

# **LABOUR PROTECTION POLICY**

**2006**

**GOVERNMENT OF PAKISTAN**

**Ministry of Labour, Manpower and Overseas  
Pakistanis**

**Islamabad**

# **CONTENTS**

**FOREWORD**

**INTRODUCTION**

**SCOPE OF LABOUR PROTECTION**

**PURPOSE**

**OBJECTIVES**

**POLICY ELEMENTS**

- **BASIC RIGHTS**
- **POLICY COVERAGE**
- **WORKING CONDITIONS**
- **WORKING ENVIRONMENT**
- **SOCIAL SECURITY**
- **LIVING CONDITIONS**
- **COMPLIANCE AND ENFORCEMENT**
- **CAPACITY BUILDING FOR LABOUR  
ADMINISTRATION AND SOCIAL  
PARTNERS**

**IMPLEMENTATION STRATEGIES**

## FOREWORD

### **The Challenge**

Pakistan's enterprises face formidable competition in international and regional markets, thereby creating a need to be increasingly cost efficient and price and quality competitive. At the same time, Pakistan seeks to improve working conditions and the environment in which work takes place, thereby requiring its enterprises to give greater attention to labour protection issues.

Employers seek greater flexibility in the nation's labour markets as a means to reduce unit labour costs and improve their competitive situations. Workers seek greater rewards for their productive efforts through improved working conditions, a safer working environment and better social security arrangements, all of which have the potential to raise labour costs and reduce the competitiveness of the nation's enterprises.

It should be stressed, however, that there are real and potential benefits to enterprises that adopt a positive approach to compliance with labour protection standards, and to an increasing number of investors such compliance is an essential factor in the decision-making processes for new investment. In short, fair labour standards and high levels of compliance by enterprises may well be a source of competitive advantage together with price and quality considerations, rather than a deterrent to private sector growth.

Bilateral interactions between employer and workers may assist in resolving a situation in which both parties want more and better, but these matters are of such significance to the nation as a whole, government is required to intervene. Such interventions must strike a reasonable balance between encouraging economic efficiency and competitiveness in the interest of employers, on the one hand, and greater protection and fairness in the interest of workers, on the other.

Finding this balance is the over-riding purpose of this **Labour Protection Policy 2005**.

## **Policy Congruence**

It is stressed that this policy concerns itself with **labour protection** and is not to be seen as a policy that addresses the need for industrial development, employment creation, foreign investment, international trade, human resource development, small enterprise development, improved infrastructure and, indeed, a wide range of other important policy initiatives that relate to the nation's development goals. It is important, however, that labour protection policies be in harmony with other policy initiatives, thereby requiring attention to a further dimension of balance to ensure the highest possible degree of policy congruence and compatibility.

The policy has particular implications for small and medium enterprises and, through cooperation with the Small and Medium Enterprise Development Authority (SMEDA), every effort has been made to ensure that labour protection issues are consistent with the policy initiatives included in the SME policy, currently in preparation.

## **Consultative Processes**

In the preparation of this policy, every effort has been made to consult with key stakeholders through the deliberations of a widely representative task force, a series of provincial workshops, and invitations for stakeholders to make written submissions. The process has demonstrated a willingness on the part of government to engage in dialogue with its social partners on important policy matters, but has also succeeded in establishing a foundation for the commitment of employers and workers during the policy implementation stage. Although this is a government policy, every effort has been made to ensure that it reflects the views of constituents to the stage where the policy can be regarded as a truly tripartite policy.

## **Policy Initiatives**

**Labour Protection Policy 2005** further elaborates a number of the policy elements outlined in **Labour Policy 2002**, particularly those relating to the encouragement of bilateral interactions between employers and workers, with a view to them assuming greater responsibility for labour protection issues in the workplace. The **Labour Protection Policy 2005** also includes a number of new initiatives. Of particular importance are those directed to extending labour protection to persons engaged in the country's extensive

and complex informal economy. The Government is aware of the importance of the informal economy in providing a livelihood for millions of Pakistanis. It is also aware that informal economy workers and employers have not benefited from the protection afforded to the formal economy.

It is not proposed that the informal economy be magically transformed into a formal economy, involving a range of legal obligations and arrangements that, if rigorously applied, may threaten the very existence of a range of informal economy activities. Rather, it is proposed to introduce a range of information and advisory services on a voluntary basis in the first instance, without the need for legislative interventions and law enforcement. The extension of social security coverage and the provision of safety and health services for the benefit of informal economy workers, employers and self-employed persons are seen as priority areas for assistance.

Minimum wages, however, is one area where assistance to informal economy workers will be supported by legislation. It is proposed that minimum wages, whether at hourly, daily, weekly or monthly rates apply progressively to **all** sectors and situations in which paid work is done under employer-employee arrangements.

The provision of labour extension services will require additional resources at provincial level, particularly staff with the capacity to be trained in the delivery of services through a reliance on encouragement, persuasion and education as distinct from enforcement and sanctions typically associated with labour inspection activities.

### **Policy Implementation**

The Ministry is well aware that new policy pronouncements amount to little unless they are effectively implemented. Accordingly, it is proposed to introduce a number of new approaches to labour inspection with a view to restructuring and reorganizing the way in which labour inspection work is undertaken. The Ministry is in the process of preparing a comprehensive labour inspection policy that provides for a number of new approaches to compliance, enforcement, and inspection work in general, in addition to the provision of labour extension services indicated above. The Ministry is aware of the need for Provincial Labour Inspectorates to adjust and adapt to meet changing circumstances, and of their need for technical and financial assistance to build their capacity.

## **Studies, Working Groups and Pilot Projects**

Some aspects of labour protection outlined in this policy document will require more detailed elaboration before they can be effectively implemented. This will involve a number of studies and working groups to provide specific recommendations in a number of policy areas. It is proposed to conduct studies on the informal economy, labour productivity enhancement, the effectiveness of the nation's labour administration system, the information needs of labour administration, and the introduction of a National Institute of Industrial Relations.

Extra-budgetary funds will be sought to support these studies, which will commence as soon as possible after the formal endorsement of this policy document.

In addition to the studies, it is proposed that a number of working groups be formed to advise on the detailed content and implementation arrangements in those policy areas endorsed as important, but where more information and dialogue is required. Representative working groups will be appointed to advise and recommend on the purpose, objectives and operational arrangements for a National Wage Commission, on improved labour market flexibility, the role and functions of a National Occupational Safety and Health Council and Safety and Health Institutes, on possible alternative arrangements for the introduction of an unemployment benefits scheme, and on the improvement of living conditions for workers.

The actual implementation of policies will involve new approaches to compliance and enforcement on the part of labour inspectors, and it is proposed to conduct a number of pilot projects to trial and test a number of new approaches to labour inspection. These projects will be closely monitored and evaluated with a view to replicating their positive outcomes.

## **Policies and Laws**

The preparation of this policy document has involved extensive consultations with stakeholders. This dialogue, together with written submissions, has highlighted a number of concerns relating to **existing** labour laws and their implementation, including details relating to the level of wages, benefits and pensions, as well as matters relating to future policies.

All are important but this document focuses on policy issues rather than the details of existing levels of benefit, or labour law reform. The amendment of labour laws should follow rather than precede policy formulation, to ensure that policy pronouncements are given an appropriate legal foundation to support implementation. Thus, once the new policy has been endorsed, the process of legal revision and consolidation that has already commenced will continue apace with an emphasis on uniformity, clarity and simplicity.

