religious fundamentalism among workers.¹¹

EMPLOYERS' ORGANISATIONS

Employers constitute 1.4% of the total employment in Pakistan (see more on Figure 5). The Global Competitiveness Index provides the employer's view on a wide range of indicators related to competitiveness on the labour market in a given country. Looking at Table 6, it is apparent that Pakistan is being ranked at a low level by the employers in the country. Pakistan especially has problems when it comes to women's participation, cooperation between workers and employers and the flexibility when determining the wage. Pakistan's best rankings are in the country's capacity to retain talent and hiring/firing practices.

Table 6: Labour Market Efficiency in Pakistan, 2017-2018

Indicator	Rank	Value
Total	128	3.4
Cooperation in labour-employer relations	125	3.6
Flexibility of wage determination	122	4.1
Hiring and firing practices	63	3.8
Redundancy costs (weeks of salary)	110	27.2
Effect of taxation on incentives to work	89	3.6
Pay and productivity	82	3.8
Reliance on professional management	106	3.6
Country capacity to retain talent	58	3.6
Country capacity to attract talent	65	3.3
Women participation in the labour force	132	0.3

Note: Rank from 1 to 137 (1 is best). Value is estimated: 1 is lowest while 7 is highest.

Source: [World Economic Forum, Global Competitiveness Report 2017-2018](#)

Employers' Federation of Pakistan (EFP)

EFP was founded in 1950 to promote employer's interest at national level. The organisation has a goal of

keeping the Pakistani labour market stable as well as to train and upgrade the managerial capabilities among the Pakistani employers. EFP is a member of the International Organization of Employers (IOE), the Confederation of Asia Pacific Employers (CAPE) and South Asian Forum of Employers (SAFE). The EFP represents approximately 537 industrial and commercial establishments, both large and small, and 14 trade bodies as its members. These trade bodies have a membership of 36,685 entities.¹² In addition, policies are promoted such as: Foreign Training Programmes, child labour, occupation safety & health, HIV/AIDS, and employment.

CENTRAL BI/TRIPARTITE STRUCTURES

National Industrial Relations Commission (NIRC)

The NIRC was established in 1972 in every province of Pakistan with a quasi-judicial authority (i.e. non judicial body which can interpret law).

After the 18th Constitution Amendment in 2010, NIRC came under Ministry of Overseas Pakistanis and Human Resource Development. It deals with labour issues which are trans-provincial and in the Islamabad Capital Territory (ICT). These include industrial disputes, registration of trade unions, collective bargaining agreements, unfair labour practices, and advice to the government, among others.¹³ Sources have noted that the institution can even determine the outcome in any industrial dispute determined to be of national interest by the Pakistani government.¹⁴

Litigant cases are confronting delays in NIRC. As an example, over 2,500 cases were pending with the NIRC Lahore office back in 2015.¹⁵ One reason is that there is no timeline for decision of cases. In practice, workers have to struggle the cases for years and yet get nothing at the end of the day. On the positive side, in a landmark judgment in 2017, NIRC in Islamabad ordered a company to include contractual employees as eligible voters in upcoming CBA referendum, which has been applied as unfair practices (see more on the sections: National Labour Legislations and Trade Union Rights Violations).¹⁶

Pakistan Tripartite Labour Conferences (PTLCs)

In earlier years after independence, PTLCs were held at regular intervals. These tripartite national level forums were held in order to reach consensus on ratification of ILO conventions, enactment of labour legislation and amendment into existing legislations. Conferences were



also used to formulate national views on agendas before International Labour Conference meetings.¹⁷ The PTLC is not a statutory body, and during the military rules in Pakistan the Conferences lost importance. After the 18th Amendment to the Pakistani constitution in 2010, labour came under provincial governance but only the Sindh Provincial Government has taken up the PTLCs in 2017. Trade unions have supported this step, and called for the rest of the provinces in Pakistan to follow this example.¹⁸

Mediation and arbitration

Labour judiciary and industrial disputes are governed by the Industrial Relations Act from 2012 of the federal government and each province.¹⁹ An individual grievance is first decided by the employer and the worker can appeal the decision to the National Industrial Relations Commission. Collective industrial disputes are first attempted to be settled by a Works Council in the framework of the labour judiciary institutions that exist in each province. Afterwards the parties may notice strike or lockout and a Conciliator are appointed by the National Industrial Relations Commission to attempt to mediate the dispute. If mediation fails, the Conciliator shall try to persuade the parties to refer the dispute to arbitration. In 2017, the Alternative Dispute Resolution (ADR) Act was amended, which is an attempt to conciliate labour disputes in the Islamabad Capital Territory before they reach the high court. However, the ADR Act does not explicitly mention labour disputes.²⁰

Other bi/tripartite organs

- Minimum wage boards
- Employees' Old-Age Benefits Institution
- Employees' Social Security Institutions in the provinces
- Workers' Welfare Boards
- Workers' education directorates
- Workers Welfare Fund
- National Training Board
- Workers Employers Bilateral Council of Pakistan (WEBCOP), which is non-governmental body.

Social Dialogue and Collective Bargaining

The right to collectively bargain is governed under the Industrial Relations Act from 2012 in each of the provinces. Several issues have been raised regarding collective bargaining in Pakistan. For example, trade unions face challenges to even get recognised as a collective bargaining agent as the unions need to

represent a third of the total workers in establishment or group of establishment. In addition, several professions are excluded from entering into collective bargaining, e.g. banking and financial sector workers, forestry workers, hospital workers, and self-employed farmers; (see also sub-section: Observations on the Labour Legislation).²¹

In terms of workers' representation on enterprise level, a single body, the Joint Works Council, must be set up in any establishment employing 50 persons or more. It consists of no more than 10 members, 40% of which are workers' representatives. The Convener of the Joint Works Council is from the management and it deals with matters such as the improvement in production, productivity and efficiency, provision of minimum facilities for those of the workers employed through contractors who are not covered by the laws relating to welfare of workers. It has also taken up tasks of promoting settlement of differences through bilateral negotiations, promoting conditions of safety and health for the workers, encouraging vocational training within the establishment, taking measures for facilitating good and harmonious working conditions in the establishment, and provision of educational facilities for children of workers.²² In practice, Small and Medium Enterprises (SMEs) – from 10 to 99 employees – constitute nearly 90% of all the enterprises in Pakistan and employ approximately 80% of the non-agricultural labour force; with a majority of them being informal workers.²³ This suggests that the application of Joint Works Council in SMEs remains a challenge in practice.

Few data is available of the numbers and coverage of CBAs (including Collective Bargaining Agreements). PWF reported that out of 427 unions, 362 had the status of collective bargaining agents, covering 821,000 workers in 2017.²⁴

NATIONAL LABOUR LEGISLATION

Constitution

The last amendment in the Pakistani Constitution was in 2015,²⁵ but the 18th Amendment of 2010 remains the most important constitutional change for the labour market. The main consequence from 2010 reform was a decentralisation of power in Pakistan, which gave provinces more autonomy, including in labour market legislation and industrial relations. The amendment also devolved the responsibilities of policy development of labour related matters and enforcement to the provinces.²⁶



The Pakistani Constitution only partially guarantees the freedom of association. First of all, the prohibition of forced labour is in question with both federal and provincial laws prohibiting employees to leave work without consent from their employer. Instead these laws can mean imprisonment where compulsory labour is normal.

Secondly, the majority of the Pakistani workforce is now under provincial jurisdiction. This included that the parliament passed laws in 2012 that put the International Labour Organisations (ILO) conventions into force. However, this reform has created constitutional challenges among the provincial high courts and Islamabad High Court. For example, the federal legislature has extra-territorial authority that has not been included on the provincial legislature by the Constitution. While the federal legislature still has competence to legislate to regulate the trade unions functioning at trans-provincial level, the provincial legislatures do not. There are reports that there is a lack of federal coordination to align labour regulation between the provinces.²⁷

Industrial Relations Act (IRA)

The IRA from 2012 was adopted to update industrial relations after the 18th constitution amendment of 2010. It regulates trade unions, workers participation and industrial disputes. It also defines unfair labour practices.

Prior to the 18th Amendment, both the Parliament as well as the provincial assemblies had responsibilities in the field of labour and trade unions; and the labour laws enacted by the Parliament were applicable in the federation. After the 18th Amendment, the Parliament approved the IRA 2012 that placed the responsibilities and autonomy of labour issues and trade unionism in the domain among the provincial assemblies.²⁸

Albeit the IRA 2012 in principle does not breach the 18th Amendment nor does it stymie the provincial autonomy, several deficiencies were noted in the provincial IRAs (see also the sub-section: Observations on the Labour Legislation).

Labour issues functioning in the Islamabad Capital Territory or in more than one province shall be governed by the federal legislation. In case the issues are only within the territorial limits of a province shall be governed by the concerned provincial legislations. The only federal government body with an authority over labour issues is the Ministry of Human Resource,

Development and Overseas Pakistanis. Its role is limited to compiling statistics to monitor compliance with ILO conventions.

This Act does not cover workers from the agricultural sector in three provinces (Punjab, Khyber Pukhtunkhwa, and Baluchistan) and the federal along with education sectors that are not legally considered as "an industry". Workers in 16 other categories are moreover excluded from the rights defined in the Ordinance Federal and Provincial laws (see more on Appendix Table 32).

Factories Act

The Factories Act from 1934, last amended in 2012, and is adopted by the provinces. The Act consolidates and amends the law regulating labour in factories in terms of inspections, Occupational Safety and Health standards, working hours, time off and child workers.²⁹ It applies to factories employing ten or more workers. Workers, who are not covered by the Factories Act, can be covered by the Mines Act, and those employed in shops and commercial establishments are covered by the West Pakistan Shops and Establishments Ordinance.³⁰

Other Labour Related Legislation

A wide range of other labour market legislations exist, which regulate and set standards and restrictions for the labour market. ILO registered as of March 2018, a total of 490 national labour, social security and human rights related legislations. Overall, there have been implemented a series of decrees and legislative reforms with reference to the labour market during recent years (Table 7 and Appendix Table 33).³¹

Table 7: Number of New Labour Market Legislations in Pakistan, 2014-2017

	2014	2015	2016	2017
Number of new legislations	34	25	38	21

Note: Because of the devolvement of authority from the federal to the provincial governments, many of the counted laws are not applicable to all of Pakistan.

Source: [ILO, NATLEX, Pakistan](#)

Observations on the Labour Legislation

According to the International Trade Union Council (ITUC), there are many holes, inadequacies and oppressive regulations in the Pakistani labour laws. These range from the direct prohibition of certain workers right to unionise, to regulations on which manners of protests that are deemed legal. The following aspects of the Pakistani labour law were



noted (some of these will be expanded upon in section on trade union rights violations):³²

- Anti-union discrimination
- Barriers to the establishment of organisations.
- Restrictions on worker's rights to form and join organisations of their own choosing.
- Restrictions on trade unions' right to organise their administration.
- Categories of workers prohibited or limited from forming or joining a union.
- Barriers to the recognition of collective bargaining agents.
- Restrictions on the free and voluntary bargaining.
- Limitations or ban on collective bargaining in certain sectors.
- Ban or limitations on certain types of strike actions.
- Undue interference by authorities or employers during the course of a strike.
- Undermining of the recourse to strike action or their effectiveness.
- Limitations or ban on strikes in certain sectors.

There are no explicit laws against anti-union discrimination, and the workers prohibited from forming or joining a union includes all personnel working with the armed forces or security, healthcare, natural gas or liquefied petroleum, civil service, Pakistan International Airlines Cooperation, Export Processing Zones (EPZs), management or supervision along with agricultural workers. These categories are very broad and cannot all be characterised as essential services.

Labour leaders have stressed the need for legislation to cover the rights of workers in the informal and agricultural sectors. Enforcement of the laws is ineffective due to limited resources, corruption, and a lack of political will to improve the conditions. Furthermore, the majority of factory workers are contracted labourers which leave them no job security or additional social benefits even if they have been with the same employer for a number of years.³³ However, in August 2017 the National Industrial Relations Committee ruled that contract workers with state owned entity Sui Southern Gas Company were eligible for collective bargaining agreement voting, which could leave the way for them to be recognised as regular employees.³⁴

Ratified ILO Conventions

With reference to Pakistan's ratification of the international labour standards, a total of 36 ILO Conventions are ratified as of March 2018 (see also Appendix Table 34):³⁵

- Fundamental Conventions: 8 out of 8
- Governance Conventions: 2 out of 4
- Technical Conventions: 26 of 177

Out of 36 Conventions ratified by Pakistan, of which 32 are in force, 1 Convention has been denounced and 3 instruments abrogated. The latest ratified were the fundamental convention of Minimum Age Convention (C138) and the technical convention of Seafarers' Identity Documents Convention (C185), both in 2006. The Committee of Experts on the Application of Conventions and Recommendations (CEACR) made observations or requests on the following conventions in 2016: C011, C016, C022, C087, and C098.³⁶

TRADE UNION RIGHTS VIOLATIONS

Based on the ITUC's Global Rights Index, Pakistan was ranked at 5 out of 5+ (5+ is the default level for countries with a complete breakdown in the rule of law) in 2017. The country has been at this level since 2015 (Table 8). This ranking is among the worst in the world. While the legislation may cover rights, often the workers effectively have no access to these, and are exposed to weak governance and unfair labour practices.³⁷

Table 8: Global Rights Index Pakistan, 2014-2017

	2014	2015	2016	2017
Ranking on the Global Rights Index	4	5	5	5

Source: [ITUC, Global Rights Index](#)

As previously mentioned, ITUC has registered a wide range of legal flaws and provisions that undermine the freedom and possibilities of action for the trade unions in Pakistan. Even with limited legal coverage for trade unions and trade union members, there have still been a number of cases where the legal rights were breached.

