

Wages in Context

in the Garment Industry in Asia

THE CASE OF PAKISTAN

1. HOW TO ATTAIN THE LIVING WAGE IN PAKISTAN

The experts for Pakistan we surveyed set Living Wages for an individual and for a household between the lower and upper bounds of the Living Wages for individuals and typical families calculated based on WageIndicator data. They assessed that in Pakistan the Living Wage could only be attained with the involvement of global garment buyers. Coordinated regulatory actions of low-cost garment manufacturing countries could also be supportive in the local quest for living wages. Within the country, further unionization would be the most important factor to support this quest, along with the relaxation of legislation that is not supportive of unionization. National trade unions could then engage in concerted actions for a needs based minimum wage. Within the country, government action would be necessary to ensure a thorough and effectively functional tripartite system of social dialogue, to promote free collective bargaining and to strengthen the country's labour inspectorate. Campaigns to encourage ethical consumption, occasional end-consumer boycotts and sanctions embedded in international trade agreements were also thought to also be potentially influential.

Traditionally, the focus of Pakistan's textile and clothing industry has centred on the early stages of processing, though in the last three decades considerable forward integration into garment production has taken place. After a decade of growth, the 2008-09 worldwide crisis impacted seriously on the country's garment industry. By then in Karachi alone 300 garment units with about 100,000 workers closed down. Already earlier, many Pakistani garment exporters focused on price competition but that met heavy competition from Chinese competitors. Recently, boosted by growing exports of high-value textiles the country's export of garment products has picked up. As a result, by 2014 the long-term average share of Pakistan in the world garment exports of 1 per cent had been restored. For 2015, we estimated total employment in Pakistan's garment industry at 1,180,000, of which 320,000 women.

Wages in Context in the Garment Industry in Asia

This leaflet is based on a study undertaken for the Ministry of Foreign Affairs, the Netherlands, on behalf of the Asian Living Wage Conference (ALWC) in Pakistan in 2016. The ALWC aims to engage Asian textile-producing countries in the initiatives of EU and US brands and multi-stakeholder initiatives to implement living wages. The Ministry has asked the WageIndicator Foundation to prepare input for the Conference by providing insight into the cost of living and related living wage levels in the garment industries in Bangladesh, Cambodia, China, India, Indonesia, Myanmar, Pakistan, Sri Lanka, and Vietnam.

See Van Klaveren, M. (2016) *Wages in Context in the Garment Industry in Asia*. Amsterdam: WageIndicator Foundation, April.

<http://www.wageindicator.org/main/Wageindicatorfoundation/publications>

2. MINIMUM WAGES

Pakistan's minimum wage system has been complicated by multiple applicable laws and ordinances, for instance the Minimum Wages Ordinance 1961 followed by the West Pakistan Minimum Wages for Unskilled Workers Ordinance 1969. The latter is the basis for a centralized minimum wage-setting procedure, which does not require consultation of the social partners. The experts noted that at national level a Wage Determination Committee under Ministry of Finance is in place. However, they regarded its role as rather unclear and furthermore that its work was hidden from trade unions and NGOs. At the provincial level, tripartite Minimum Wage Boards are in place, which recommend wage rates for declaration by the respective provincial government. According to the experts' experience, the government has the final say on MW fixing. A separate minimum wage rate for the garment sector does exist. After the increase of the minimum wage for unskilled workers by mid-2015 to PKR 13,000 per month, there have been no further minimum wage hikes in Pakistan.

3. COMPLIANCE

According to the experts surveyed the limited bargaining capacity of garment workers was related to their lack of alternative employment opportunities and to the easy availability of new workers at the present level of wages and conditions. Moreover workers face formidable barriers to unionization like authoritarian factory regimes, and discrimination and harassment against union activists and workers who raise concerns against employer practices. Collective bargaining in Pakistan exists mainly at factory level, albeit on a limited scale.

The experts assessed Pakistan's labour legislation as too permissive. On top of this, the labour inspection system was seen to be weak. Compliance with the minimum wage was low as well. There were no proper mechanisms in place to ensure compliance. Poor governance, corruption and highly politicized decision-making all played a role in this outcome. The most dramatic expression of weak compliance took place in September 2012, when a garment factory in Karachi caught fire, resulting in the deaths of 262 workers and injury to at least 55. Factory management had violated six building by-laws.

WageIndicator Cost-of-Living and Living Wage levels calculations

WageIndicator maintains a Cost-of-Living survey with related Living Wage calculations, as well as a Work-and-Wages survey, a Minimum Wages Database, and a Labour Law Database for some 80 countries. For this report, WageIndicator intensified the Cost-of-Living data-collection in the nine countries, and interviewed experts from the nine countries regarding the hurdles to implement Living Wages.