### **Time Frames and Resource Requirements**

The nature of the initiatives included in this policy document make it difficult to stipulate precise time frames and resource requirements for their effective implementation. Accordingly, the timing arrangements and resource requirements for each policy element will be detailed in the action plans to be prepared in support of each of the implementation strategies included in the policy document.

It is proposed to review overall progress in policy implementation after a period of 3 years, through the National Tripartite Labour Conference.

Minister for Labour, Manpower and  
Overseas Pakistanis

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## INTRODUCTION

### Constitution

Pakistan's commitment to labour protection is enshrined in the **Constitution of Pakistan, 1973**. **Article 38** makes specific reference to the social and economic well being of the people in terms that clearly indicate the State's positive intentions concerning labour protection and social justice.

'The State **shall**

- (a) secure the well-being of the people, irrespective of sex, caste, creed or race, by raising their standard of living, by preventing the concentration of wealth and means of production and distribution in the hands of a few to the detriment of general interest and by ensuring equitable adjustment of rights between employers and employees, and landlords and tenants;
- (b) provide for all citizens, within the available resources of the country, facilities for work and adequate livelihood with reasonable rest and leisure;
- (c) provide for all persons employed in the service of Pakistan or otherwise, social security by compulsory social insurance or other means; '

### ILO Standards

The labour protection provisions of the **Constitution** are supported by Pakistan's ratification of 34 ILO Conventions, including 7 of the 8 core conventions embodied in the **ILO Declaration on Fundamental Principles and Rights at Work**.

This **Declaration** embraces four main areas, namely,

- freedom of association and the recognition of the right of workers and employers to bargain collectively,
- the elimination of all forms of forced or compulsory labour,
- the effective abolition of child labour,
- the elimination of discrimination in respect of employment and occupation.

The **ILO Declaration** was adopted by the ILO Conference in 1998, but Pakistan's commitment to the principles of freedom of association, and the right to collective bargaining, date back to 1951 and 1952, respectively, indicating a strong commitment by Pakistan to the protection of basic rights in the very early years of Pakistan's nationhood.

The **Abolition of Forced Labour Convention 1957 (Convention 105)** was ratified by Pakistan in 1960, and the **Discrimination (Employment and Occupation) Convention, 1958 (Convention 111)** was ratified in 1961. The act of ratification means that a Convention becomes legally binding on the ILO member State concerned, and provides clear evidence that Pakistan's commitment to such basic rights is long standing.

In recent years, Pakistan has reaffirmed its commitment to labour protection by its ratification of the **Equal Remuneration Convention, 1951 (Convention 100)**, and the **Worst Forms of Child Labour Convention, 1999 (Convention 182)**. Both conventions were ratified in 2001 and indicate that Pakistan's commitment to basic rights is not only long-standing, but also on-going.

## **Labour Policy 2002**

This **Labour Protection Policy 2005** is consistent with and emanates from the **Labour Policy 2002**. The **Labour Policy 2002** makes specific reference to a range of industrial relations issues, including the strengthening of bilateralism and social dialogue, the promotion of responsible trade unionism, the consolidation and rationalization of labour laws, and respect for international labour standards.

The **Labour Policy 2002** also makes reference to specific aspects of labour protection, including the need to eliminate child and bonded labor, to protect contract and seasonal workers, home based workers, workers in the

agricultural sector and informal economy, and workers disadvantaged as a result of the privatization of public sector enterprises. The **Policy** also refers to occupational safety and health, and the related area of workers' compensation. All of these are important and are elaborated in more detail in this **Labour Protection Policy 2005**. In addition, a number of issues not addressed in **Labor Policy 2002** are addressed, particularly the immediate question of minimum wages and related matters. The issue of unemployment insurance in the context of labour market flexibility is also addressed, not with a view to proposing the immediate introduction of such a scheme in Pakistan but, rather, highlighting various issues that need to be considered in the planning and operation of such schemes.

### **Bilateralism and Tripartism**

Pakistan's **Labour Policy 2002** is based on the ILO's core standards and provides an essential, but necessarily broad, framework for the future development of the country's labour protection system, with particular reference to industrial relations matters and some aspects of labour protection.

The **Labour Policy 2002** covers a wide range of issues, underscored by the fundamental principle of bilateralism, involving the building of trust and cooperation between employer and employee under the strategy of least intervention by the State. Essentially, bilateralism requires that employers and workers, and their respective organizations, assume greater responsibility for their own interactions without constantly relying on the State to resolve their problems and disagreements.

Bilateralism, of course, does not mean a total absence of State intervention in labour matters, but calls for interventions that are different, with an emphasis on positive intervention rather than negative interference. In the interest of national development the State can never abdicate from its responsibilities on labour matters. Under a bilateral approach, however, the State's efforts focus on establishing minimum standards in key areas such as freedom of association, non-discrimination, wages, allowances, hours of work, leave, work safety, and the elimination of child labour, and then encouraging workers and employers to build on those standards through their own constructive and responsible interactions.

Concurrently with the need to encourage bilateral consultations and decision-making there is a need, as envisaged in Labour Policy 2002, to strengthen and develop tripartite consultative processes at national, provincial and industry levels. Accordingly, it is proposed that the National Tripartite Labour Conference and the Provincial Labour Advisory Committees meet on a regular basis and, where appropriate, tripartite consultative labour committees for selected industries be established, under the auspices of the National Tripartite Labour Conference. It is stressed that these tripartite interactions represent a process of consultation as distinct from negotiation. Consultation is a process of interaction leading to advice to government; negotiation is a process of interaction leading to agreement between the negotiating parties, typically employers and workers' representatives at various levels.

The revitalization of tripartite consultations requires more than conducting meetings. The longer-term sustainability of tripartite interactions requires a careful consideration of the factors that need to be in place for tripartism to be successful. This includes more than the existence of representative organizations and the willingness of the parties to interact -- it extends to the ability to interact in a meaningful way, as well as access to relevant and accurate information. The National Tripartite Labour Conference is urged to discuss these success factors when it meets.

### **Competitiveness**

Pakistan's economic and social progress is dependent on a viable and responsible private sector, with the capacity to be competitive in international markets. Competitive capacity, however, extends beyond issues of quality and price. Increasingly, competitive capacity is linked to issues of labour protection and the extent to which workers are treated fairly, and able to work in decent conditions, with respect for their basic rights, without exploitation and discrimination. To the extent that working conditions and the wider working environment are considered to be fair and reasonable in the eyes of international buyers and ultimate consumers, the nation's enterprises secure a competitive advantage.

Competitive advantage, of course, cannot ignore issues of labor productivity, unit labor costs, product quality, and general efficiency. But these considerations are no longer enough, and must be balanced against issues of labour protection if Pakistan's products are to compete on world markets.

Accordingly, Pakistan must formulate, implement and monitor a labour protection policy that strikes a suitable balance between equity and efficiency – a policy that provides for fair and equitable treatment of the nation’s workforce and, at the same time, supports and encourages improved economic performance.

## **Labour Legislation**

The **Labour Protection Policy 2005** is not intended to address a wide range of *legislative* issues concerning labour protection. Legislative details are important but follow rather than precede the formulation of policy guidelines. Laws are the servants of policy prescriptions, not their master. Accordingly, once policy guidelines have been drafted, debated, and finalized, legislative interventions including the revision of existing laws, can follow. The need for legislative revision is vitally important for selected categories of workers, particularly contract workers who receive little or no protection.

