



REVITALISING LABOUR RELATIONS IN PAKISTAN: A CALL FOR COMPREHENSIVE REFORMS

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The 18th constitutional amendment in 2010 delegates the responsibility to provinces to formulate their labour-related law and policies. However, the provinces are still struggling to formulate policies that are simple to implement and capable of enhancing working conditions. Despite multiple attempts, the existing legal framework falls short of international standards due to limited collaboration between provinces. Furthermore, the large presence of informal economy complicates the practical enforcement of these regulations. Also, trade agreements with labour clauses have not led to substantial improvements in working conditions. Efforts have been made through the adoptions of acts such as Federal Industrial Relations Act (IRA), Trade Organization Act (2013), Factories Act last amended in 2012¹. However, these legislative attempts have encountered various issues, especially in the post devolution scenario, making their implementation difficult. The legal framework in Pakistan is intricate and fragmented, though covering a broad spectrum of domains. This essay proposes modest yet critical reforms in the realm of labour relations. These areas of reforms, which have long been overlooked, and required to design a comprehensive framework for the improved working conditions and decent work in Pakistan.

The determination of minimum wage and provision of health and safety standards fall within the purview of provinces. Each province announces the minimum wage according to cost of living and economic condition of their respective province. Additionally, the minimum wage in coalmine workers falls under the jurisdiction of The Coal Mines Ordinance 1961 and all provincial governments are supposed to issue a notification regarding the minimum wage for all coal miners. The issue of minimum wage for the coal mine workers needs to be granted significant importance due to development of the China-Pakistan Economic Corridor (CPEC) and other mega projects such as the Thar coal project and Reko Diq project – which have increased the reliance of coal mines in Balochistan and Sindh, thus increasing the demand for workers.² The setting of the minimum wage has evolved into a political agenda, with provinces striving to outdo one another and also compete with the federal government. However, the implementation of

minimum wage is still a serious question mark on all provincial and federal governments. In this situation, the desired step toward minimum wage law should be developing a framework of implementation. The current system of maintaining a register and wage slips to show the compliance are out-of-date and these methods are vulnerable to exploitation. To address this, a modernised approach incorporating cross-verification mechanisms is essential to ensure compliance. The framework should include the mechanism for capacity building of government labour inspectors through targeted trainings and the implementation of effective inspection protocols. By introducing such measures, the goal of achieving compliance with minimum wage laws can be realised more effectively and systematically.

One of the pressing and longstanding issues within the domain of labour relations is the prevalence of discriminatory behaviors and procedures, which are so strongly embedded in the system that minor action is unlikely to work: a complete overhaul of all policies is in order. The provision of employment benefits, promotions, social security, and other opportunities of advancement in career should be provided without discriminating between the workers based on race, colour, sex, religion, political opinion, national extraction or social origin, occupation, or any other status/identity marker. To realise the change, there is a need for a comprehensive and multi-layered framework that promotes inclusivity on a broader scale, in the labour market and, subsequently at the level of individual firms and enterprises. Inclusivity should not be a matter of individual discretion; it should be ingrained in the very fabric of our management-employee negotiations, trade unions, and the overarching system itself. It is crucial that these changes are not just encouraged but mandated, ensuring a fair and equal environment for all workers, irrespective of their background or status.

The social security system in Pakistan is notably weak and insufficient. There are many issues in the social security system and to address them all in this essay would not be possible. The extensive informal economy operates without any social security coverage. A few international/multinational firms provide limited forms of social security, primarily due to regulatory requirements of their respective enterprises rather than any inherent requirement in Pakistan. A significant portion of the workforce, including self-employed individuals, agricultural workers, daily wage labourers, and contract-based workers spanning various sectors and industries remain excluded from the social security umbrella. The financial mismanagement of funds, lack of innovative financial instruments to fund the social security system and a growing ageing population are just a few issues in Pakistan's social security system. Governance is severely lacking, and the administration is failing to meet the requirement of huge population which include disables, older citizens, women and in formal workers as mentioned above. For reforms to enhance the social security system, proactive involvement from provinces is imperative. Collective efforts involving the private sector, financial institutions and researchers are essential to develop innovative solutions.

A critical aspect lacking in the establishment of decent work conditions is the insufficient emphasis on occupational health and safety at workplaces across all sectors. The labour history in Pakistan is full of hazardous and tragic incidences; many workers have died and countless have been injured. The devastating fire at Baldia factory in Karachi in 2012 serves as a grim reminder, claiming the lives of nearly 300 workers. Regrettably, the families left behind, even a decade later, have received no social security support after losing their primary bread earners. This incident is just one among many similar tragedies. Key sectors such as construction, mining, agriculture, and fishing also grapple with considerable challenges related to OSH risks and hazards. Hence, there is a need for comprehensive policies, stringent regulations, and enhanced awareness campaigns to create safer working environments. Collaboration among stakeholders, including employers, employees, and regulatory authorities, is paramount in addressing these challenges proactively and ensuring the implementation of robust occupational health and safety measures across various industries.

Pakistan is currently experiencing a substantial youth demographic, with almost 60% percent of the population under the age of 25. However, existing conditions do not favour the generation of employment opportunities or the promotion of self-employment initiatives. The current labour market with limited information and job matching systems, high labour market frictions, poor copyrights for new ideas, and limited mobility are just a few that need to be addressed through labour market reforms. Given the present situation of the economy and the pressure of new entrants in the labour market, the informal sector seems to expand further. The degree of compliance is almost nil, and the nature of contracts is very precarious. Thus, the framework of overall reforms should allow the expansion of the labour market, encourage innovation, improve skill endowment, and ensure the fundamental rights of all workers in all market sectors. Finally, the two-way flow from public to private and vice versa should be easy, so as to improve productivity - especially in the public sector. The present system has created a dual market system - one with over-protection and the other without protection at all, which is itself an incentive for low productivity.

Therefore, labour relations reforms should prioritise fundamental rights such as the ability to engage in collective bargaining, freedom of expression without any penalty, right for social security, and participation of labour in the design of new rules within enterprises. In short, there is a dire need for a legislative structure for unionisation and collective bargaining, encompassing both formal and informal sectors of the economy - regulated by well-designed laws to protect labour rights without compromising on the labour productivity or exacerbating labour-management disputes. Furthermore, ensuring representation for labourers and peasants in the parliament and integrating them into the political system is imperative. By granting them seats in legislative bodies, we can empower their voices and foster an inclusive, representative political environment.

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¹WageIndicator 2023 - WageIndicator.org - Minimum Wages Regulations - Pakistan
²The coal mine minimum wage is mentioned because they are under another law i.e. The Coal Mines (Fixation of Rates of Wages) Ordinance 1960.