Three features are critical in the WageIndicator Living Wage computations. First, they are based on the cost of living for a predefined food basket derived from the FAO database distinguishing 50 food groups with national food consumption patterns in per capita units (checked to ensure the percentage of calories from proteins is consistent with WHO balance diet), for housing and for transportation, with a margin for unexpected expenses. Second, data about prices of these items is collected through a survey. For this purpose, the Internet is used as it reaches out to large numbers of people. This WageIndicator Cost-of-Living Survey invites web visitors on all WageIndicator websites to complete the survey for a single item or for the list of items. The survey is a multi-country, multilingual, continuous web survey, with a printed version and an App for offline data-collection. Third, in determining a Living Wage, WageIndicator assumes the Living Wage for a typical family referring to the family composition most common in the country at stake, calculated on the respective fertility rates.

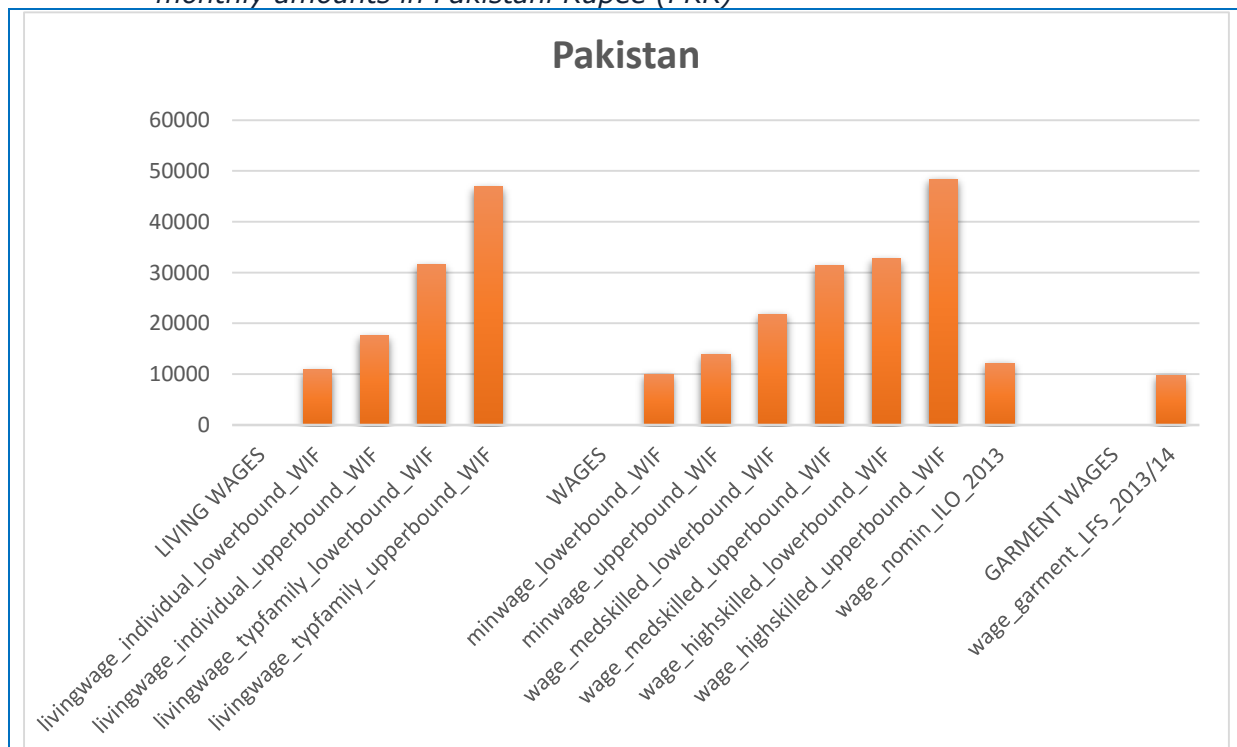
See for information: Guzi, M., and Kahanec, M. (2014) [Wageindicator Living Wages, Methodological Note](#). Bratislava/Amsterdam: CELSI/Wage; Guzi, M., Kahanec, M., Kabina, T. (2016) [Codebook of the WageIndicator Cost-of-Living Survey](#). Amsterdam: WageIndicator Foundation

4. WAGES IN CONTEXT IN PAKISTAN

Figure 1 presents wage data for Pakistan: the monthly amounts of the living wages, the minimum wages, the total wages in Pakistan according to WageIndicator and ILO data, and the wages of garment workers. The LIVING WAGE section comprises the estimated living wages based on the WageIndicator Cost-of-Living Survey for an individual and for a typical family, with lower and upper bounds. The WAGES section comprises two 2015 minimum wage levels, the lower bound (national minimum) PKR 10,000 and the upper bound (skilled workers) PKR 13,900. Based on WageIndicator 2015 data average wages are presented for medium- and high-skilled workers, both with lower and upper bounds. The total average wage level based on the ILO Wage Database 2013 is included. In the GARMENT WAGES section we present the average garment wage based on the 2013-14 Labour Force Survey (LFS).