## **Policy Implementation**

The Ministry of Labour, Manpower and Overseas Pakistanis is fully aware that labour protection policy initiatives, however innovative and enlightened, amount to little if they are not effectively implemented, and result in positive benefits for both workers and employers. Effective implementation requires a re-examination of Pakistan’s approach to labour inspection and general compliance with labour laws and regulations. Accordingly, this **Labour Protection Policy 2005** will be supported by a **Labour Inspection Policy** that outlines new approaches to inspection and compliance that responds positively to the concerns of enterprises but, at the same time, ensures that workers receive the protection and assistance to which they are entitled.

Policy implementation and the application of laws falls largely within the responsibility of Provincial Departments of Labour and Manpower. They, together with the districts under their control, constitute essential components of the nation’s labour administration system and must be fully aware of national policy intentions and fully engaged with their constituents at provincial level. As the key decentralized units in the labour administration system they must be informed, motivated, technically able,

and well resourced and managed, if policy intentions are to result in real improvements.

Effective implementation also requires that policy guidelines are supported by laws that include levels of penalties that serve as a true deterrent, rather than a minor irritation for those who fail to comply. Labour inspection should not be driven by the objective of law enforcement and the imposition of fines and penalties. Its prime objective is to improve working conditions and the enforcement of laws is but one of several ways of achieving this. Where strict enforcement is required, however, the level of penalties must be sufficient to send a strong message to wrong doers that a failure to respond to such things as warnings concerning work safety issues, a persistent failure to pay minimum wages, and unjustified or inflated claims by workers under social security schemes, will be seriously punished.

## SCOPE OF LABOUR PROTECTION

For the purpose of this policy document, **labour protection** refers to all arrangements at work and arising out of the work situation directed to ensuring that the nation's labour force enjoys basic rights and fair working conditions, in a safe and healthy working environment. Essentially, labour protection covers the situation of a worker from the time he or she enters the world of work, to the time of retirement, and beyond, in that protection through social security pensions continues past the period of active working life.

In short, wherever physical and/or mental effort is applied to the production of goods and services, whatever the circumstances, issues of labour protection arise. Labour protection does not apply exclusively to **workers** receiving a regular wage, but includes all categories of workers engaged under informal arrangements in which no formal contract of employment is apparent. Labour protection also applies to managers and supervisors who, although not regarded as workers, nevertheless are **employees**, and thus entitled to protection. Thus, workers and managers are both **employees** and both fall within the realm of labour protection.

### Labour Protection: Five Areas

In this policy document **labour protection** covers five main areas as follows.

- **Basic rights** such as the right to join a trade union and bargain collectively, equal treatment and non-discrimination, the absence of forced labor, and the absence of child labour.
- **Working conditions** including minimum wages and above minimum wage issues, allowances and benefits, hours of work, over time work, rest breaks and leave arrangements, including annual leave, sick leave and special leave issues, and job security provisions. These are the items that typically form the basis of the employment contract that creates both rights and obligations for workers, as well as for employers.

- **The working environment** including protection against the effect of hazards in the work place involving issues of work safety as well as protection from work related diseases and illness.
- **Social security** including protection against the effects of economic and social hardship resulting from a reduction in earnings due to work accidents, work illness, unemployment, or retirement.
- **The living environment** including improved housing, protection against adverse living conditions with regard to health and hygiene, diet, sanitation, water supplies and other matters affecting workers in their non-working life, but which clearly impact on their capacity and productivity at work.

## PURPOSE

The purpose of this **Labour Protection Policy 2005** is to contribute to the economic and social progress of the nation by ensuring that workers' rights are protected, working conditions are fair, and that enterprise efficiency and competitiveness is encouraged. There is a clear linkage between development and labour protection. A properly protected workforce is more motivated, more committed, and more productive, resulting in benefits for workers, enterprises, and the nation as a whole.

It is stressed that this **Labour Protection Policy 2005** is not an instrument of social policy alone but, rather, an instrument of both **social and economic policy**. There is little doubt that effective labour protection bestows **economic** benefits on enterprises, workers and the nation as a whole, through increases in labour productivity. Within an enterprise the costs of labour protection are far outweighed by the economic benefits: in short, good labour protection is good business.

## POLICY OBJECTIVES

Within this broad purpose, the **Labor Protection Policy 2005**, once implemented, will contribute to the achievement of the following objectives.

- **The Policy** will contribute to increased protection for workers and improve their working conditions, leading to increased motivation.
- **The Policy**, progressively, will extend protection and improvements not only to workers operating under formal contracts of employment, but also some aspects of protection to self-employed persons, agricultural workers, informal economy workers, contract workers, seasonal workers, and home workers.
- **The Policy** will contribute to labour productivity enhancement within enterprises through improved working conditions and a safer and healthier working environment.
- **The Policy** will assist enterprises to become more efficient and competitive. Even if wages increase, unit labour costs will fall if measures are taken to increase labour productivity.
- **The Policy** will also have an important demonstration effect by alerting employers, workers, potential investors, and the international community that the Government of Pakistan together with its social partners is committed to improving labour protection as a key strategy in national development.

### Implementation Strategies

The achievement of these objectives is dependent, of course, on the extent to which the policy objectives are translated into specific action strategies. Some of these strategies will focus on awareness raising, education and training, others will be legislative in nature, requiring that laws be amended and that mechanisms are in place to ensure compliance with laws and regulations. All strategies will require a major effort in information transfer to ensure that workers and employers are aware of their rights and obligations in the world of work.

## **POLICY ELEMENTS**

This policy document encompasses eight elements, as follows.

- Basic rights
- Coverage
- Working conditions
- Working environment
- Social security
- Living conditions
- Compliance and enforcement
- Capacity building for labour administration and the social partners.

## **Basic Rights**

The very foundation of labour protection in Pakistan rests on respect for workers' rights as embodied in the nation's Constitution and the ILO's standards, as set out in its **Declaration on Fundamental Principles and Rights at Work**, as outlined in the Introduction to this policy document.

### **Freedom of association and the right to bargain collectively**

The Government reaffirms its commitment to these fundamental principles, as indicated in **Labour Policy 2002**, and also reaffirms the importance of wide-ranging tripartite dialogue at all levels. The Government supports the development of bilateral interactions between workers and employers at national, sectoral, industry and enterprise levels. Without in anyway diminishing the authority and influence of national and provincial employers' and workers' organizations, the government supports and encourages the development of new initiatives and approaches to worker-management relations **at enterprise level**. It is enterprises that employ workers, pay wages, and produce goods and services, and usually it is in enterprises that disagreements and conflicts begin. Accordingly, enterprises, through **bilateral** interactions, should play the leading role in handling complaints, resolving conflict, and building harmonious relations between workers and management. Related to the encouragement of positive enterprise level bilateral interactions, the government reaffirms its commitment to the right to organize and bargain at this level. The right to organize is a matter for workers to address but, unless there is a commitment from employers to allow workers to organize and actually bargain, means relatively little. The government urges employers and their organizations and workers and their trade unions to respect and benefit from these basic rights at enterprise level.

### **Workplace Cooperation**

Enterprises are encouraged to develop and improve worker-management relations through the introduction of various workplace cooperation initiatives including improved one and two-way communication, the establishment of workers' committees to bring problems to the attention of management, the introduction of a grievance procedure, and the

establishment of joint consultative and joint-decision making bodies. Such arrangements are seen as complementary to, and not a substitute for, collective bargaining and must not be used as a means to restrict in any way the rights of workers to freely associate.

Workplace cooperation can benefit from a supportive legal environment but, in practice, its success depends on the commitment and willingness of the parties to cooperate, as well as their ability to do so.