Generally, it has been reported that trade unions are often discriminated against by employers, government and police during strikes or protests often using violence to counter the protests. Employers have also been using these strikes and protests to dismiss trade union representatives; and the police have broken up protests with examples of union members being charged with



anti-state or anti-terror laws. Federal law outline illegal strikes, picketing and other labour related protests as civil commotion, which can carry a punishment of up till life sentence. Furthermore, the law requires police authorisation for gatherings of four or more persons, which can potentially be used to discriminate against the population. Labour unions in Pakistan have also pointed to employer's use of 'yellow' unions (i.e. worker organization which is dominated or influenced by an employer, and is therefore not an independent trade union) to undermine traditional trade unions.³⁸

It has been estimated that as many as 2.1 million people were living in 'modern slavery' in Pakistan in 2016. That is more than 1% of the total population.³⁹ Many of these are forcefully employed in the agricultural sector,⁴⁰ where forming a trade union is prohibited by the labour law in Pakistan; except the Sindh Industrial Relation Act 2013.⁴¹ Major issues with the coal mining industry were reported in 2017. Ownership is often fragmented and it is therefore difficult to track responsibility for deaths and accidents occurring as a consequence of insecure working conditions. Employment in the coal mines often goes through contractors and subcontractors with discrimination against union members. The Pakistan Central Mines Labour Federation has called for the Pakistani government to ratify ILO Convention No. 176 on safety and health in mines.⁴²

The ILO has three active cases in the Committee of Freedom of Association. The Complaints were filed in 2011, 2013 and 2017, respectively. The October 2011 case involves accusations of violence from the employer against employees. The Karachi Electric Supply Corporation Labour Union (KESCL) alleges refusal from management of the electric supply enterprise to implement a tripartite agreement which led to protests where the enterprise management ordered to open fire at the protesting workers. Nine was injured and management further filed criminal cases against 30 trade union office bearers.⁴³

Table 9: Complaint Procedures from Pakistan with the ILO, December 2017

Freedom of Association Cases	Number
Active	3
Follow-up	2
Closed	32

Source: [ILO, NORMLEX - Pakistan](#)

WORKING CONDITIONS

The federal minimum wage is only mandatory in the Islamabad Capital Territory. Each province could determine its own minimum wage., but in practice they ordinarily applied the one announced by the federal government.

The minimum wage was raised to PKR 15,000 (US\$137) in all provinces from July 2017 to June 2018, and has been the same in all provinces in recent years (Figure 2). The government also announced new Basic Pay Scales in 2016 and salaries were raised again by 10% in the National Budget 2017-18.⁴⁴

Looking at the ratio of minimum wage to value added per worker (Table 10), which is a proxy indicator of difficulty of hiring, it is apparent that is very low (the scale goes from 0-10). It means that the Pakistani minimum wage is fairly high compared to the value added per worker, which discourages the hiring of more workers in relation to competitiveness. Relatively high minimum wage compared to value added per worker could also, to some degree, explain the high degree of informality in the Pakistani economy along with the South Asian region (see sub-section: Informal Economy).

Table 10: Wages and Earnings per Month in Pakistan

	Current Pakistan Rupee	Current US\$
Minimum Wage (2017)	15,000	137
Mean Earnings of Employees (2016)	14,921	142
Ratio of Minimum Wage to Value Added per Worker	0.6 *	
Real Minimum Wage Growth 2012-2017	99 %	

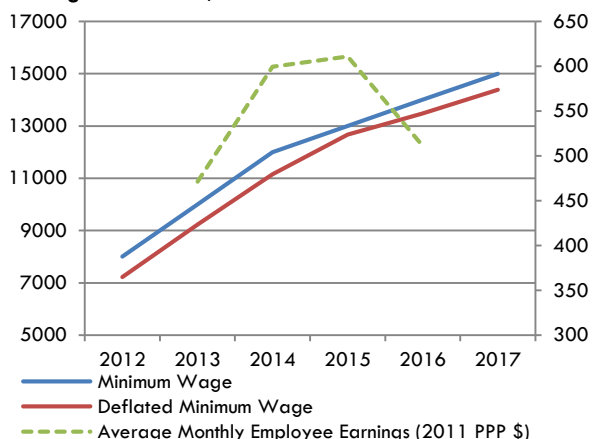
* Value added per worker is the ratio of an economy's GNI per capita to the working-age population as a percentage of the total population.⁴⁵

Source: [Paycheck.pk](#), [ILO, ILOSTAT – Earnings](#), [World Bank, Doing Business Index](#), [XE, Currency Converter](#) & DTDA Calculations

Looking at Figure 2, the minimum wage in Pakistan has been on an upward trajectory for the last five years, even when taking into account the effects of inflation in consumer prices. However, it should be noted that many workers in the large informal economy receive less than the official minimum wage.



Figure 2: Minimum Wage & Average Monthly Employee Earnings in Pakistan, 2012-2017



Note: Punjab Province had a minimum wage of 9,000 in 2012, but is figured to have the same as the others in the rest of the years.

Source: [Paycheck.pk](#), [World Bank, Development Indicators](#), [IMF, World Economic Outlook](#) & [ILO, ILOSTAT – Earnings](#) & DTDA Calculations

The Industrial Relations Acts in each province provide for workers' occupational safety and health in the formal sector not the workers from the informal economy. Enforcement of labour regulations is lacking in Pakistan with provincial agencies receiving inadequate funds and labour inspectors lacking training.⁴⁶ As of 2016, Pakistan employed 334 labour inspectors throughout the country, meaning approximately one inspector per 192,000 of total employment and one inspector per 75,000 of employees based on calculations.⁴⁷ The ILO recommends one inspector per 40,000 workers in less developed countries and 1 per 20,000 workers in transitional economies.⁴⁸

A brief overview of the working condition regulations in Pakistan is available in Table 11 below.

Table 11: Working Conditions in Pakistan

Fixed-Term Contracts Prohibited for Permanent Tasks	Yes
Maximum Length of a Single Fixed-Term Contract (Months)	9 Months
Maximum Number of Working Days per Week	6 Days
Premium for Overtime Work (% of Hourly Pay)	100 %
Paid Annual Leave (Average Working Days with 1, 5 & 10 Years of Tenure)	14
Minimum Length of Maternity Leave	84 Days
Amount of Maternity Leave Benefits	100% of Wages
Source of Maternity Leave Benefits	Employer
Unemployment protection after one year of employment	No

Source: [World Bank, Doing Business - Pakistan](#) & [ILO, NATLEX - Pakistan](#)

WORKFORCE

The total population in Pakistan is growing fast by 2.0%, and was approximately 193 million people in 2016.⁴⁹ Labour force consisting of around 70 million. The employment-to-employment ratio in Pakistan is slightly lower than the average in Southern Asia. A very significant gender gap is present in the country just as compared to rest of the region. Looking at comparable countries in terms of income (income group II – lower middle income – by ILO definitions), the situation is the same with Pakistan having a slightly lower employment rate overall and women but a bit higher for men (Table 12).

Table 12: Employment-to-Population Ratio in Pakistan and Southern Asia, 2017

Sex	Age	Pakistan	Southern Asia	
Total	Total	15 +	51 %	52 %
	Youth	15-24	39 %	33 %
Men	Total	15+	79 %	76 %
	Youth	15-24	59 %	48 %
Women	Total	15+	22 %	27 %
	Youth	15-24	18 %	18 %

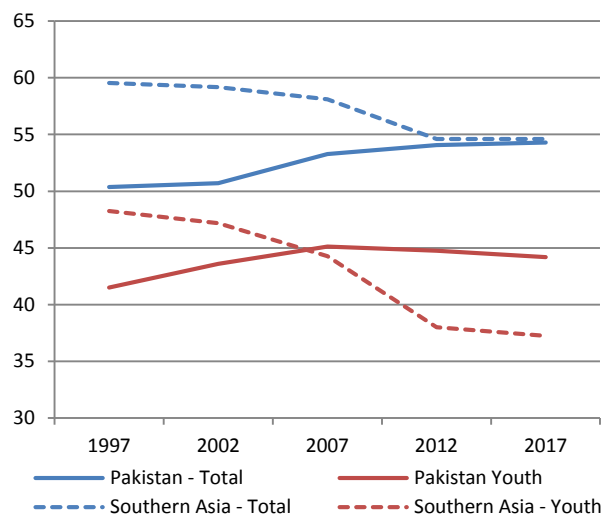
Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

As seen on Figure 3, the labour participation rate experienced a slight increase in the end of the 1990s and beginning of 2000s, but has stayed relatively flat overall during the last decade. In absolute terms, this means that the amount of people active on the Pakistani labour market has grown significantly, as the overall population has gone from about 129 million people in 1997 to the before mentioned 193 million in 2016.⁵⁰

While the total labour force participation rate in Pakistan is similar to the regional average, the Pakistani youth has a participation rate that is seven percentage points higher compared to the region. This could partly be explained by the relatively lower educational enrolment in secondary and tertiary education for Pakistan compared to the South Asia average. This is implying that the Pakistani youth voluntarily, or because of a lack of educational opportunities, enters into the labour market instead of pursuing higher levels of education (see also the section: Education).



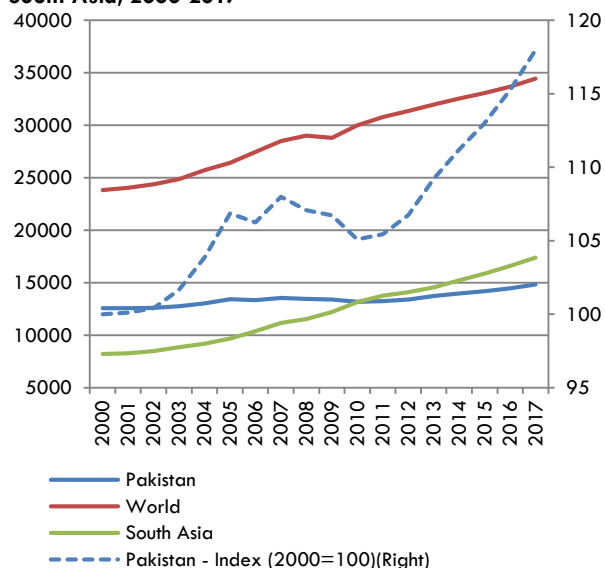
Figure 3: Labour Force Participation Rate in % in Pakistan and Southern Asia, 1997-2017



Source: [ILO, Key Indicators of the Labour Market \(KILM\), 9th Edition](#)

Pakistan's labour productivity has been on a small upward trend since 2000. Between 2007 and 2010, the productivity declined slightly, but has been on relatively steep upward trend since. However, Pakistan's productivity is still low compared to the world average, and it has grown at a slower pace (Figure 4). In 2011, South Asia's average productivity superseded Pakistan's which is an indication that Pakistan is becoming less competitive compared to the surrounding region.

Figure 4: Labour Productivity in Pakistan, the World and South Asia, 2000-2017



Note: Labour Productivity is defined as output per worker (GDP constant 2011 International \$ PPP). Index numbers are calculated from these (2000 = 100).

Source: [ILO, ILOSTAT](#) & DTDA calculations

The status of employment has basically no major changes during the last 15 years (Figure 5). Own-account workers and contributing family workers have made up around 60% of the working people with only small changes. After a small decline in 2007 and 2012, the proportion of employees has gone up to just below 2002 levels again.

Figure 5: Status of Employment in % in Pakistan, 2002-2017



Source: [ILO, ILOSTAT – Status of Employment](#)

In terms of status of employment, the Pakistani again proves to have a massive gender gap. Figure 6 shows that the share of own-account workers and contributing family workers is higher for women compared to the national level. The trend is even worsening with a smaller percentage of women being employees or employers in 2017 compared to 2002. Own-account workers and contributing family members have been classified as 'vulnerable employment', because they are less likely to have formal work arrangements, and they are therefore at larger risk of lacking elements associated with decent employment such as adequate social security and a voice at work.⁵¹ This means that around 60% of the working Pakistanis are in what is considered vulnerable employment, and almost 80% of the Pakistani women on the labour market are in vulnerable employment. Overall, it is clear that there has been no major formalisation of the labour market in Pakistan during the last 15 years.