The figure and the underlying data show that the 2013-14 average garment wage based on LFS data is 2 per cent below the lower bound minimum wage and 40 per cent below the upper bound MW. The average garment wage is also substantially lower than the overall wages for the medium- and high-skilled worker categories based on the WageIndicator. It is also 20 per cent below the 2013 overall average wage as found by the ILO. These indications point in the direction of relatively low garment wages. The 2013-14 average garment wage is some 10 per cent lower than the estimated lower bound of the living wage for an individual worker; the upper bound equivalent is 1.8 times higher than the garment wage. The lower bound living wage for a typical family is over three times the average garment wage and the lower bound minimum wage.

Figure 1. Living wages, minimum wages, total wages and garment wages in Pakistan, monthly amounts in Pakistani Rupee (PKR)



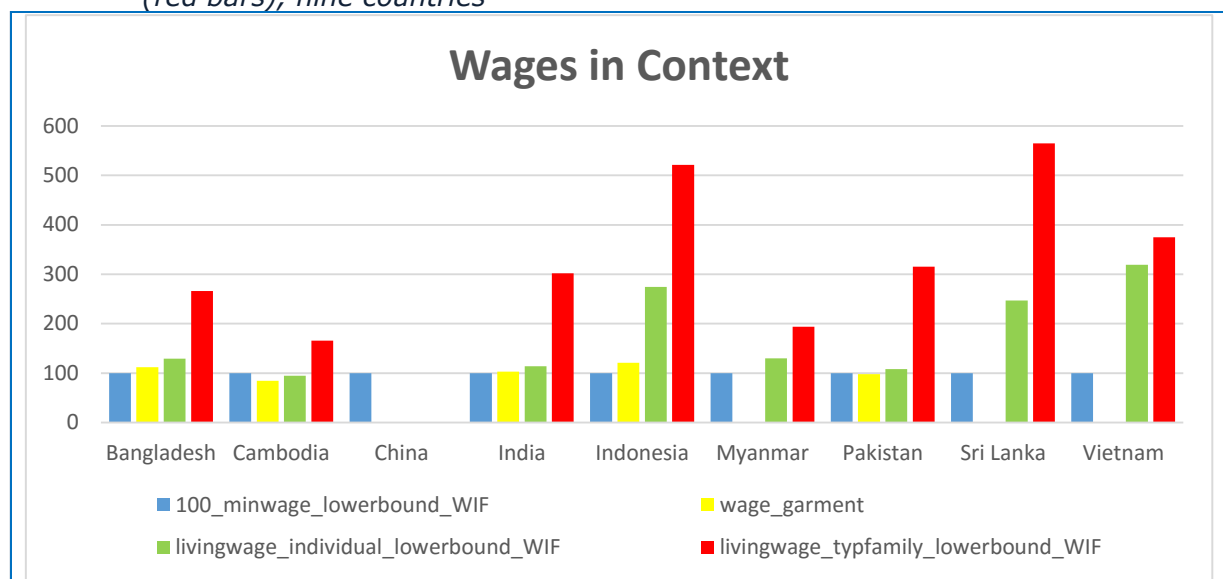
Source: [Wages in Context in the Garment Industry in Asia](#). Amsterdam: WageIndicator Foundation, April 2016.

5. PAKISTAN COMPARED

Figure 2 shows wages in context: the distances between the various wage levels calculated for the nine countries, setting the lower bound statutory minimum wage as 100 and relating this to the garment wages derived from official surveys as well as the estimated lower bound living wages for individuals and for typical families. In all five countries with official garment wages available, these wages are not far from the lower bound minimum wage; in two out of the five they even settle below that minimum wage, in Cambodia substantially and in Pakistan slightly.

In the eight countries (all except China) for which based on the WageIndicator Cost-of-Living Survey living wages could be estimated, the relative levels of the lower bound living wage for individuals vary widely. Cambodia is the only country with this living wage settled below the lower bound minimum wage; for the other countries the individual living wage values range from 8 per cent (Pakistan) and 14 per cent (India) above the lower bound minimum wage up to 29 per cent (Bangladesh and Myanmar), 146 per cent (Sri Lanka), 174 per cent (Indonesia) and 219 per cent (Vietnam).

Figure 2 Wages in Context: Lower bound statutory minimum wage (=100, blue bars) related to the median garment wages (yellow bars), the lower bound living wage for individuals (green bars), and the lower bound living wage for typical families (red bars), nine countries



Source: [Wages in Context in the Garment Industry in Asia](#). Amsterdam: WageIndicator Foundation, April 2016.

WageIndicator Foundation (www.wageindicator.org; office@wageindicator.org)

WageIndicator started in 2001 to contribute to a transparent labour market for workers and employers by publishing easily accessible information on a website. It collects, compares and shares labour market information through online and face-to-face surveys and desk research. It publishes the collected information on national websites, thereby serving as an online library for wage information, Labour Law, and career advice, both for workers/employees and employers. The websites attract a large audience, because they publish urgently needed but usually not easy accessible information, in 2015 resulting in more than 32 million visitors.