Improved workplace cooperation can

- prevent disputes by resolving complaints and preventing them from escalating into larger disputes,
- resolve problems quickly by addressing complaints when they arise,
- improve working conditions and the working environment,
- increase labour productivity and improve the competitiveness of the enterprise,
- build trust and confidence between workers and managers,
- improve decision making at all levels,
- promote common interests,
- increase motivation through participation and involvement.

Although workplace cooperation is essentially a bi-partite process, government is ready to play its due role in helping enterprises to ‘get started’. This requires that some officers acquire the knowledge and skills necessary to facilitate and assist managers and workers at enterprise level to adopt new approaches to their interactions. Consideration will be given to Federal conciliators being retrained to assume such responsibilities, to enable them to respond to requests from enterprises for assistance to improve cooperation, prevent conflict and disputes, and generally take on a number of ‘preventive conciliation’ tasks.

Workplace cooperation is not an end in itself. It is a means to improve enterprise performance in all dimensions, resulting in a more motivated and productive workforce and a more competitive and profitable enterprise.

The key to improved cooperation in enterprises is improved communication in all its forms, a commitment to sharing information, and a willingness on the part of management to see its workers as partners in production.

## **Forced and compulsory labour**

The Government's position on forced and compulsory labour is set out in the document titled **National Policy and Plan of Action for the Abolition of Bonded Labour and Rehabilitation of Freed Bonded Labourers, 2001**.

This document states the Government's policy in the following terms.

'Bonded and forced labour in all forms is prohibited under the Constitution and the relevant laws in force in the country. The Government is committed to eliminate the bonded and forced labour practices wherever these exist in the society. It pledges to adhere to all international instruments, covenants, conventions and protocols whether ratified or not which protect fundamental human rights.

The Government commits to endeavor to eliminate bonded labour through concerted efforts aimed at the transformation of traditional socio-economic structure and poverty reduction, and by putting in place a comprehensive action plan through an integrated and coordinated approach for the eradication and rehabilitation of workers in bondage.'

The policy statement is supported by an action strategy that establishes a **National Committee for the Abolition and Rehabilitation of Bonded Labor**, with responsibility for reviewing the implementation of the law and the action plan relating to the abolition and rehabilitation of bonded labour, monitoring the work of District Vigilance Committees, and addressing the concerns of national and international bodies on bonded and forced labour.

The **Action Plan** focuses on providing relief packages for freed bonded labourers, awareness raising, the active involvement of the social partners, the provision of counseling and legal services to needy bonded workers, organizing vocational training programs for freed bonded workers, and the provision of micro credit to assist in self-employment creation.

The Government has ratified the two key ILO Conventions on forced labour (Conventions 29 and 105) and the **National Policy** on this matter clearly

establishes the intentions and commitment of Government to implement in full the articles contained in these conventions.

### **Equality and Non-Discrimination**

The Government reaffirms the need to eliminate gender discrimination as stated in **Labour Policy 2002**. The Government is committed to improving the role of women in the labour force, providing women with equal opportunities for employment, and making workplaces more conducive for women workers. The Government is also aware of the need to develop a conducive environment to support greater participation of women in the work force, and will pursue this in consultation with the Ministry of Women Development and the National Tripartite Labour Conference.

The Government is committed to the implementation of ILO Conventions on **Equal Remuneration** and **Discrimination (Employment and Occupation)**, respectively. Gender equality with regard to pay and wage systems will be a key component of the new policy in the field of wages, as outlined in the policy element concerned with Working Conditions.

### **Child Labour**

The protection of child workers is the subject of a separate policy of the Ministry of Labour, Manpower and Overseas Pakistanis, titled **National Policy and Action Plan to Combat Child Labour, May 2002**.

This policy supports the progressive elimination of the different forms of child labour, the monitoring and evaluation of child labour through Provincial Labour and Manpower Departments (including law enforcement, establishment of monitoring bodies, and national and industry surveys to assess progress), and the immediate withdrawal of children from hazardous and exploitative situations, and their rehabilitation through specially designed education and training schemes.

Since the launch of the national **Policy and Action Plan to Combat Child Labor**, Pakistan in October 2001 ratified ILO Convention 182 on the **Worst Forms of Child Labor, 1999**. This ratification, together with the increasing demands from international buyers and consumers that Pakistan's products be 'child labour free', provides the opportunity and incentive for the Government to take further action in its efforts to combat child labour.

Accordingly, after a short grace period, the Government will abolish **all** child labour for children under the age of 14 years in an employer-employee relation, and will impose significant penalties on offending employers in all sectors and all locations. Although some work is permitted for children between the ages of 14-18 years under the ILO Convention on the **Worst Forms of Child Labour**, the Government is committed to ensuring that work performed by children in this age group is strictly in accordance with the provisions of the Convention. Thus the employment of children under conditions of slavery, work related to illicit activities, or work likely to harm the health, safety or morals of children, is prohibited.

Laws will be amended to support these policy announcements, and financial penalties and other sanctions applied against employers who fail to comply. Although difficulties in enforcing laws will always apply, this is no reason to avoid amending the law. Without laws no legal enforcement is possible, and although obstacles to effective enforcement can be expected the law itself sends important signals.

The Ministry of Labour, Manpower and Overseas Pakistanis proposes that labour inspection services under the responsibility of Provincial Labour and Manpower Departments be restructured, reorganized and revitalized to ensure better compliance with child labour laws and, indeed, all laws and regulations on labour matters. The new approach to labour inspection, enforcement and compliance arrangements are addressed in the Ministry's document titled **Labour Inspection Policy 2006**.

With a view to 'getting started' on these new policy pronouncements, **all** persons under the age of 18 years will be removed from the country's mines, tanneries and brick kilns by the end of 2006, and placed in appropriate schools and training institutions or, alternatively, in forms of employment that are permitted by law.

The total ban on the employment of children under 14 years will require a concerted effort to ensure that such children are placed in schools and continue their education in the mainstream system. This will require close cooperation with the Ministry of Education and the Provincial Education Departments.

## **Information**

The promotion of basic rights and their application for the benefit of all parties requires an awareness and understanding of the nature and scope of those rights, and their related obligations. The Government is committed to raising awareness levels on basic rights and seeks the cooperation of workers' and employers' organizations in the development and implementation of appropriate awareness programs through appropriate institutional arrangements at both federal and provincial levels.

## **Coverage**

Traditionally, labour protection in Pakistan has focused on protection for workers engaged under formal contracts of employment in both public and private sectors. Protection for such workers must be maintained and improved, but the Government is committed to extending labour protection to workers employed under non-traditional arrangements including self-employed persons, workers engaged in the informal economy, home workers, contract workers, seasonal workers, and workers in the agricultural and fishing sectors.

Workers in the informal economy experience various difficulties and deficits including

- unproductive and poor quality jobs, with low productivity, and low pay,
- limited or no protection in relation to working conditions (hours of work, leave), and the working environment (including a lack of safety, exposure to hazards, and unhealthy workplaces),
- no social protection including old age pensions, health insurance, unemployment benefits, work injuries and illness),
- no representative organizations and no voice on work related matters.

The Government is committed to addressing these problems and over time aims to ensure that all employees, whether worker or manager, in all sectors, and all persons engaged in self-employment and informal economy activities, enjoy all aspects of labour protection, as defined from time to time. This may take many years to achieve but is an ideal to strive for and to which all parties are urged to commit.