Figure 6: Status of Employment in % for Women in Pakistan, 2002-2017



Source: [ILO, ILOSTAT – Status of Employment](#)

Unemployment and underemployment

The Pakistani unemployment rate is similar to the regional average with the exceptions of the unemployment rates among women which is 1.8 percentage point higher (Table 13). In 2017, the total unemployment rate in Pakistan was estimated to be 4.0%, while youth unemployment was measured at 7.7%.

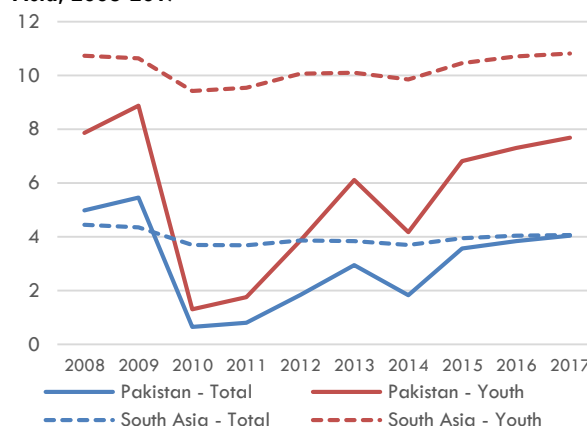
Table 13: Unemployment in % in Pakistan and South Asia, 2017

	Gender	Pakistan	South Asia
Unemployment	Total	4.0 %	4.1 %
	Men	3.2 %	3.7 %
	Women	7.0 %	5.2 %
Youth Unemployment	Total	7.7 %	11 %
	Men	6.7 %	10 %
	Women	11 %	12 %
Underemployment (2014/15)	Total	1.1 %	N/a
	Men	1.3 %	N/a
	Women	0.7 %	N/a

Source: [ILO, ILOSTAT](#) & [Pakistan Bureau of Statistics](#)

Looking at the trend for the last 10 years, the unemployment rate has been on an increasing trend during the 2010s, so far (Figure 7). This is in line with the South Asian average of the total unemployment. The youth unemployment rate has been lower than the region average.

Figure 7: Unemployment Rates in % in Pakistan and South Asia, 2008-2017



Source: [ILO, ILOSTAT – Unemployment](#)

There are somewhat diverging reports on the severity of underemployment in Pakistan. According economic analysis, the underemployment (time-related) – i.e. working less than 35 hours per week and/or sought or were available for alternative or additional work – was measured very low at 1.1% of all employed persons (Table 13). However, this rate does not capture the true magnitude of the employment issues in Pakistan that confronts high informal employment that is reflected in a fairly unproductive agricultural sector (see also the section: Sector Employment and Informal Economy). Other estimations point towards that 14% of the total employed were working less than 35 hours a week. And a very large proportion (45%) of the employed women was working less than 35 hours per week, which was related to the women's low participation rate in workforce.⁵²

While underemployment is not a massive problem in Pakistan, according to the Pakistan Bureau of Statistics estimates, the amount overwork is fairly worrying. In 2015, around 36% of the employees, i.e. workers with a formal contract, in Pakistan worked more than 48 hours per week, which is considered excessive work by ILO standards. The mean work week in Pakistan was estimated to be 47 in 2016 which is a good indication of the working weeks in Pakistan.⁵³

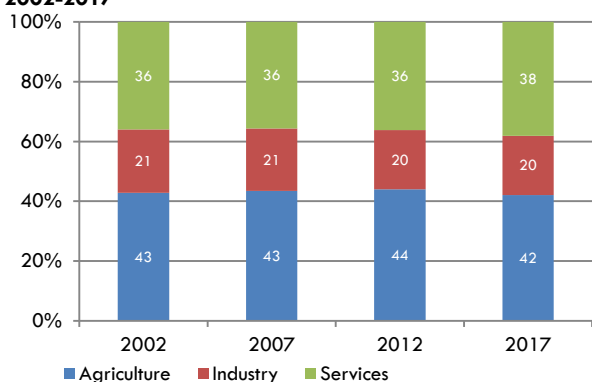
Sectoral Employment

Looking at the aggregate sector employment (Figure 8), is furthermore evident that there have been no fundamental changes on the labour market in Pakistan during the last 15 years. The largest sector is still agriculture with 42% of the employed people, although the service sector has grown two percentage points during the last five years so it now covers 38% of the



working people in Pakistan while industry sector stayed on a flat growth.

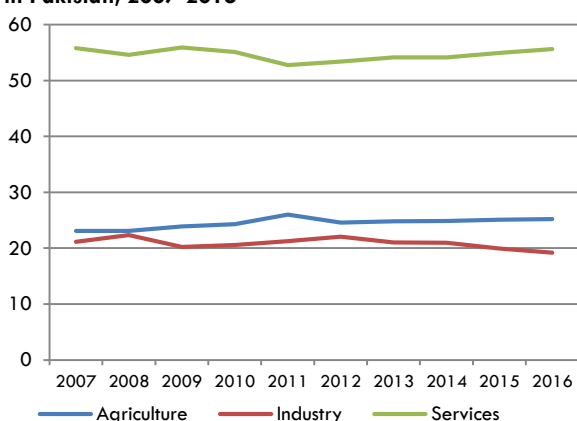
Figure 8: Employment by Aggregate Sector in Pakistan 2002-2017



Source: [ILO, ILOSTAT – Employment by Sector](#)

Figure 9 show that the value added by sector, as a percentage of GDP, is disproportionate to the sectoral employment showed in Figure 8. Even though the service sector only accounts for 38% of the employment in Pakistan, it has provided around 55% of the value added to the GDP during the last 10 years. On the other hand, the agricultural sector is fairly unproductive relative to the proportion of this sector's employment. Pakistan therefore needs to either improve the productivity in the agricultural sector or facilitate the movement from the less productive agricultural sector towards either industries or services in order to improve its competitiveness. The value added to GDP from the industrial sector is roughly proportionate to the number of people employed in the sector.

Figure 9: Value Added as % of GDP per Aggregate Sector in Pakistan, 2007-2016



Source: [World Bank, Development Indicators](#)

Looking at the sectors in more detail (Table 14), it is apparent that the industry sub-sector in manufacturing is the most dominant within the Pakistani industries. This

subsector employs around two thirds of the aggregate sector. The sector mostly consists of textiles and apparel, and the country is therefore quite vulnerable to downturns and changes in demand because of a failure to diversify (see also section: Trade).⁵⁴ In the service sector, the largest subsectors are wholesale and retail trade and repair of vehicles along with financial, insurance and real estate activities with the former being slightly larger. It should be noted that there are discrepancies between the numbers provided by the ILO (Figure 8) and the Asian Development Bank (Table 14) on aggregate sector size.

Table 14: Employment Distribution by Subsector in Pakistan, 2015

Subsector	Total Subsector Employment	Subsector Employment Share
Agriculture, Forestry & Fishing	24,300,000	42 %
Mining & Quarrying *	N/a	N/a
Manufacturing	8,900,000	16 %
Electricity, Gas & Water **	500,000	1 %
Construction	4,200,000	7 %
Wholesale and Retail Trade & Repair of Vehicles and Motorcycles	8,400,000	15 %
Accommodation and Food Service Activities	N/a	N/a
Transportation and Storage	3,100,000	5%
Information & Communication	N/a	N/a
Financial and insurance activities, Real Estate Activities & Other Services *	8,100,000	14 %
Total	57,400,000	100 %

* It should be noted that Mining & Quarrying is included in subsector Other Services too. ** Hereunder steam and air-conditioning supply, sewerage, waste management and remediation activities.

Source: [Asian Development Bank, Key Indicators for Asia and the Pacific 2017 – Pakistan Country Table](#)

As shown previously, the largest sector in terms of employment, agriculture, has a disproportionate little share in the GDP. However, this is not the most unproductive sector: Construction had a GDP share per worker of just US\$1,224 per worker in 2015, which is well below the average of US\$5,004 per worker. On the other hand, electricity, gas and water is one of the most productive subsectors in terms of GDP share per worker, which shows that there are major differences within the aggregate sectors in terms of productivity. The same goes for the service sector where the subsector consisting of transportation, storage, information and communication is the most productive subsector in terms of GDP per worker. Surprisingly, financial, insurance and real estate activities have a below average GDP share per worker of just US\$3,137. More data is available on Table 15.



Table 15: GDP share by Subsector and GDP per Worker in Pakistan, 2015

Subsector	GDP Share by Subsector, %	GDP Share per worker by Subsector, US\$
Agriculture, Forestry & Fishing	24 %	2,556
Mining & Quarrying	3 %	N/a *
Manufacturing	13 %	3,749
Electricity, Gas & Water	2 %	9,134
Construction	2 %	1,224
Wholesale and Retail Trade & Repair of Vehicles and Motorcycles	18 %	5,704 **
Accommodation and Food Service Activities	11 %	
Transportation, Storage, Information & Communication	11 %	9,521
Financial and insurance activities,	2 %	3,137 **
Real Estate Activities & Other Services	5 %	
Public Administration, Defence, Compulsory Social Security and Education	7 %	N/a
Total / Average	100 %	5,004 ***

* The GDP share from Mining & Quarrying is included in Other Services. ** The two subsectors are combined in these calculations because they are clustered together in Table 13. *** Average is only calculated from known values and could therefore be inaccurate.

Source: [Asian Development Bank, Key Indicators for Asia and the Pacific 2017 – Pakistan Country Table](#) & [XE, Currency Converter](#) & DTDA calculations.

Migration

A larger group of Pakistanis migrate to other countries than entering into the country. The net migration rate is estimated of a negative 1.31 migrants per thousand individuals. Though Pakistan net migration rate fluctuated substantially in recent years, it tended to decrease since 2010. The country also receives more remittances relative to the regional average (Table 16).

Table 16: Migration Facts

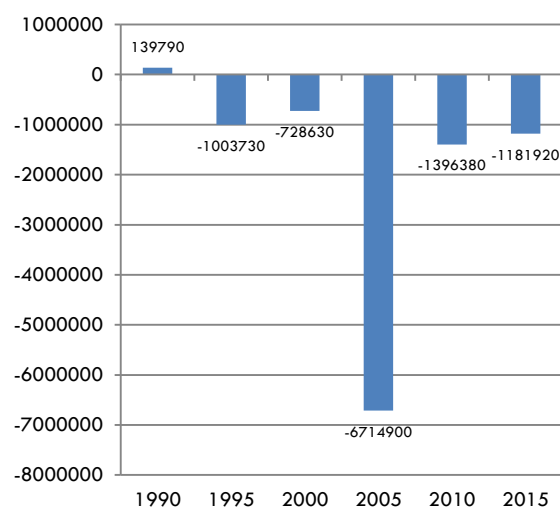
Net migration * (2015)	Pakistan	- 1,181,920
Net migration rate **		- 1.72 (2010)
	Pakistan	- 1.31 (2015)
Remittances Received, % of GDP (2016)	Pakistan	6.9 %
	South Asia	3.8 %

* Net migration is the total number of immigrants less the annual number of emigrants, including both citizens and non-citizens. ** Migrants per thousand population.

Source: [World Bank DataBank](#) and [KNOEMA](#)

The five-year net migration in Pakistan was estimated to be -1.3 million people in 2015. Looking at the trend since 1990 (Figure 10), it is apparent that Pakistan has a large expat community as more people have been leaving the country. The most popular emigration countries are: Saudi Arabia, the United Arab Emirates, India, United Kingdom and the United States.⁵⁵

Figure 10: Migration Trend in Pakistan, 1990-2015



Source: [KNOEMA](#)

As a response to the fast growing population and a labour force surplus, the Pakistani government has been encouraging labour emigration for many years. However, there are major differences on the type of emigrants. Table 17 shows the skill-level of the emigrants leaving Pakistan, and, according to the Bureau of Emigration & Overseas Employment, the vast majority are either skilled or unskilled workers. It has been suggested that there are major differences between both the length of the stays abroad as well as the destination country depending on the skill-level of the worker.