Labour protection for persons working outside formal employment arrangements will be assisted through the introduction of **labour extension services**, particularly concerning improved safety and health at work, and for some aspects of social protection. Such interventions will concentrate on education, information and advice, as compared with the application and enforcement of laws typically found under traditional approaches to labour inspection. Minimum wages, however, is one area where assistance to informal economy workers will be supported by legislation. It is proposed that minimum wages, whether at hourly, daily, weekly or monthly rates, apply progressively to **all** sectors and situations in which paid work is done under employer-employee arrangements

There are many different categories of workers to be covered by a Labour Protection Policy.

### **Workers under formal contracts of employment**

Workers under these arrangements in both public and private sectors will receive increased protection, particularly concerning work safety and health, and improved compliance with existing laws and regulations. Improved arrangements for written contracts of employment, minimum wages and social security will also benefit workers in this category. Formal economy workers will also benefit by the requirement that contractors and service providers be registered to place them under the same obligations as other employers. All workers in situations where an employer-employee relation is evident will have a written contract stipulating the duration and terms of employment, and that commits the employer to pay the appropriate minimum wage.

Workers will also benefit by the formulation and application of a universal definition of worker.

## **Contract workers**

Although there is no provision under existing law for fixed-term contract employment, employers increasingly seek to engage workers on this basis to provide the flexibility they seek in the operation of their enterprises. The government accepts the need for contract labour of fixed term duration in support of labour market flexibility but, at the same time, seeks to ensure that workers engaged on a short-term contract basis are protected, particularly concerning social security and minimum wages, and that contract employment is not used to deny workers the benefit of permanent status. Accordingly, the government proposes to promote tripartite discussions on the issue of contract employment, with a view to finding an appropriate balance between labour market flexibility in the interest of employers, and labour protection in the interest of workers.

Contract workers will benefit by having written contracts of employment and by employers being prevented from engaging workers on a series of short-term contracts as a way of denying such workers permanent status and the related benefits that permanency provides.

## **Workers in micro, family, and small and medium sized enterprises**

Workers and entrepreneurs in **micro and family enterprises** operating in the informal economy will benefit from increased knowledge of safety and health issues, and increased access to social security on a voluntary basis. Workers in **small and medium sized enterprises** operating within the formal economy will benefit from improved working conditions, safer and healthier work environments, minimum wage payments, social security coverage, and higher labour productivity.

## **Self-employed non-agricultural workers in both urban and rural areas**

Such workers will benefit from improved work safety and health and by gaining access on a voluntary basis to social security schemes.

## **Informal economy workers**

Extending labour protection to the country's large and diverse informal economy is a major challenge. The informal economy supports millions of

people across a large geographic area, undertaking a wide variety of low-pay, low-productivity jobs, under working conditions that are frequently harsh, unhealthy, and hazardous. Informal economy workers are not covered by labour laws but it is necessary for the labour administration to take the initiative to see how it can best reach out to such workers and provide them with basic protection through the provision of advisory services, based on a 'labour extension' approach.

Workers in the informal economy, including home workers and domestic workers, will benefit from improved safety and health arrangements, access to some social security arrangements, and the payment of minimum wages where an employer-employee relation is evident. The employment of children under 14 years will be eliminated, and the employment of those between the ages of 14 and less than 18 years will be strictly controlled, through a combination of stronger legislation and the introduction of labour extension services.

It is proposed, in the first instance, that a pilot project be planned and implemented on a small scale in one or two districts of a selected province to assess the feasibility of this 'labour extension approach'. The project will be closely monitored in accordance with clearly defined objectives and performance indicators and, if successful, steps taken to replicate its successes in other districts and provinces.

### **Women Workers**

Women workers will benefit from the application of ILO Convention on **Equal Remuneration, 1951 (No. 100)**, ratified by Pakistan in 2001. Minimum and above-minimum wages will be paid on the basis of equal pay for equal work, and equal pay for work of equal value, as between men and women, in accordance with Pakistan's obligations under ILO Conventions 100 and 111 concerned with equality and non-discrimination, respectively.

Women will also benefit from better information concerning their working conditions and arrangements in the informal economy, from improved maternity arrangements, codes of conduct relating to sexual harassment and, where possible, day care arrangements for their children.

The Government is committed to providing women with equal opportunities for employment and will re-examine existing legislation to ensure that

women are not denied access to suitable jobs that are arising due to Pakistan's changing labour markets.

### **Young Persons**

Workers between the ages of 14 and less than 18 years will benefit by being excluded from hazardous working conditions and other working environments that adversely affect their physical and moral development. They will also benefit from greater access to education and training, particularly training tailored to identified labour market needs.

Children and young persons will also benefit from targeted attention to work of a hazardous nature as, for example, in such industries as mining, tanneries, brick kilns, construction, and glass bangles, and from attention to the situation of young domestic workers employed in private households.

Young persons will benefit also from minimum wage payments.

### **Agricultural workers**

Corporate agricultural workers will benefit from the application of minimum wages to all situations in which a contract of employment is evident, even for limited periods. It is apparent, however, that for the foreseeable future the majority of agricultural workers will operate within the informal economy. They will benefit from increased information on work safety and health as applied to the agricultural sector, and eligibility for some social security services.

### **Fishing workers**

Persons engaged in the fishing industry will benefit from clarification as to whether they are contract workers under a contract of employment, self-employed contractors, or members of cooperatives. Where they are engaged under a contract of employment they will benefit from minimum wages, social security benefits, and improved safety and health in their workplace.

## **Mine workers**

The majority of workers in Pakistan's mining industry are employed on a contract basis, often through a somewhat complicated system of sub-contracting making it difficult to identify the actual employer. Mine workers are covered by special legislation that place them outside mainstream labour legislation.

Mine workers, whether contract or permanent, will benefit by ensuring they receive the same protection as other workers. They will benefit from minimum wage payments, access to social security and improved safety and health in their workplaces.

## **Seasonal workers**

Seasonal workers will benefit from more flexible access to age pensions and by the application of minimum wages where there is a contract of employment.

## **Disabled workers**

The *National Policy for Persons with Disabilities 2002* envisages by 2025

‘an environment that allows for the realization of the potential of persons with disabilities through their inclusive mainstreaming, and providing them the full support of the government, private sector and civil society.’

The Policy Document refers to the need for disabled persons to have equal opportunities and access to employment (and other community services) without discrimination, and to the need to ensure that legislation relating to the employment and rehabilitation of persons with disabilities is ‘adequately formulated and strictly enforced.’

The Government is of the view that the best form of assistance and protection for many disabled persons is productive employment, either in the form of suitable, regular wage employment, or through self-employment. Currently, wage employment is encouraged through special quotas for disabled persons but protection issues, particularly those relating to

discrimination, possible harassment, accessibility to work places, and safety considerations, may still arise. Accordingly, in cooperation with other agencies, it is proposed to conduct a study to assess the current status of protection for disabled workers, with a view to ensuring that the protection under labour legislation is being applied. At the same time, it is proposed to review the existing ‘quota and sanctions’ arrangements to determine whether they are achieving their objective of placing more disabled persons into productive employment.

It is apparent that the issue of labour protection is complicated by different legislation applying to different categories of workers, and the fact that there is no legislation at all for some workers.

It is proposed to address this issue by adopting a uniform definition of worker irrespective of sector or place of employment to ensure that all workers where an employer-employee relation is evident have a letter of appointment/contract of employment, that all are protected by the same minimum standards, and that all come under the provisions of the labour code.

This issue has significant implications for the review and consolidation of the nation’s labour legislation.

## **Working Conditions**

For many workers, working conditions represent the very essence of labour protection. Three aspects are of particular importance, namely, wages, hours of work, and leave and rest periods.