Lower-skilled and skilled workers are much more likely to leave on their own for countries in the Middle East or Gulf countries, where they typically work with short term contracts major construction projects. On the other hand, most of the highly qualified/skilled workers go to OECD countries, especially the U.K., with their families where they reside long-term/permanent. Having a network in the destination countries have been suggested to be one of the major determinants when choosing the destination country, as the network reduce costs and help find jobs.⁵⁶ Although illegal, it has been reported that those traveling to the Gulf/Middle East countries often pay huge recruitment fees, have low salaries and the precarious working conditions.⁵⁷



Table 17: Official Emigration from Pakistan by Skill-Level, 2017

Highly Qualified	Highly Skilled	Skilled	Semi-Skilled	Unskilled
11,869	7,634	146,956	66,633	147,932

Source: [Government of Pakistan, Bureau of Emigration & Overseas Employment](#)

Pakistan also has groups of people moving internally. Estimates say that around 40% of the population live in urban areas as of 2017, and up until 2020 the urbanisation rate will be approximately 2.7% per year.⁵⁸ Furthermore, Pakistan has a fairly large number of displaced people. Pakistan was asylum country for a large number of refugees. In 2016, the number of refugees was estimated to be 1.35 million people primarily coming from Afghanistan.⁵⁹ In addition to the refugees, there were around 2 million internally displaced people in 2016, which was primarily caused by sectarian conflict and flooding.⁶⁰

Informal Economy

There are several different estimations on the size of the informal economy in Pakistan. In a 2017 IMF report, the informal economy was estimated to contribute to around 37% of the Pakistani GDP.⁶¹ In addition, the latest labour force survey from 2015 by the Pakistani Bureau of Statistics estimated the non-agricultural informal employment for those above the age of 10 to be as high as 73%, which even constitutes a small decline from the previous 2013/14 survey. There are differences in the makeup of the informal economy with the rate in urban areas being 69% compared to 76% in rural areas, meaning there is a fairly large seven percentage point difference between the two.⁶²

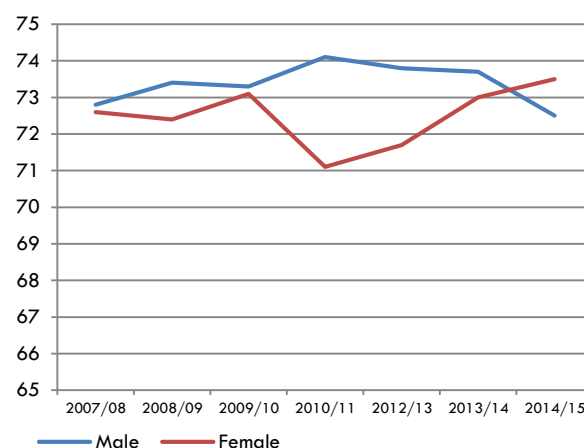
Table 18: Status of informal economy in Pakistan

Informal economy of total GDP (2017)	37%
Workforce for the informal economy (2014)	85%
Non-agricultural informal employment (2014)	73%
Number of workers in informal economy (2014)	52 million

Sources: [IMF, Pakistan, IMF Country Report No. 17/213, July 2017](#); [Pakistan Bureau of Statistics, Labour Force Survey 2014-15](#) and ILO

Figure 11 shows, that the rates of informal employment are roughly the same between the two genders. After a drop of two percentage points for the women between 2010 and 2011, the rate has gone up again and was in 2015 higher compared to the male rate.

Figure 11: Informal Employment by Gender in Pakistan, 2007-2015, %



Source: [Pakistan Bureau of Statistics, Labour Force Survey](#)

Another key point is that under the Industrial Relations Ordinance, trade unions outside of the formal economy cannot form unions with collective bargaining power.⁶³

The two typical statuses for informal workers in Pakistan are own account workers and employees (Table 19), which make up the vast majority. There are some differences between the two genders. It is a lot more common for women to be contributing family workers within the informal sector while men are a little more likely to belong to one of the three other categories. However, there are attempts to get more women included in the formal sector. Policies that would grant millions of home based workers, many of them women, from the informal sector who are serving factories the status of formal workers has been promoted by trade unions for some years. While it has been considered by government officials in all of Pakistan, only the provincial government in Sindh has promised to include the home-based workers.⁶⁴

Table 19: Informal Employment by Employment Status Distribution, 2014/15

	Total	Male	Female
Employers	2.6 %	2.8 %	0.3 %
Own account workers	44 %	44 %	42 %
Contributing family workers	8.9 %	8.0 %	17 %
Employees	45 %	45 %	41 %

Source: [Pakistan Bureau of Statistics, Labour Force Survey](#)

Child Labour

The constitution prohibits forced labour and child labour for those less than 14 years of age who work under hazardous conditions. Yet there are several flaws in the regulation of child labour in Pakistan. While Pakistan



has ratified most international conventions, the country has yet to ratify the Palermo Protocol on Trafficking in Persons. Federal law does not live up to international standards regarding both the minimum age for work and the minimum age for hazardous work, which in both cases are age 15. Several provinces have passed legislation that live up to international standards, e.g. the Sindh Prohibition of Employment of Children Bill, 2017. Positive steps have been taken recently by the government of ratifying the UN CRC Optional Protocol on Armed Conflict.⁶⁵

There is a gap in updated data regarding the extent of children in employment and child labourers in Pakistan today.⁶⁶ The last national survey attempting to measure the range of working children was conducted in 2010/11, and this survey does not include children below the age of 10. This means that there is a high risk that the actual proportion of working children might be higher than the number presented below in Table 20. Even without including children below the age of 10, the proportion of child labourers was estimated to be as high as 11% in Pakistan.

Table 20: Working Children as a Proportion of all Children in Age Group

Region & Age Group	Year	Type	Proportion
Pakistan (Age 10-14) ⁶⁷	2010/11	Child labourers	11 %
Pakistan (Age 15-17)	2010/11	Hazardous work	14 %
Punjab Province (Age 10-14)	2014	Working Children	12 %
Sindh Province (Age 10-14)	2014	Working Children	32 %
Asia and the Pacific (age 5-17)	2012	Children in employment	16 %
		Child labourers	9.3 %
		Hazardous work	4.1 %

Note: Children in employment include all children who conduct some kind of work, whereas child labourers are a narrower term without mild forms of work. Hazardous work is the worst form of child labour as defined in ILO C182.⁶⁸

Source: [ILO, Measuring Children's Work in South Asia, UCW 2015](#), [U.S. Department of Labor, Findings on the Worst Forms of Child Labor 2016](#) and [ILO, Marking progress against child labour, Global estimates and trends 2000-2012](#)

Children in Pakistan continue to be engaged in child labour in every sector including the worst forms of child labour. This means that there are children in Pakistan employed in armed conflict, commercial sexual

exploitation, forced labour in both industrial and domestic sectors along with the trafficking and production of illegal drugs.⁶⁹

More recent estimations are also available and presented on a provincial level below. These show that there are massive differences in the extent of working children. The average proportion children in employment throughout Asia and the Pacific were estimated at 16% in 2012. By the same token, the enrolment in education on all levels is lower in Pakistan than the region averages, which could also indicate the relatively higher child labour in the country.

Gender

The Pakistani Constitution grants all citizens the right to conduct lawful business, but even though all women are entitled to financial and banking services, most women cannot access these because of a lack of collateral. In many areas of Pakistan social norm dictates that the responsibility of women is to be a wife and mother, and many women therefore face harassment when moving around in the public sphere. This greatly affects women's mobility as well as the ability to conduct and expand businesses.⁷⁰

Table 21 demonstrates a massive gap between men and women in Pakistan in terms of the labour force participation rate and the unemployment rate. Just 25% of all working age women in Pakistan partake in the labour market by either working or looking for work compared to the men's rate of 83%. For those who are involved on labour market, the unemployment rate is more than double that of their men counterparts.

Table 21: Gender Gaps among Workers in Pakistan, 2017

	Men	Women	Men/Women Percentage Point Difference
Participation Rate	83 %	25 %	58 %
Unemployment Rate	4.5 %	11 %	6.5 %

Source: [ILO, ILOSTAT](#)

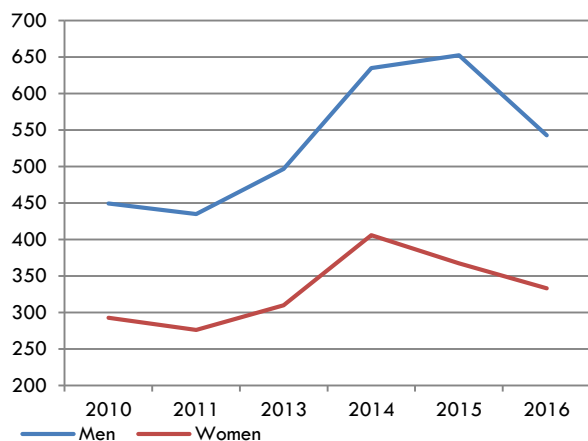
As shown previously, most women are either own account workers or contributing family workers; and a majority is operating in the informal economy. All in all, this leaves many women in a very precarious position as they are not covered by any formal labour regulations or minimum wage requirements.

Looking at Figure 12, it is moreover apparent that there is a persistent wage gap between men and women.



While earnings for both genders have increased since 2010, men have had a higher increase in monthly earnings in absolute terms, which mean that the earnings gap has only widened in recent years.

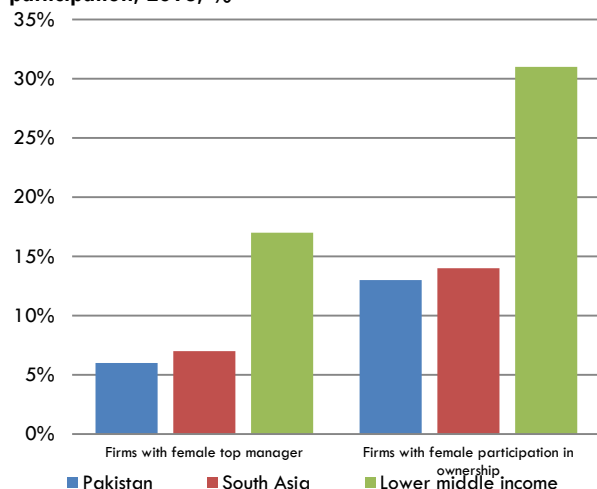
Figure 12: Average Monthly Earnings in Pakistan in Constant 2011 PPP \$, 2010-2016



Source: [ILO, ILOSTAT](#)

In terms of women ownership and access to property other than land, the Pakistani law grants women the same rights as men. However, women face obstacles with customary law and traditional practice that *de facto* inhibits their possibility of gaining ownership. A 2005 household survey by the International Centre for Research on Women found that less than 3% of the land owned in Pakistan was owned by women. And for those who actually own land, it is common that they do not have actual control of it as it is managed by a husband or male relative. The same goes for conducting business (Figure 13).

Figure 13: Enterprise Survey in Pakistan, Women participation, 2013, %

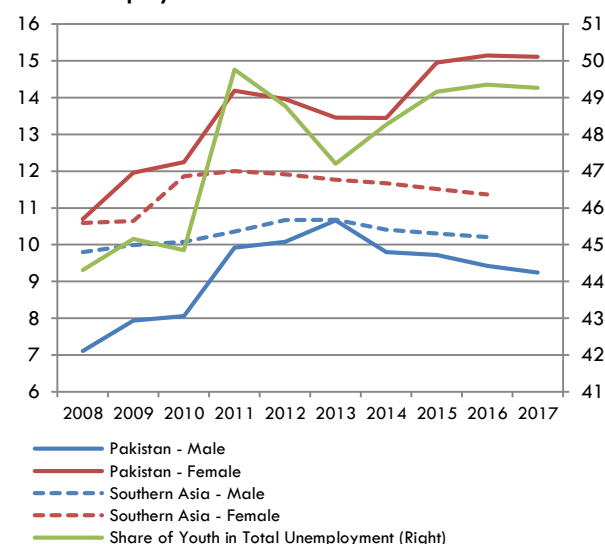


Source: [World Bank, Pakistan Enterprise Survey, 2013](#)

Youth

Pakistan's youth population of 38 million (15-24 years) constituted approximately 21% of the total population in 2017. Looking at the youth unemployment rates (Figure 14), it is evident that there are significant differences between Pakistan and the rest of Southern Asia. While the youth unemployment is on an upward trend for both men and women in Pakistan, the regional average has remained fairly stable during the last decade. Noteworthy the Pakistani women youth unemployment rate was 30% in 2000, so even with recent increases it has still be halved in the past 17 years. Compared to the South Asian average, there is a much higher gender disparity in Pakistan. The share of youth unemployment of the total unemployment in Pakistan has been estimated as 49% in 2017.⁷¹

Figure 14: Youth Unemployment Rates in Pakistan and Southern Asia and Youth Unemployment as Percentage of Total Unemployment in Pakistan



Source: [ILO, ILOSTAT](#) & [ILO, Key Indicators of the Labour Market \(KILM\) 9th Edition](#)

Pakistan has no national youth policy, and since the dissolution of the Ministry of Youth Affairs in 2010, the responsibility for youth issues was reduced to the provincial level.⁷² Afterwards the four provincial governments have all created youth policies. Punjab was the first in 2012, followed by Balochistan in 2015 and Sindh and Khyber Pakhtunkwha in 2016. All of these include an overview of the key challenges that the Pakistani youth faces, and policy aims and strategies.⁷³ As a member of the Commonwealth of Nations, Pakistan is also a signatory of the Commonwealth Plan of Action for Youth Empowerment (PAYE) 2006-2015.



With Support from the ILO, trade union federations, such as PWF, carry out activities to create job opportunities for the Pakistani youth and to create awareness about the role of trade unions.⁷⁴

EDUCATION

After the 18th Constitutional Amendment from April 2010, the educational system in Pakistan is now mostly controlled by the provincial governments. This system is affected by several different kinds of inequalities. Primary education has three major types of educational facilities; public, private and religious. However, there are massive gaps between private and public education with the latter in many instances being of very poor quality, especially in rural areas.

Public sector formal schooling is the largest provider and consists of 12 academic years which includes primary and higher secondary school. About a third of the children enrolled in primary schools are in private schools. The private schools in Pakistan can further be divided in to those that follow the official Pakistani national curricula, and the most exclusive ones that follow the Cambridge International Examinations curricula. These are typically for children belonging to the economic middle and higher middle income families in Pakistan.

The last type of education is the 'Deeni Madrassas' which are religious schools that often offers free admission, boarding and lodging funded through community and religious donations. These types of primary and secondary education all caters to different geographical, cultural and economic strata, and it has been argued that this is a major reason for continued economic inequalities and behavioural divisions, causing social conflict in the Pakistani society.⁷⁵

Looking at Figure 15, it is apparent that there are further divisions in the educational system in Pakistan. At all three levels of education, the enrolment rate for females are significantly lower than for males, even though there have been small increases for both genders in recent years. Furthermore, Pakistan's enrolment rates are lower than the South Asian average at all levels, which could cause the Pakistani labour force to lose further ground in terms of productivity compared to the regional workforces (see Figure 4). All in all, the Pakistani educational system is not facilitating social mobility to a satisfactory degree.

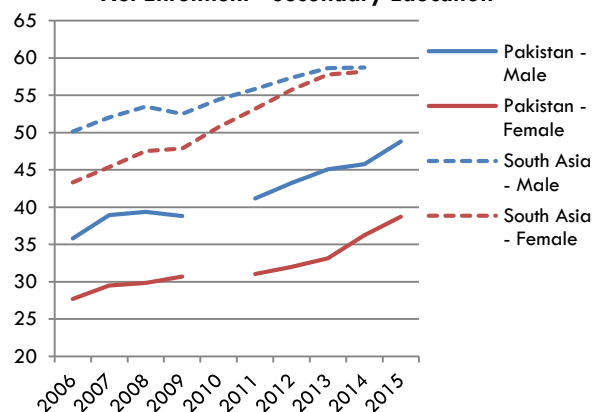
The problem is not easily solved, though. It has been argued that the problem for the Pakistani educational system is not funding, but misuse of funds along with corruption and absenteeism. Between 2010 and 2016, Pakistan doubled its budget for education, but teachers in Pakistan often have close ties to politicians that functions as patrons, and the teachers therefore do not have to show up for work on a regular basis. Instead they function as political mobilisers, especially in rural and semi-urban areas. At the same time, teachers' salaries are high enough to pay off administrative personnel so they do not report the absence.

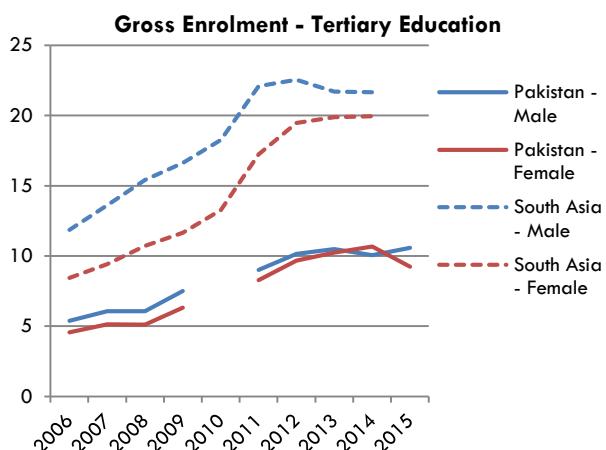
Furthermore, in many cases construction and maintenance contracts have been suspect and dealt to friend or political supporters with less care for the service provided, which have left many schools either unfinished or unsafe for children and personnel to attend. Overall, it will take political determination to solve the issues of corruption and misuse of money throughout the Pakistani educational system.⁷⁶

Figure 15: Enrolment in Primary, Secondary & Tertiary Education in Pakistan and South Asia, 2006-2015
Net Enrolment - Primary Education



Net Enrolment - Secondary Education





Note: Net enrolment is the ratio of children of official school age, who are enrolled in school to the population of the corresponding official school age. Gross enrolment is the ratio of total enrolment, regardless of age, to the population of the corresponding official school age. Gross primary enrolment is therefore sometimes higher than 100%.

Source: [World Bank, Development Indicators](#)

Vocational training

The Ministry of Professional and Technical Training, established shortly after the 18th amendment of the Pakistani constitution, is the institution responsible for the National Vocational & Technical Training Commission (NAVTTTC), which is the apex body for Technical and Vocational Education and Training (TVET) in Pakistan.⁷⁷ Before that, the National Skills Strategy 2009-2013 was presented in an attempt to change the paradigm from curricula based learning to competency based training, and to expand access, equity and employability for those in TVET.⁷⁸ However, the first national TVET document from the Pakistani government was not presented until March 2015 along with the National Vocational Qualification Framework (NVQF).⁷⁹

The first version of NVQF was a national system of technical vocational qualifications aimed at improving the quality of TVET outcomes, developed in response to labour market demand and national priorities. It aimed to be a catalyst for the population that has little or no schooling but possesses skills that can be formalised and levelled. The main objectives were to improve the alignment between qualifications, training programs and skill demand. Establish a structured national framework for vocational and technical learning, and promote up-skilling of the population.⁸⁰

Table 22 shows that the overall trend for TVET education in Pakistan is on a downwards trend: Both in absolute and relative terms, the number of TVET pupils is declining. The overall trend for South Asia is the

opposite of Pakistan. Both in absolute and relative terms, the South Asia region is on an upwards trajectory, including the proportion of females enrolled in TVET training. However, Pakistan is still above the South Asian average when it comes to the ratio of females in TVET. It has been argued that the TVET educations in Pakistan are not relevant for the Pakistani labour market. This has meant that around six out of ten who graduated from a TVET institution in 2015/2016 are unemployed.⁸¹ This could explain the declining TVET enrolment rate.

Table 22: Vocational Training Facts for Pakistan and South Asia, 2010-2015

	Country/Region	2010	2014/15*
Pupils in Vocational Training	Pakistan	381,915	329,562
	South Asia	1,996,839	2,506,457
Proportion of Females in TVET (%)	Pakistan	41 %	34 %
	South Asia	27 %	25 %
Ratio of Pupils in Vocational Training to All Pupils in Secondary Education	Pakistan	3.9%	2.7 %
	South Asia	1.5 %	1.6 %
Ratio of Pupils in Vocational Training to age group 15-24	Pakistan	1.1 %	0.9 %
	South Asia	0.6 %	0.7 %

Note: * All numbers from South Asia are from 2014.

Source: [World Bank, Development Indicators](#) & [ILO, ILOSTAT](#)

SOCIAL PROTECTION

In Pakistan the pension and social security coverage is mostly limited to workers in the formal sector, although the bulk of the workforce is operating in the informal economy (see section: Informal Economy). Workers from the informal economy fall outside the requirements posed by public and private social security institutions. Structural Adjustment Programmes have slimmed down the public sector in Pakistan, including the social protection budgets, and led to privatisations of government entities. In turn, this has caused a decrease in coverage, as part of the previously public sector jobs have shifted to the informal economy.⁸²

As previously mentioned, millions of homebased workers, often women, do not have the right to social protection. Among others, homebased workers largely do not work outsourced by the factories. Largely, they cater for the small enterprises mostly operating in informal economy. The latter is purposefully exploited by employers who outsource production to home-based



workers to avoid paying the official minimum wage and social benefits.⁸³

Looking at Table 23, it is evident that Pakistan has very low social protection coverage. The expenditure for social protection in Pakistan is just 0.2% of the GDP, which is significant lower than the South Asian average of 4%. The same is evident for the healthcare coverage where Pakistan has coverage of just 27% compared to the 44% regional average. An important caveat to add to the regional averages is that while the numbers listed in the table are the country averages, it does not mean that those are the percentages of the overall population in the region covered by social protection. The numbers are skewed by less populous countries having better coverage, while a country like India, that make up the bulk of the population in the region, has below average coverage in both categories.

As shown in Table 23 below, Pakistan's healthcare system has also a low coverage. Part of the reason for this, it has been reported that there is a massive lack of medical and non-medical staff in Pakistan. The ILO estimates that approximately 95% of those not covered is related to financial deficits and 68% lack staff access deficit. Currently, Pakistan lacks more than a million healthcare professionals and more than 1.7 million non-healthcare workers in order to achieve universal health coverage. By 2030, these numbers will, according to estimates, rise to 1.5 million and 2.5 million, respectively; if the current demographic development continues.⁸⁴

Table 23: Social Protection Facts for Pakistan and Southern Asia

Indicator	Measure	Pakistan	South Asia
Total Social Protection Expenditure	% of GDP	0.2 % (2014)	4.0 %
Trends in Government Expenditures on Social Protection	Percentage Point Difference in Proportion of GDP	0.0 (2010-14)	- 0.4 (2010-15)
Health Social Protection Coverage	% of Total Population	27 % (2009)	44 %
Public Health Expenditure	% of GDP	0.9 % (2014)	1.4 % (2014)

Note: It should be noted that all numbers used for the calculation of the South Asian averages are the latest available numbers for the given country, but not necessarily the same years.

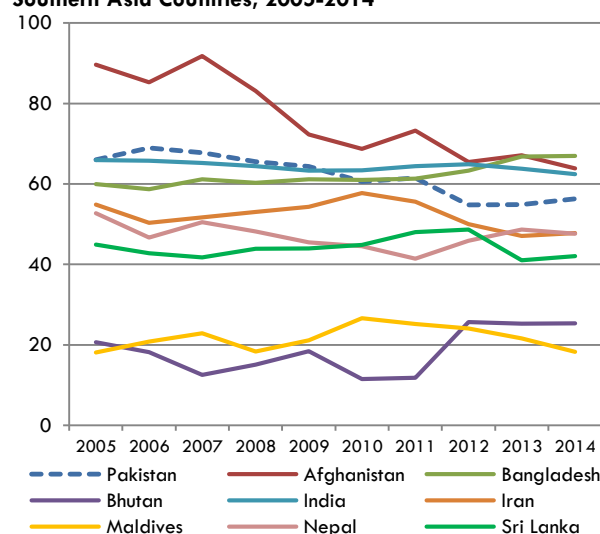
Source: ILO, *World Social Protection Report 2017-19*, WHO, *Pakistan & DTDA Calculations*

Part of the reason for the deficit in medical staff has been suggested to be a serious brain-drain, i.e. highly trained workers leaving Pakistan to settle in other

countries, among medical personnel in Pakistan that has been going on for several decades. Surveys have suggested that the main reasons for medical personnel to leave Pakistan are higher salaries, better educational opportunities, better working conditions and structured career paths.⁸⁵ On the positive side, trends point towards a return of high-level human resources. A number of hospitals have been established by them, among others. A key problem remains non-availability of health care facilities especially in rural areas.

Pakistan had an out-of-pocket health expenditure of around 56% of the total health expenditure in 2014. While there has been a slight dip, the proportion has remained fairly high. However, there are huge regional differences with a much higher out-of-pocket spending in rural areas compared to the urban parts.⁸⁶ Compared to the rest of the region, Pakistan lies around the middle when excluding the two smaller outliers Bhutan and the Maldives (Figure 16).

Figure 16: Out-of-Pocket Health Expenditure as a Percentage of Total Expenditure on Health in Pakistan and Southern Asia Countries, 2005-2014



Source: WHO, *Global Health Observatory*

Pakistan has national social security policies covering seven out of eight main areas, and has limited provisions for the eighth one covering unemployment.⁸⁷ Pakistan has several retirement pension schemes for public sector employees, depending on whether they are employed in the federal government, provincial government, armed forces and semi-autonomous organisations.⁸⁸ The rate of old-age pension receivers is very low with around just 2.3% of the eligible population receiving an old age pension (Table 24).



Table 24: Pension Benefits, Coverage & Contributions in Pakistan and South Asia, %

Indicator	Measure	Pakistan
Pensionable age receiving an old age pension (age 60+)	% of Eligible Population	2.3 % (2010)
Active contributors to a pension scheme	15+	3.1 % (2009)

Source: [ILO, Social Protection – Statistics and Indicators](#)

A Voluntary Pension System (VPS) was launched in 2007, and is open for the self-employed. Pakistan also has a number of non-contributory social assistance schemes: Bait-ul-Maal food and income transfer program, Child Support Program, Punjab Female School Stipend and the Benazir Income Support Program (BISP).⁸⁹ The latter, BISP, is the largest single social safety net program in Pakistan. According to the Government, the number of beneficiaries has increased from 3.7 million in 2014 to approximately 5.5 million in 2017 and all are women.⁹⁰ Since 1980, there have also been two Islamic taxes, Zakat and Ushr, directed for poverty relief. The taxes was organised by the Ministry of Religious Affairs until 2011 where the administration was placed with Zakat Councils under the provincial governments.⁹¹ Zakat, which is the main contributor to the system, requires Sunni Muslims to pay 2.5% of their financial assets per year.⁹²

Overall, social protection legislations in Pakistan have been criticised for being both overly complicated and self-contradictory. Trade union federations have been advocating for the responsibility of social protection schemes to be held under the responsibility of the federal government in order to avoid provincial differences in rights and benefits as well as to simplify the current legislation. Among those social protection institutions affected by counterproductive legislation is the Employees Old-Age Benefits Institution (EOBI) that since 2015 has been unable to change the contributions paid by the employers to follow the current minimum wage, and it cannot raise the contribution paid to members. The ill-defined legislation do not only hurt the recipients of social benefits, but have also been reported to hurt the entire labour market with inter-provincial companies having difficulties figuring out terms and conditions regarding their workers, which could strongly discourage formalisation of employment in Pakistan.⁹³

GENERAL ECONOMIC PERFORMANCE

The Pakistani economy faces several different challenges. Issues such as natural calamities, energy

crisis, fight against terrorism, internal political conflict, failure to diversify the economy and stalled labour productivity have left the economy in Pakistan vulnerable. Still, the country has had an average GDP real growth per year of 3.7% on average during the last decade, which was mainly based on an upsurge since 2010. More details are available below on Table 25.