### **Wages**

The Government is committed to the continuation of a system of minimum wages as a fundamental element of labour protection, and proposes to continue with existing tripartite minimum wage determination arrangements. It considers, however, that an independent National Wage Commission is required and proposes to establish a working group to make detailed recommendations on the purpose, specific functions and operational arrangements for such a Commission, including its technical and secretarial

support requirements and its relations with provincial wage fixing authorities.

The deliberations of the working group will involve close cooperation with employers' and workers' organizations, and will result in the preparation of a detailed policy paper for the development and implementation of national wage policy, including minimum wages, in the medium to longer term.

The terms of reference for the National Wage Commission Working Group will be prepared on the following lines.

- Advise on the purpose and functions of the National Wage Commission, indicating the scope of its operations on minimum wages and other wage issues.
- Advise on the composition of the Commission consistent with its independent status and need for operational effectiveness, and indicate the qualifications and experience expected of commission members.
- Outline the operational arrangements for the Commission including the frequency of hearings, the degree of formality in its procedures and operations, its relations with employer and worker representatives, its relations with government, and the nature and form of public submissions relating to wage issues.
- Outline an operational framework for relations between the Commission and provincial minimum Wages Boards.
- Indicate the staff and support resource requirements for the effective and efficient operation of the Commission, including job descriptions and position profiles for technical staff.
- Outline the information requirements for the effective operation of the Commission and the linkages with other agencies and organizations required to ensure that information relating to its decision making processes is reliable and as recent as possible.
- With regard to national minimum wage determination in particular, advise on
  - criteria to be followed in setting the minimum wage with reference to such factors as cost of living, productivity, capacity to pay, social security benefits and other factors as appropriate,

- coverage of minimum wages with reference to persons covered, including the particular situation of apprentices, trainees and young persons, and equality of treatment between men and women,
  - frequency and timing of minimum wage reviews and determinations,
  - the need to set minimum wages on an hourly, daily, weekly or monthly basis,
  - the need to set different minimums for different provinces, industries, and occupation groups.
- Advise on the Commission's role and functions concerning above-minimum and other wage related issues including such matters as wage adjustments in relation to total productivity improvement, skill levels, hazardous work, wage systems at enterprise level, piece work pay, performance related pay, and other wage issues.

The minimum wage is a time-related wage that, ideally, is reviewed (but not necessarily adjusted) annually based on criteria to be decided by Government but which include changes in the cost of living, increases in labour productivity, the ability of enterprises to absorb additional costs based on the economic environment and competitive situation they face, and changes in social security benefits for workers.

The operation of a minimum wage system does not preclude the operation of piece work payment systems, provided the wages paid under such a system do not result in pay levels below the national minimum.

### **Hours of Work**

The Government is committed to providing workers with reasonable hours of work, which must not exceed 48 hours per week. Workers must be provided with at least one day off in each seven-day period. In accordance

with the principle of **bilateralism**, workers and employers are encouraged to consult and negotiate arrangements that improve on these basic standards.

Overtime work is a key issue for many enterprises, due to tight deadlines imposed by buyers, and the need to accommodate rush orders. This need must be balanced against the right of workers to choose whether or not they wish to work overtime (unless some mandatory arrangements for overtime have been included in a legally binding collective agreement), and their right to receive premium rates for overtime hours worked.

Overtime hours should not normally exceed 12 hours per week, must always be voluntary (unless included in a collective agreement), and paid at premium rates prescribed by law or in a collective agreement.

### **Leave and Rest Periods**

Protection in the form of annual leave, sick leave, and special leave will be determined by law. Under the principle of **bilateralism**, however, workers and managers at enterprise level, and industry level as appropriate, are encouraged to consult and negotiate on these issues with a view to providing better arrangement for workers than those prescribed by law – arrangements that strike a suitable balance between the production needs of the enterprise and the protection needs of workers.

In addition to protection relating to wages, hours of work, and leave, three additional aspects of working conditions must be addressed, namely, **maternity benefits and leave, sexual harassment, and termination due to privatization or unexpected closure.**

### **Maternity leave**

Entitlements to maternity leave are prescribed by law, but two issues require reinforcement. The Government is of the view that the payment of wage equivalents during the period of leave should remain the responsibility of the social security system, and not the responsibility of the individual employer. The responsibility of the employer is to meet the leave period entitlements, and to keep the job open for the returning worker on completion of the maternity leave period.

Maternity benefits for women who are not covered by social security will have their benefits paid by the employer. Employers are responsible for providing nursing facilities for working mothers after their return to work.

### **Sexual harassment**

Insufficient is known about the nature and scope of sexual harassment in Pakistan's workplaces but, based on the experience of other countries, it is assumed that various forms of unwanted and unwelcome behavior of a sexual nature are likely to exist in some enterprises. In the first instance, the Government proposes to assess the nature and extent of sexual harassment in the workplace, examine existing codes, including that prepared by the Alliance Against Sexual Harassment, and prepare a consolidated and updated Code of Conduct to guide the actions of enterprises. This will be prepared in close consultation with employers' and workers' organizations, and other informed and concerned parties, particularly the Ministry of Women Development, resulting in a model Code of Conduct that enterprises would be willing to endorse. Codes of Conduct, by their nature, are not legally binding but this is considered a preferable arrangement in the first instance, as compared with the introduction of legislation and its related interpretation and enforcement difficulties.

Violence in the work place, whether sexually oriented or not, is another issue that deserves discussion and deliberation and appropriate legal intervention.

### **Termination of employment**

The progressive privatization of State enterprises inevitably involves 'right-sizing' of the work force which, in reality, means 'down sizing' and job loss. Increased international competition and its requirement for re-structuring will also lead to private sector job losses.

The Government accepts the right of employers to reduce the size of their workforce in the interest of efficiency and competitiveness but, at the same time, expects that this be done in a systematic matter, based on the principles of fairness and consultation.

Enterprises planning to terminate workers should give as much advance warning as possible to workers, look to alternatives to termination (e.g.

retraining), agree on termination procedures (e.g. volunteers first, followed by last-in first-out arrangements), negotiate termination packages, and assist workers to find suitable alternative employment by providing counseling and placement services or, alternatively, linking with government agencies able to provide such services.

Termination arrangements provide an opportunity for employers and workers, and their respective organizations, to demonstrate the maturity required for effective **bilateralism** in industrial relations. The Government encourages workers and management at enterprise level to consult, discuss and negotiate termination packages that provide adequate protection for workers against job loss. This could be based on voluntary codes of conduct, or on special framework legislation subject to compliance and enforcement arrangements in the hands of labour inspectors.

The Government, in consultation with employers' and workers' organizations, proposes to prepare a separate policy paper on labour market flexibility, commencing with a review of existing arrangements considered as obstacles to flexibility, and which impact negatively on enterprise efficiency and competitiveness.

### **Working Environment**

Labour protection in relation to the working environment embraces three main areas, namely, work safety and prevention of accidents, occupational health, and the impact of enterprise work processes and practices on the wider environment. Prime responsibility in all three areas rests with the employer, but with workers required to cooperate to the fullest extent to enable employers to meet their obligations.

The improvement of safety and health in the workplace requires the development of a 'safety and health culture' for the enterprise as a whole, based on a wider culture of safety and health in society at large – at home, in schools, in public places, and on the roads.

## **Work Safety**

Employers have a responsibility to ensure that hazards in the workplace are eliminated, minimized, or controlled in such a way that work accidents are avoided. The Government is of the view that the provision of protective clothing and equipment to workers, although important, must not be used as a substitute for hazard elimination and reduction. At the same time, workers have a responsibility to fully cooperate with employers in creating and maintaining safe and healthy workplaces and must make every effort to participate in safety and health awareness and training activities.