Table 25: Key Facts on Pakistan's Economy, 2016

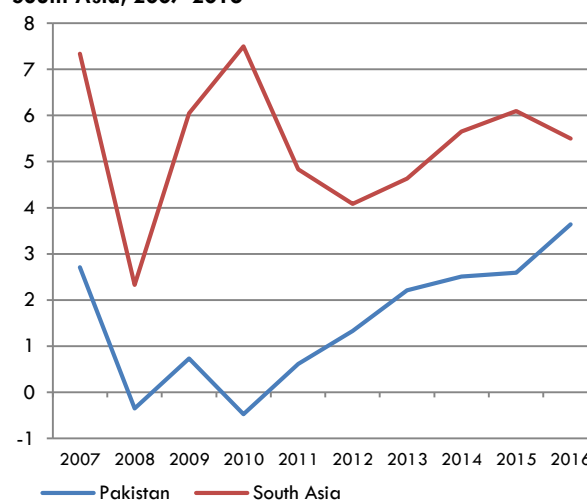
GDP – Current US\$	US\$ 284 Billion
GDP per Capita – Current US\$	US\$ 1,468
GDP Real Growth	4.5%
Budget Deficit - % of GDP	-4.5%
Tax Revenue - % of GDP	15%
Doing Business (2018)	-3 Change in Rank 147 of 190
Human Development Index (HDI) (2015)	+2 Change in Rank 147 of 188 Countries
Gini Index (2013)	30.7 129 of 156 Countries

Note: Note: Doing Business 2018 indicators are ranked from 1 (top) to 190 (bottom). It should be noted that comparing HDI values and rankings from year to year is misleading because of revisions and updates of data as well as adjustments in methodology.⁹⁴ The Gini Index measures income inequality in a country with number 1 being the most unequal and 150 being the most equal.

Source: [World Bank, Development Indicators](#), [CIA, World Factbook](#), [World Bank, Doing Business](#) and [UNDP, Human Development Index](#)

Looking at Figure 17 it is apparent that Pakistan has had a significantly lower GDP per capita growth compared to the South Asian average. This gap has been related to the country's vast losses – human and financial – as an impact of the fight against terrorism. The trend is positive and has closed in on the regional average since 2008 and 2010 where Pakistan had negative per capita growth rates.

Figure 17: GDP per Capita Growth in % in Pakistan and South Asia, 2007-2016

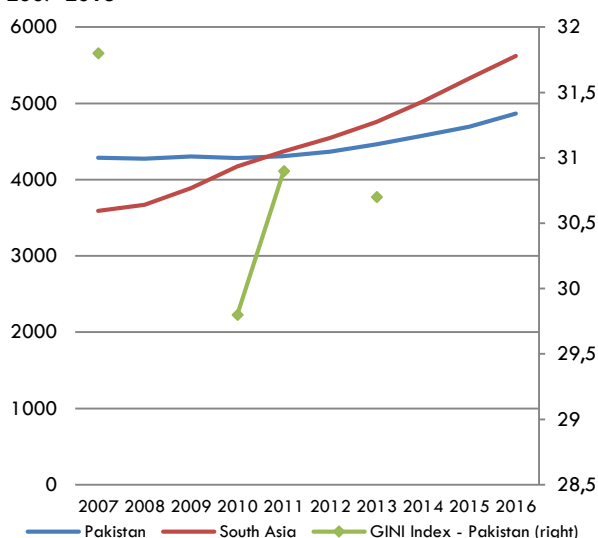


Source: [World Bank, Development Indicators](#)



Figure 18 illustrates that Pakistan has achieved some income gains, measured by GDP per capita in Purchasing Power Parity (PPP), during the last ten years. However, as shown above, the growth in Pakistan has not been as strong as the South Asian average; and in 2011 the regional average surpassed Pakistan's rate. Equally important the inequality in the distribution of family income has not moved much during the last decade in the country. It remains on a medium-low ranking as 129 out of 156 countries (1 is highest inequality) and neighbouring Luxembourg and Egypt rankings.

Figure 18: GDP per Capita PPP (Constant 2011 International \$) in Pakistan and South Asia and GINI Index, 2007-2016



Note: A Gini coefficient of 100 percent expresses maximal inequality among values.

Source: [World Bank, Development Indicators](#)

Looking at the amount of working poor in Pakistan on Table 26, it is apparent that there has been a decline, especially of those categorised as 'moderately poor'. According to estimates, the 'extremely poor' category has declined by 4.5 percentage points while those considered 'moderately poor' has declined 10 percentage points. Most of these persons have not reached status of middle-class yet and are still considered 'near poor'. While a 15 percentage point drop in the working poor population is significant, it should still be noted that 35% of the Pakistani workforce are considered working poor earning less than US\$3.1 (PPP) a day and that 44% are considered 'near poor'. Compared to South Asia, Pakistan has a lower proportion of both 'extremely poor' and 'moderately poor' where the regional average is 16% and 32%, respectively.⁹⁵ Not to mention, a developing middle class is only slowly increasing from 17% in 2007

to 21% in 2017, which was reflected in the minimal reduction in income inequality.

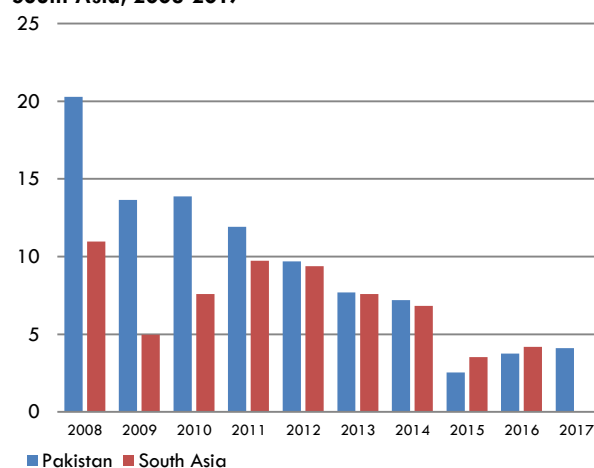
Table 26: Working Poor and Middle Class Trends in Pakistan, 2007-2017

Estimated Poverty Line (PPP)	2007	2012	2017	Percentage Point Growth 2007-2017
Extremely Poor (<US\$ 1.9 a day)	12 %	8.4%	7.5%	- 4.5
Moderately Poor (≥US \$ 1.9 & <US\$ 3.1 a day)	37%	28%	27%	- 10
Near Poor (≥US \$ 3.1 & <US\$ 5 a day)	33%	43%	44%	+ 11
Developing Middle Class (≥US \$ 5 & <US\$ 13 a day)	17%	19%	21%	+ 4
Developed Middle Class & Above (≥US \$ 13 a day)	1.7%	1.6%	1.6%	+ 0.1

Source: [ILO, ILOSTAT – Employment by Economic Class](#)

Inflation in consumer prices in Pakistan has been on decline during the last ten years, and since 2015 it was below five per cent. This is a stark decline from 2008 where the inflation in consumer prices was above 20% (Figure 19). The low oil prices helped to keep the inflation relatively low in recent years. Furthermore, the relation between the printing of currency and inflation seems to have eased up with consumer prices reacting less recently, as the Pakistani central bank printed more than Rs900 billion in the 2016 fiscal year in order to cover the budgetary deficit.⁹⁶

Figure 19: Inflation in Consumer Prices in Pakistan and South Asia, 2008-2017



Source: [World Bank, Development Indicators](#) and [KNOEMA](#)

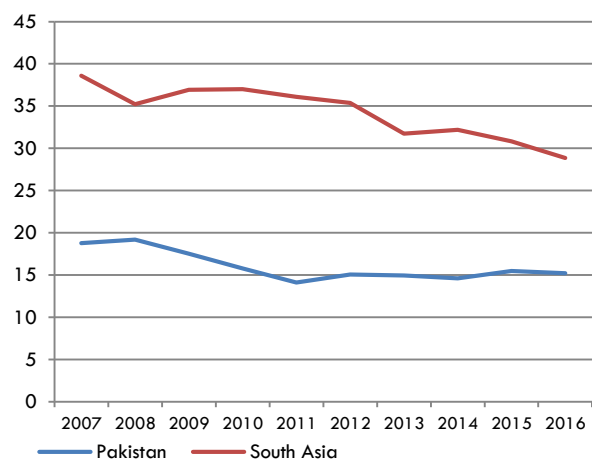
Capital formation as a percentage of GDP in Pakistan is significantly lower compared to the South Asian average. This was on a slowly declining rate in the



2000s in the country, but it stayed fairly stable since 2010s, so far (Figure 20). The South Asian average on the other hand, while on a consistently higher level, has been on a longer lasting weakening. The world average for gross capital formation was 24% in 2016, so above the Pakistani average, but below the regional average.⁹⁷

It should be noted, however, that these numbers are in relative terms, so the decline does not mean that the investments have slowed down, but rather that the GDP have grown faster than the capital formation. For example, Pakistan has started several large infrastructure projects in recent years that have contributed to the capital formation. Among these a US\$6.3 billion project with the International Monetary Fund (IMF) that, among other things, focused on reducing energy shortages. In addition, the China-Pakistan Economic Corridor is a US\$46 billion investment programme, agreed upon by the two countries targeting the energy sector and large infrastructure projects.⁹⁸

Figure 20: Gross Capital Formation as a Percentage of GDP in Pakistan and South Asia, 2007-2016



Source: [World Bank, Development Indicators](#)

The Doing Business Rankings (Table 27) is quantitative measure of the regulatory framework in a given country measuring how easy it is to start and run a business in a given economy. Pakistan is ranked 147th out of 190 countries in 2018. This is three places lower than the previous year even though Pakistan has actually lessened the distance to the frontier slightly.⁹⁹ Pakistan is ranked really well in terms of protecting minority investors (20 out of 190), and is on a mediocre level when it comes to getting credit and resolving insolvency (105 and 82, respectively). Else, the country is ranked fairly low on all other indicators, especially regarding

getting electricity, registering property, paying taxes and trading across borders.

Table 27: Ease of Doing Business in Pakistan, 2018

Indicators	2018	2017	Change
Ranking	147	144	-3
Starting a Business	142	141	- 1
Dealing with Construction Permits	141	150	+ 9
Getting Electricity	167	170	+ 3
Registering Property	170	169	- 1
Getting Credit	105	82	- 23
Protecting Minority Investors	20	27	+ 7
Paying Taxes	172	156	- 16
Trading Across Borders	171	172	+ 1
Enforcing Contracts	156	157	+ 1
Resolving Insolvency	82	85	+ 3

Note: Doing Business 2018 indicators are ranked from 1 (top) to 190 (bottom). The ranking gives a hint about the business environment, but it does not include all aspects that matter to firms, and it should therefore be read with care. Still, a high ranking does indicate that there is a regulatory environment conducive for operating a business. Also, this Index has been controversial due to flawed data, especially in terms of the indicators labour market flexibility and undervaluing the paying taxes indicator.¹⁰⁰

Source: [World Bank, Doing Business](#)

The overall governance milieu in Pakistan is facing several challenges. Pakistan has a continuing history of political turmoil, and in July 2017 former Prime Minister Nawaz Sharif was forced to step down, after a court ruled him dishonest once it was revealed through the Panama Papers that his personal fortune didn't match his registered income.¹⁰¹ He was replaced by long-time supporter Shahid Khaqan Abbasi. Government has tried to silence critics and NGO's through limitations on freedom of speech and has installed broad and vague cybercrime legislation.

Even though there were fewer military encounters in 2016 compared to previous years, the military still exercised a disproportionate amount of political influence. Security remains an issue, and Pakistan regularly experience terrorist attacks from groups such as Taliban, Al-Qaeda and their affiliates with both civilians and security personnel being victims.¹⁰² Tension has only increased between India and Pakistan recently with both governments accusing each other of supporting attacks on opposite sides of the border. Pakistan also continued its volatile relationship with the U.S who annulled a US\$300 million weapons deal because of a lack of cooperation in the anti-terror campaign.¹⁰³

All of this is reflected in the World Bank Governance Indicators (Table 28) where Pakistan best ranking is still only in the 29th percentile. This point to a governance



environment that does not cater to foreign investment (also see section: Trade). Especially the political stability indicator is worrying with Pakistan being in just the 1.4th percentile worldwide. Even with slight improvements in recent years, corruption and government effectiveness are still worrisome, and the regulatory quality in Pakistan actually went down between 2011 and 2016; all of which could discourage inclusive employment and investment in the country.

Table 28: Pakistan's Governance Indicators

Indicator	2011	2016	Change
Voice & Accountability	26 th	29 th	↑
Political Stability	0.5 th	1.4 th	↑
Government Effectiveness	22 nd	29 th	↑
Regulatory Quality	29 th	27 th	↓
Rule of Law	20 th	20 th	No change
Control of Corruption	15 th	19 th	↑

Note: The numbers presented here are the percentile world rankings with 0th being the worst and the 100th being best.¹⁰⁴

Source: [World Bank, Global Governance Indicators](#)

TRADE

As described in the previous section, Pakistan's business environment and governance milieu do not encourage foreign entities to do major investments in Pakistan. This is reflected that in 2016, the FDI inflow was just half of the South Asian average in terms of percentage of GDP, and exports as a percentage of GDP was less than half of the regional average (Table 29 and Figure 21). Most of Pakistan's exports consist of textiles and the country is therefore vulnerable to price fluctuations and changes in world demand.¹⁰⁵

Table 29: Trade & Foreign Direct Investment (FDI) in Pakistan, 2016

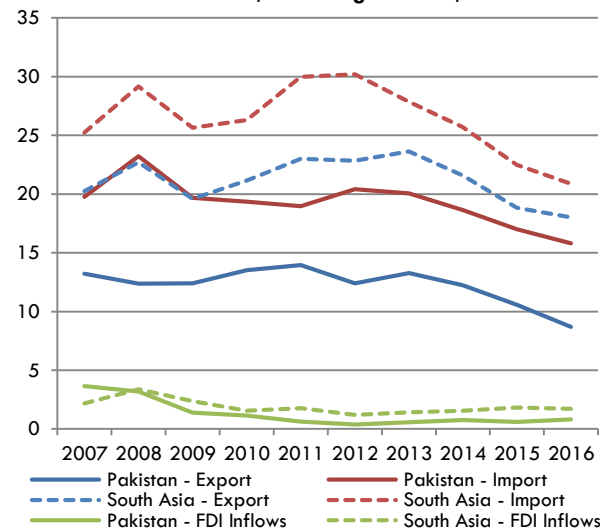
Exports	Current US\$ 25 Billion 8.7% of GDP
Imports	Current US\$ 45 Billion 16% of GDP
FDI Net Inflow	Current US\$ 2.3 Billion 0.8% of GDP
FDI stock	Current US\$ 39 Billion 14 % of GDP

Source: [World Bank, Development Indicators](#)

Looking at Figure 21, it is apparent that Pakistan consistently has had a trade deficit with the imports being around ten percentage points higher between 2007 and 2016. As mentioned above, Pakistan's exports are significantly lower than the regional average as well as on a decreasing trend. Export Enhancement Initiative was launched in 2017 to increase the competitiveness of the export sector that aimed at

stemming the decline in exports and putting it back on the growth trajectory.

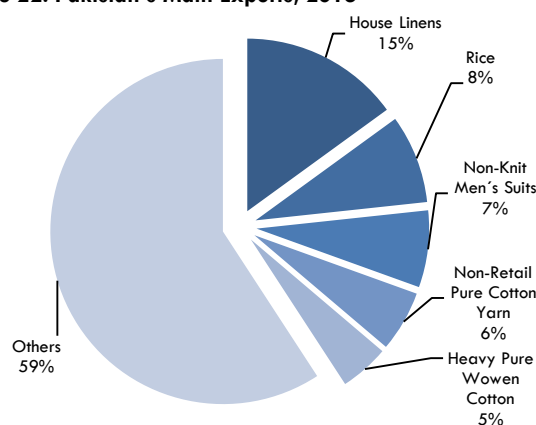
Figure 21: Trade & Foreign Direct Investment Trends in Pakistan and South Asia, Percentage of GDP, 2007-2016



Source: [World Bank, Development Indicators](#)

As previously mentioned, Pakistan has failed to diversify its exports. Textiles are by far the largest export sector for Pakistan, accounting for 60% of all Pakistani exports in 2016.¹⁰⁶ After that, vegetable products and animal hides are the second and third largest export categories accounting for 13% and 4.8%, respectively. Figure 22 shows the main products exported.

Figure 22: Pakistan's Main Exports, 2016



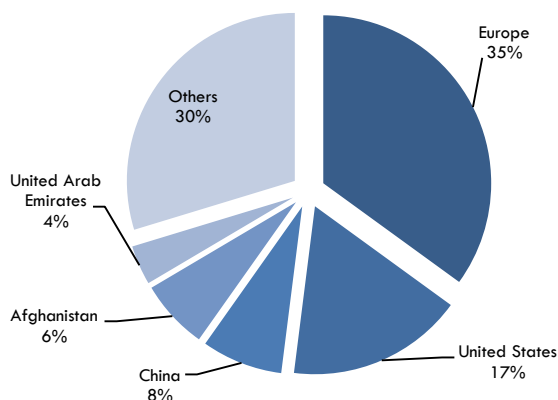
Source: [MIT, Observatory of Economic Complexity](#)

Europe and the United States are the buyers of more than half of Pakistan's exports with the other main markets being China and Afghanistan (Figure 23). It is notable that India accounts for just 1.7% of Pakistan's exports.¹⁰⁷ These two major neighbouring economies and both members of the South Asian Association for Regional Cooperation (SAARC), but several wars and



longstanding political mistrust have led to troublesome relations between them. However, trade between the two countries seems to have eased in recent years, but there is a lack of basic infrastructure such as railways and roads to improve import/export conditions between the two.¹⁰⁸

Figure 23: Pakistan's Main Export Markets, 2016



Source: [MIT, Observatory of Economic Complexity](https://economics.mit.edu/observatory)

Trade Agreements

Pakistan currently has 18 Free Trade Agreements (FTAs) with different countries and economic unions. With reference to unions, the country has FTAs with: The Gulf Cooperation Council, the Economic Cooperation Organization, MERCOSUR and the South Asian Free Trade Area (SAFTA). Other significant trade agreements are the Trade Preferential System of the Organisation of the Islamic Conference and the Preferential Tariff Arrangement-Group of Eight Developing Countries.¹⁰⁹

Furthermore, Pakistan is a beneficiary of the WTO Generalised System of Preference (GSP) which exempts developing countries from paying tariffs when exporting domestically made products into high income countries on the condition that they begin the process of ratifying 16 of the UN/ILO core human and labour rights.¹¹⁰ This system applies to Pakistan's trade with the U.S.,¹¹¹ as long as Pakistan passes a yearly review on the progress of the labour conventions, and accounted for around US\$3.7 billion in exports in 2015.¹¹²

Since 2014, Pakistan has been a beneficiary of the European Union's (EU) GSP+ arrangement, which allows duty and quota free access for certain products. To be granted continued access to the GSP+ programme, Pakistan must ratify and, unlike the regular GSP programme, effectively implement 27 core international

conventions on human and labour rights, environmental protection and good governance.¹¹³ The European Parliament and European Council will examine each beneficiary country every two years.¹¹⁴ A major reason for the introduction of GSP+ was that EU lost a case at the WTO in 2004 for giving Pakistan GSP trade benefits with criteria's that did not apply to all countries.¹¹⁵

Special Economic Zones (SEZs)

The Export Processing Zones Authority (EPZA) was established in 1980, and gave the companies the exemption from the general labour laws in Pakistan. For example, in EPZs there is an express prohibition on the right of EPZ workers to resort to industrial action meaning that the EPZs deprive workers of their right to strike and/or take other forms of industrial action.¹¹⁶ Later in 2012, the Special Economic Zones Act was endorsed, allowing the establishment and operation of special economic zones by both the federal and provincial governments who can include private partners in the establishment. This law was later amended in 2016 removing customs on product from SEZs to domestic markets in Pakistan to make the law more business-friendly and encourage larger investments.¹¹⁷

As part of the China-Pakistan Economic Corridor (CPEC), Pakistan has established nine SEZs¹¹⁸ in order to promote foreign investment and export, and there are reports stating that the total number of SEZs could go as high as 40.¹¹⁹ The qualifications needed to establish a SEZ are, among others, to generate economic activity higher than the overall capital cost incurred over a 15 year period, provide import substitution and the developer will be obliged to comply with all environmental, labour and other applicable laws in Pakistan.¹²⁰ The law also allows for former export processing zones (EPZs) to apply for status as a SEZ, and the SEZs will be under the responsibility of the SEZ Committee, which includes the Provincial Investment Promotion Authority that is also the main body in charge of investment promotion.¹²¹ This could constitute a conflict of interest and give cause for concern as the main investment promoter will also be the body overseeing that labour rights and environmental regulations are being upheld. The CPEC agreement has led to questions on the whether the labour conditions and trade unionism will deteriorate in Pakistan given the previous history of labour rights in Chinese foreign investments, but this remains to be seen.¹²²



Based on the available data, there were around 880,000 employed in the country's export processing and industrial zones which equalled 6.1% of total employees, and contributed to around US\$8 billion.¹²³

Workers in EPZs are denied the right to organize just as the law prohibits them from collective bargaining and striking.¹²⁴ According to labour groups, the EPZ law is not applied in practice.¹²⁵



APPENDIX: ADDITIONAL DATA

Table 30: Membership of Leading Three Labour Federations, 2016

	NIRC		Federations		Differences in registered unions and members	
	No. of unions	Members	No. of unions	Members	No. of unions	Members
PWF	341	510,280	396	840,570	55	330,290
MLF	134	44,537	204	140,200	70	95,663
NLF	130	42,210	200	132,500	70	90,290
Total	800	597,027	800	1,113,270	195	516,243

Source: ILO, *A profile of Trade Unionism and Industrial Relations in Pakistan, 2018*

Table 31: Other National Level Labour Federations in Pakistan

Name of Federation	Membership
Watan Dost Mazdoor Federation (WDMF)	12,680
National Trade Union Federation (NTUF)	7,200
All Pakistan Trade Union Federation (APTUF)	6,032
Pakistan Trade Union Federation (PTUF)	5,466
All Pakistan Trade Union Congress (APTUC)	5,418
United Labour Federation (ULF)	4,700
All Pakistan Trade Union Organization (APTUO)	4,556
Quaid-I-Azam Labour Federation of Pakistan (QLF)	4,280
People Labour Federation (PLF)	3,700
All Pakistan Federation of United Trade Unions (APFUTU)	3,280
Pakistan Labour Federation (PLF)	3,380
All Pakistan Labour Federation (APLF)	396

Note: Data from NIRC.

Source: ILO, *A profile of Trade Unionism and Industrial Relations in Pakistan, 2018*

Table 32: Sectors excluded from Unionism under Industrial Relations Laws in Pakistan

Sectors
Government Services (Provincial)
Federal Government
Defence Lines Pakistan Railways
Agriculture (forestry, hunting, and Fishing)
Self-employed Persons
Hospitals and Clinics
Education Institutions
Export Processing Zones and specific public sector enterprises falling into this category
Pakistan Security Papers
Pakistan Security Printing Corporation
Wah Ordinance Factory
Pakistan Council of Scientific and Industrial Research
Defence Housing Authority, Karachi
National Logistic Cell
Civilians of the Defence Services
Watch and Ward, Security or Fire Service of Oil, Gas, Seaport or Airport

Source: ILO, *A profile of Trade Unionism and Industrial Relations in Pakistan, 2018*