Enterprises of all sizes and in all sectors must be encouraged to develop a safety and health culture and introduce policies and rules to ensure that intention is transformed into practice. The development of such a culture and related rules can be applied, albeit informally, to micro and small enterprises, and more formally to those of medium and large size.

## **Occupational Health**

Occupational health interventions are concerned with the elimination and reduction of hazards that result in illness and diseases. As before, prime responsibility rests with the employer to make the workplace free from hazards impacting on the health of workers. This requires attention to temperature and humidity, ventilation, noise, dust, illumination, chemical usage and storage, and any other factors impinging on the health of workers and likely to cause short or long-term illness.

Enterprises are encouraged to have an occupational health policy and rules (usually combined with a safety policy and rules) and to train managers and workers to ensure that such rules are applied at all times.

In practice, work safety and occupational health should not be regarded as totally separate issues in that some hazards can cause both accidents and occupational diseases. They are closely related and, as indicated below, both areas should be addressed in an integrated safety and health policy, as should the issue of HIV/Aids in the workplace.

## **The wider environment**

Enterprises have an obligation to ensure that their work processes and disposal of waste products do not impact negatively on the wider environment. This extends beyond the traditional boundaries of labour protection and falls outside the mandate of the Ministry of Labour, Manpower and Overseas Pakistanis. Clearly, however, the environmental pollution created by some enterprises has an impact on **all** workers in the concerned area, affecting both their working lives and living conditions.

## **ILO Convention 155**

With a view to leading the way in the improvement of work safety and health in enterprises, the Government proposes to take the necessary steps to ratify **ILO Convention No.155 on Occupational Safety and Health**. This convention establishes the basic framework for Pakistan to address safety and health issues at national, industry and enterprise levels, and its ratification will provide the basis for the development of policies, laws, and implementation arrangements to improve the nation's overall performance in the area of work safety and health. ILO technical assistance will be requested to assist in the implementation of this convention, once ratified, drawing as appropriate on its expertise in the management of occupational safety and health systems.

## **Small and Medium Enterprises**

Of particular concern is the situation of small and medium scale enterprises and informal sector workplaces that are frequently characterized by hazardous working environments. The proposed Labour Inspection Policy 2006 will address this issue through a labour extension approach, designed to ensure that basic safety and health information and advice is made available to, and acted upon by, informal economy workplaces and small and medium scale enterprises.

## **Safety and Health Policy**

The Government will require that all enterprises over a certain size (yet to be determined) have a written safety and health policy that has been discussed

and communicated to workers, and supported by practical rules to ensure that the policy is applied in practice. Such a policy document is a statement of intent and no more than an indication of preliminary commitment on the part of enterprises, but it is an important starting point.

Provincial Directorates of Labour and Manpower will be encouraged to assist enterprises in preparing such policy statements, based on the circumstances applying in individual enterprises and industries with a view to minimizing work hazards, preventing accidents, and promoting safe and healthy work processes and practices.

Safety and health policy statements will stress a commitment on behalf of enterprises to

- eliminate hazards wherever possible,
- isolate hazards from workers if elimination is not possible,
- isolate workers from hazards if elimination is not possible,
- encourage an environment that is free from HIV/Aids,
- provide workers with protective clothing and equipment if hazards cannot be isolated or eliminated,
- report work accidents and diseases,
- share information on safety and health with workers,
- discuss and consult with workers on safety and health issues,
- train workers on safety and health,
- develop and maintain an ‘organization culture’ in which safety and health figures prominently,
- improve, where reasonably practicable, on the minimum standards of safety and health provided under Pakistan legislation.

### **Occupational Safety and Health Council**

The Government in consultation with other Ministries and agencies as appropriate, proposes to establish a National Occupational Safety and Health Council to advise government on a wide range of policy and legislative matters concerning work safety and health. The purpose, functions, institutional and operational arrangements, finances, and membership of the

Council, will be the subject of consultations between government, workers' organizations and employers and their organizations.

### **Occupational Safety and Health Institutes**

In addition, the Government proposes the establishment of provincial Occupational Safety and Health Institutes, to provide a range of technical, information, training, research, and testing services. The National Occupational Safety and Health Council, although not having any control over the activities of the Provincial Institutes will play an important role as an information clearing house on safety and health matters by maintaining close contact with them and by membership on their Boards of Directors. It is suggested that two such provincial institutes could serve the nation's needs in the first instance but, essentially, this is a matter for provincial governments to decide.

### **Social Security**

Labour protection also includes aspects of **social security** involving protection to workers/employees against economic and social distress that flow from a stoppage or substantial reduction in earnings. This 'distress', as applied to workplaces, can take the form of sickness and medical expenses, unemployment, old age, employment injury or work related disease, and maternity leave. Accordingly, social security benefits that offer protection to workers encompass medical care, sickness benefits, unemployment benefits, old age pensions, benefits for employment injury or occupational disease, and maternity benefits.

### **Social Protection Study**

In May, 2003 the Ministry commenced a study to guide the Government in the preparation of a comprehensive plan for social protection development, as well as a feasibility study for health insurance.

The final outcome of this study will have important implication for workers, employers, and the organization and structure of social security institutions. The study calls for a new consensus between government, employers and workers on social security matters, and some rationalization of social security institutions to reduce duplication and improve accountability. It is also expected to address aspects of inspection related to social security

contributions, with a view to such functions being included in an integrated inspection system.

The study will result in the preparation of a separate Social Protection Policy and thus this labour protection policy does not address in detail social security issues. Two issues, however, namely, the Employees' Old Age Benefits Scheme, already in operation, and unemployment insurance, yet to be seriously discussed, deserve consideration.

### **Employees' Old Age Benefits**

This scheme applies to formal sector enterprises with more than five employees and is funded by contributions from both employers and employees, with almost 90% of the contribution coming from employers. The scheme does not cover workers from the agricultural sector, the mining sector, the informal economy, or those employed in enterprises with fewer than 5 employees (although it is possible for such enterprises to join on a voluntary basis.) Overall, less than 3% of the total employed labour force is covered by the scheme.

The Government is committed to ensuring that workers legally entitled to old age benefit coverage are, in fact participating in the scheme. It is also committed to extending the coverage of the scheme to self-employed persons, informal economy workers, and the agricultural sector, on a voluntary basis, and looks to the Social Protection Policy to provide guidance on this matter.

### **Unemployment insurance**

The social protection study will not address the issue of unemployment insurance and unemployment benefits and, indeed, the Government considers that any development of such a scheme is essentially a long-term consideration. It is clear, however, that an unemployment benefits scheme would have considerable appeal to both employers and workers, and the Government proposes to establish a working group to commence discussions on the feasibility of introducing such a scheme at some future date.

This working group would consider such issues as the funding of such a scheme, eligibility for benefits, the administrative arrangements for the collection and payment of contributions, the linkage between unemployment

benefits and employment services, and a wide range of related issues to enable government to better understand the nature and operation of unemployment benefit schemes as a prelude to future policy development. It is stressed that Government interest in this field is purely exploratory at this stage, and there is no commitment, to the introduction of such a scheme in Pakistan in the immediate future.

### **Living Conditions**

An additional component of labor protection relates to the enhancement of the productive efforts of workers through improved living conditions including improved housing, better sanitation, domestic hygiene, nutrition, and disease prevention (including prevention from HIV.)

Such issues have a significant bearing on the overall health and well-being of workers, and thus influence their productivity. Accordingly, the Government is of the view that the linkage between living conditions and the world of work is an important element of a labour protection policy.