Table 33: List of Approved Labour Related Legislations in Pakistan, 2014-2017

Type of Legislation	Legislation
2014	
General Provisions	Anti-terrorism (Second Amendment) Act, 2014 (VII of 2014).
	Anti-terrorism (Amendment) Act, 2014 (VI of 2014).
	Khyber Pakhtunkhwa Promotion, Protection and Enforcement of Human Rights Act, 2014 (Act No. III of 2014).
	The Civilian Victims of Terrorism (Relief and Rehabilitation) Act (Act No. IV of 2014).
	The Balochistan Domestic Violence (Prevention and protection) Act (No. VII of 2014).
	The Sindh Environmental Protection Act, 2014 (Act No.VIII of 2014).
	The Khyber Pakhtunkhwa Local Government (Amendment) Act, 2014 (Act No. XXI of 2014).
	The Protection of Pakistan Act, 2014 (X of 2014).
Elimination of child labour, protection of children and young persons	The Balochistan Borstal Institutions Act 2014 (Act No. XXIII of 2014).
	The Compulsory Education in the province of Balochistan Act (Act No. V of 2014).
	The Balochistan Introduction of Mother Languages as Compulsory Additional Subject at Primary Level Act (No. III of 2014).
	Protection of Breast Feeding and Nutrition for Infants and Young Children Act (Act No. I of 2014).
	Sindh Child Marriages Restraint Act, 2013 (Act No. XV of 2014).
	Punjab Free and Compulsory Education Act 2014 (XXVI of 2014).
Equality of opportunity and treatment	Punjab Commission on the Status of Women Act 2014 (Act No. I of 2014).
	The Punjab Fair Representation of Women Act 2014 (Act IV of 2014).
	Khyber Pakhtunkhwa Regulation of Lady Health Workers Program and Employees (Regularization) and Standardization Act, 2014 (Act No. XXVI of 2014).
	National Commission on the Status of Women Rules, 2014 (S.R.O. 959 (I)/2014).
Education, vocational guidance and training	The Khyber Pakhtunkhwa Higher Education Scholarship Endowment Fund Act, 2014 (Act No. V of 2014).
	The Compulsory Education in the province of Balochistan Act (Act No. V of 2014).
	The Balochistan Introduction of Mother Languages as Compulsory Additional Subject at Primary Level Act (No. III of 2014).
	Punjab Free and Compulsory Education Act 2014 (XXVI of 2014).
Conditions of employment	Punjab Payment of Wages (Amendment) Act 2014 (VII of 2014).
Occupational safety and health	The Sindh Environmental Protection Act, 2014 (Act No.VIII of 2014).
Social security (general standards)	The Khyber Pakhtunkhwa Deserving Widows and Special Persons Welfare Foundation Act, 2014 (Act No. VI of 2014).
	Khyber Pakhtunkhwa Civil Servants Retirement Benefits and Death Compensation Act, 2014
	Khyber Pakhtunkhwa Pension Fund (Amendment) Act, 2014 (Act No. XLIII of 2014).
	Sindh Employees Old-Age Benefits Act, 2014 (Sindh Act No.X of 2015).
Migrant workers	Punjab Overseas Pakistanis Commission Act 2014 (XX of 2014).
Specific categories of workers	The Sindh Civil Servants (Regularization of Adhoc Appointments)(Amendment) Act, 2014 (Act No.XII of 2014).
	Balochistan Hotels and Restaurants Act 2014 (Act No. XVII of 2014).
	Sindh Civil Servants (Amendment) Act, 2014 (Act No. XIX of 2014).
	Khyber Pakhtunkhwa Civil Servants Retirement Benefits and Death Compensation Act, 2014.
2015	
General Provisions	General Elections 2013 Inquiry Commission Ordinance, 2015 (VII of 2015).
	The Constitution (Twenty-first Amendment) Act, 2015 (Act No. I of 2015).
	The Balochistan Local Government (Amendment) Act (Act No. I of 2015).
	Punjab Information of Temporary Residents Act 2015 (VIII of 2015).
Freedom of association, collective bargaining and industrial relations	The Balochistan Industrial Relations (Amendment) Act (Act No. XV of 2015).
Elimination of forced labour	Khyber Pakhtunkhwa Bonded Labour System (Abolition) Act, 2015 (Act No. XIV of 2015).
Elimination of child labour, protection of children and young persons_	The Khyber Pakhtunkhwa Prohibition of Employment of Children Act, 2015 (Act No. XIX of 2015).
Equality of opportunity and treatment	Sindh Commission on the Status of Women Act, 2015 (Sindh Act No.XX of 2015).
Employment policy, promotion of employment and employment services	Sindh Differently Able persons (Employment, Rehabilitation and Welfare) Act, 2014 (Sindh Act No.XVI of 2015).



Education, vocational guidance and training Punjab Higher Education Commission Act, 2014 (I of 2015). The Khyber Pakhtunkhwa Technical Education and Vocational Training Authority Act, 2015 (Act No. XII of 2015).	
Conditions of work	The Khyber Pakhtunkhwa Shops and Establishment Act, 2015 (Act No. XX of 2015).
Occupational safety and health	The Balochistan Boilers and Pressure Vessels Act (Act No. XVI of 2015).
Social security (general standards)	Khyber Pakhtunkhwa Health Care Commission Act, 2015 (Act No. V of 2015).
	Punjab Social Protection Authority Act 2015 (XXII of 2015).
	Sindh Workers Welfare Fund Act, 2014 (Sindh Act No. XXXIII of 2015).
	The Federal Employees Benevolent Fund and Group Insurance (First Amendment) Act, 2015 (Act No. VIII of 2015).
	The Federal Employees Benevolent Fund and Group Insurance (Second Amendment) Act, 2015 (Act No. IX of 2015)
Maternity protection	Khyber Pakhtunkhwa Protection of Breast-Feeding and Child Nutrition Act, 2015 (Act No. VII of 2015).
Migrant workers	Punjab Information of Temporary Residents Act 2015 (VIII of 2015).
Specific categories of workers	The Balochistan Civil Servant (Amendment) Act 2015 (Act No. III of 2015).
	The Khyber Pakhtunkhwa Shops and Establishment Act, 2015 (Act No. XX of 2015).
	The Federal Employees Benevolent Fund and Group Insurance (First Amendment) Act, 2015 (Act No. VIII of 2015).
	The Federal Employees Benevolent Fund and Group Insurance (Second Amendment) Act, 2015 (Act No. IX of 2015)
	The Khyber Pakhtunkhwa Civil Servants (Amendment) Act, 2015 (Act No. XXXIII of 2015).
2016	
General Provisions	The Criminal Law (Amendment) Act, 2016 (Act No. VI of 2016).
	Punjab Protection of Women against Violence Act 2016 (XVI of 2016).
	Punjab Civilian Victims of Terrorism (Relief and Rehabilitation) Ordinance 2016 (X of 2016).
	The Balochistan Witness Protection Act 2016 (Act No. IV of 2016).
	Punjab Marriage Functions Act 2016 (XXIX of 2016).
	The Khyber Pakhtunkhwa Health Foundation Act, 2016 (Act No. VII of 2016).
	Constitution (Twenty-second Amendment) Act, 2016 (Act No. XXV of 2016).
Prevention of Electronic Crimes Act, 2016 (Act No. XL of 2016).	
Elimination of forced labour	The Sindh Bonded Labour System (Abolition) Act, 2015 (Sindh Act No. XX of 2016).
Elimination of child labour, protection of children and young persons_	Punjab Prohibition of Child Labour at Brick Kilns Act 2016 (XXXVII of 2016).
	Punjab Restriction on Employment of Children Act 2016 (L of 2016).
	The Balochistan Child Protection Act (Act No. VII of 2016).
Equality of opportunity and treatment	The Balochistan Protection Against Harassment of Women at Work Place Act (Act No I of 2016).
	Punjab Protection of Women against Violence Act 2016 (XVI of 2016).
	The Khyber Pakhtunkhwa Commission on the Status of Women Act, 2016 (Act No. XXVIII of 2016).
Education, vocational guidance and training	The Karachi Institute of Technology and Entrepreneurship Act, 2015 (Sindh Act No. XXV of 2016).
Employment security, termination of employment	The Balochistan Employees' Efficiency and Discipline (Amendment) Act, 2016 (Act No. VI of 2016).
Conditions of employment	Sindh Minimum Wages Act, 2015 (Sindh Act No. VIII of 2016).
	Minimum Wages for Unskilled Workers (Amendment) Act, 2016 (Act No. VII of 2016).
	Sindh Shops and Commercial Establishment Act, 2015 (Sindh Act No. XII of 2016).
	Sindh Factories Act, 2015 (Sindh Act No. XIII of 2016).
	Sindh Terms of Employment (Standing Orders) Act, 2015 (Sindh Act No. XI of 2016).
	Sindh Companies Profits (Workers Participation) Act, 2015 (Sindh Act No. XVIII of 2016).
Conditions of work	Sindh Shops and Commercial Establishment Act, 2015 (Sindh Act No. XII of 2016).
	Sindh Factories Act, 2015 (Sindh Act No. XIII of 2016).
Occupational safety and health	The Khyber Pakhtunkhwa Boilers and Pressure Vessels Act, 2016 (Act No. XXXI of 2016).
Social security (general standards)	Sindh Workers Compensation Act, 2016 (Act No. VII of 2016),
	The Sindh Senior Citizens Welfare Act, 2014 (Sindh Act No. XXI of 2016).
	Sindh Employees Social Security Act, 2016 (Sindh Act No. VI of 2016).
	The Sindh Employees Old-Age Benefits (Amendment) Act, 2016 (Sindh Act No. XXIII of 2016).
Specific categories of workers	Punjab Special Protection Unit Act 2016 (II of 2016).
	The Civil Servants (Amendment) Act, 2016 (Act No. IX of 2016).
	Sindh Shops and Commercial Establishment Act, 2015 (Sindh Act No. XII of 2016).
	The Khyber Pakhtunkhwa, Appointment of GAVI, JICA, Adhoc and Contract Employees Act, 2016 (Act No. VIII of 2016).
	Punjab Civil Administration Ordinance 2016 (XX of 2016).
2017	
General Provisions	The Khyber Pakhtunkhwa Police Act, 2017 (Act No. II of 2017).



	<p>The Sindh Prohibition of Corporal Punishment Act, 2016 (Sindh Act No.VII of 2017).</p> <p>The Code of Criminal Procedure (Sindh Amendment) Act, 2017 (Sindh Act No.IV of 2017).</p> <p>Criminal Laws (Amendment) Act, 2017 (Act No. IV of 2017).</p> <p>Hindu Marriage Act, 2017 (Act No.VII of 2017).</p> <p>Constitution (Twenty-third Amendment) Act, 2017 (Act No.XII of 2017).</p> <p>Companies Act, 2017 (Act No.XIX of 2017).</p> <p>Alternative Dispute Resolution Act, 2017 (Act No.XX of 2017).</p> <p>Representation of the People (Amendment) Act, 2017 (Act No.XXIV of 2017).</p> <p>Witness Protection, Security and Benefit Act, 2017 (Act No.XXI of 2017).</p> <p>National Counter Terrorism Authority (Amendment) Act, 2017 (Act No.XXVI of 2017).</p>
Freedom of association, collective bargaining and industrial relations	Alternative Dispute Resolution Act, 2017 (Act No.XX of 2017).
Elimination of child labour, protection of children and young persons_	<p>The Sindh Prohibition of Employment of Children Act, 2017 (Sindh Act No.III of 2017).</p> <p>The Sindh Prohibition of Corporal Punishment Act, 2016 (Sindh Act No.VII of 2017).</p> <p>The Khyber Pakhtunkhwa Free Compulsory Primary and Secondary Education Act, 2017 (Act. No XII of 2017).</p>
Equality of opportunity and treatment	Punjab Women Protection Authority Act 2017 (X of 2017).
Education, vocational guidance and training	<p>The Khyber Pakhtunkhwa Technical Education and Vocational Training Authority (Amendment) Act, 2017 (Act No. VI of 2017).</p> <p>The Khyber Pakhtunkhwa Free Compulsory Primary and Secondary Education Act, 2017 (Act. No XII of 2017).</p>
Conditions of employment	The Sindh Payment of Wages Act, 2015 (Sindh Act No.VI of 2017).
Specific categories of workers	<p>The Khyber Pakhtunkhwa Police Act, 2017 (Act No. II of 2017).</p> <p>The Khyber Pakhtunkhwa Employees of Health Department (Regularization of Services) Act, 2017 (Act. No VII of 2017).</p>

Source: [ILO, NATLEX, Pakistan](#)



Table 34: Ratified ILO Conventions

Subject and/or right	Convention	Ratification date
Fundamental Conventions		
Freedom of association and collective bargaining	C087 - Freedom of Association and Protection of the Right to Organise, 1948	1951
	C098 - Right to Organise and Collective Bargaining Convention, 1949	1952
Elimination of all forms of forced labour	C029 - Forced Labour Convention, 1930	1957
	C105 - Abolition of Forced Labour Convention, 1957	1960
Effective abolition of child labour	C138 - Minimum Age Convention, 1973	2006
	C182 - Worst Forms of Child Labour Convention, 1999	2001
Elimination of discrimination in employment	C100 - Equal Remuneration Convention, 1951	2001
	C111 - Discrimination (Employment and Occupation) Convention, 1958	1961
Governance Conventions		
Labour inspection	C081 - Labour Inspection Convention, 1947	1953
	C129 - Labour Inspection (Agriculture) Convention, 1969	Not ratified
Employment policy	C122 - Employment Policy Convention, 1964	Not ratified
Tripartism	C144 - Tripartite Consultation (International Labour Standards) Convention, 1976	1994
Up-to-date Conventions		
Working time	C014 - Weekly Rest (Industry) Convention, 1921	1923
	C106 - Weekly Rest (Commerce and Offices) Convention, 1957	1960
Social Security	C118 - Equality of Treatment (Social Security) Convention, 1962	1969
Seafarers	C185 - Seafarers' Identity Documents Convention (Revised), 2003	2006
Employment policy and promotion	C159 - Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983	1994
<p>Fundamental Conventions are the eight most important ILO Conventions that cover four fundamental principles and rights at work. Equivalent to basic human rights at work.</p> <p>Governance Conventions are four conventions that the ILO has designated as important to building national institutions and capacities that serve to promote employment. In other words, Conventions that promote a well-regulated and well-functioning labour market.</p> <p>In addition, there are 71 Conventions, which ILO considers "up-to-date" and actively promotes.</p> <p>In the South Asian region, Pakistan is one of the few countries that cover all sorts of contingencies recognized by ILO Conventions.</p>		

Source: [ILO, NORMLEX, Country Profiles - Pakistan](#)



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