The issue of living conditions for workers is not the responsibility of any one Ministry or government agency, but requires a concerted and coordinated effort of many agencies.

The Ministry of Labour, Manpower and Overseas Pakistanis has an important role to play in this area by encouraging trade unions, employers' organizations and individual enterprises to be more aware of the linkage between living conditions and worker productivity. The Government is committed to encourage tripartite dialogue ensuring that every effort is made to improve the living conditions for the nation's workers.

The Government encourages enterprises to consult with workers on the introduction of 'life skills' programs within enterprises (possibly after hours) to encourage workers to be more aware of personal health, diet, disease prevention, HIV/Aids and related issues. The design and delivery of awareness programs in this field need careful planning both in content and delivery, particularly for workers with low levels of literacy.

## **Compliance and Enforcement**

Policy pronouncements normally require some form of legislative intervention if intentions are to transform into meaningful action. Legislation in itself, however, is insufficient and amounts to little unless accompanied by a compliance and enforcement strategy. In the field of labour protection, compliance and enforcement is the responsibility of the labour inspection system. The Ministry proposes to introduce a number of new approaches to labour inspection, as presented in Labour Inspection Policy 2006, with an emphasis on **prevention, protection and improvement**. The prevention of exploitation, work accidents, and health problems arising from work is stressed, as is the need to improve the working environment wherever possible. The emphasis on prevention and improvement applies not only to the limited number of workers engaged in formal wage employment, but also to various categories of workers engaged in the informal economy, as well as self-employed persons.

The Government is committed to the revitalization and restructuring of labour inspection in Pakistan as an essential component for the effective implementation of this **Labour Protection Policy 2005**. The **Labour Inspection Policy 2006**, includes the following initiatives.

### **Integrated Inspection**

The Government supports the introduction of an integrated inspection system in which **one** inspector undertakes most of the interventions in all key areas of inspection, namely, wages and working conditions, work safety, occupational health, and social security contributions, as well as inspection related to specific target groups (e.g. women, child labour). Integrated inspection operates on the basis of ‘one inspector - one enterprise’ in which one **general inspector** undertakes inspection work in all areas of concern to a particular enterprise. General inspectors require access to specialist expertise to advise on specific technical problems (e.g. chemical storage and handling), but the majority of cases can be handled by a well-trained general inspector.

## **Self-inspection and self-reporting**

The Government also supports the introduction of self-inspection and self-reporting systems for enterprises considered to be ‘low risk’, and on a pilot basis in the first instance.

### **Self-Inspection**

‘Self-inspection’ really means self-responsibility, with managers and workers assuming responsibility for safety and health and working conditions in the workplace. It is based on the fundamental principle that prime responsibility for all aspects of labour protection rests with the employer, with workers obliged to cooperate with the employer in meeting that obligation.

The role of the labour inspector under ‘self-inspection’ focuses on informing, educating, training and facilitating the operation of a system to encourage self-compliance with the minimum standards set by law. Indeed, the inspector can encourage the parties to strive for working conditions and a working environment, and other aspects of labour protection, that exceed the minimum standards.

### **Self-reporting**

An essential component of self-inspection is self-reporting. Enterprises selected to participate in a self-inspection approach will be required to check and report on working conditions and the working environment, using checklists prepared by the Labour Inspectorate. Managers and workers are required to work together in completing the checklist and both parties must ‘sign off’ on the completed form before its submission to the Labour Inspectorate. Failure to complete the checklist and submit it on time, will result in the imposition of an administrative fine on the enterprise.

These reports will be examined by labour inspectors who, on the basis of a ‘desk inspection’, decide whether an actual visit to the enterprise is required. In addition, it may be decided to conduct a detailed inspection of, say, 10% of enterprises irrespective of the outcome of the ‘desk inspection.’

Self-reporting usually applies to low-risk enterprises that have a good past record. It means that these enterprises report on themselves, allowing inspectors to concentrate their efforts on higher-risk enterprises.

Self-inspection and the related process of self-reporting work best where there is good cooperation between management and workers, and where both parties are committed to protection and improvement of working conditions and the working environment. Such enterprises usually have strong systems in place to prevent problems from arising, and systems that work well if problems do arise.

Self-reporting provides an opportunity for the modernization of administrative processes. Enterprises will be encouraged to file their reports electronically, which requires that labour inspectorates have the necessary computer equipment and that labour inspectors are trained in its effective use.

### **Private agents**

In Pakistan, relatively little consideration has been given to some aspects of labour inspection work being delegated to private sector enterprises.

The Government is committed to greater involvement of the private sector in some aspects of inspection work and sees no reason why the inspection of boilers and pressure vessels, elevators, cranes and hoists, other items of specialized equipment, and other specified matters, could not be undertaken by accredited agents from the private sector who have been granted a special license to perform these duties.

The Government supports a system where duly accredited companies and individuals are granted a license to perform specific inspection tasks, working under the authority of the labour inspectorate. The private agents do the actual work but the government still retains ultimate responsibility. The labour inspectorate regulates the work of private agents through the licensing system, and by requiring that reports of all work undertaken are copied to the inspectorate. If agents fail to perform satisfactorily their license is withdrawn or not renewed.

A system of accreditation and licensing will require amendments to the law to ensure that the activities of agents are properly controlled. This does not

mean that the labour inspector is no longer responsible. The responsibilities will be different but not reduced, with inspectors assuming responsibility for supervising the work of others, rather than doing the actual work themselves.

### **Labour Extension**

The Ministry supports the introduction of a ‘labour extension service’, on a pilot basis in the first instance. This is elaborated in the Labour Inspection Policy 2006 and will focus on the provision of information and advice on particular aspects of labour protection (e.g. safety and health, social security) to enterprises and workers not normally falling within the protection of labour laws. It will concentrate its efforts on persons engaged in informal economy activities through the provision of information and advice.

Advisory and information services to provide increased protection for those engaged in the informal economy will be supported by actual enforcement of laws directed to contractors and enterprises linked to the informal economy. As part of the supply chain, those enterprises that draw on the informal economy for raw materials, components and services will be held responsible for safety and health and other matters for the informal economy workers they engage.

### **Third Party Audits**

Enterprises engaged in export activities are subject to regular audits by representatives of buyers or by third party auditors working on behalf of those buyers. Other enterprises undergo certification checks by auditors operating on behalf of certifying authorities as, for example, the International Organization for Standardization (ISO). There is advantage in closer cooperation between labour inspectorates and the work of such auditors, with a view to sharing information and avoiding duplication of effort. The work and reports of such auditors and compliance officers must, however, be seen as a complement to the work of labour inspectors, and not as a substitute.

### **Corporate Social Responsibility**

The Ministry of Labour, Manpower and Overseas Pakistanis endorses the principles in the United Nation’s initiated Global Compact relating to labour

standards, and endorses the efforts of enterprises in embracing the principles and practice of corporate social responsibility.

Corporate social responsibility guidelines focus on how enterprises can manage their business processes to produce an overall positive impact on society at large. These are voluntary arrangements and extend beyond good employment practices and labour rights to include issues of environmental responsibility, fair trading in the market place, corporate governance, and investment in community outreach. These are important issues, but extend beyond the mandate of the Ministry of Labour.

The Ministry is committed, however, to ensuring that corporations comply with the minimum standards they are obliged to meet under the nation's labour laws and, wherever possible, encourage them to voluntarily improve on those minimums as a commitment to the practice of corporate social responsibility.

### **Penalties**

Although much can be done to secure compliance with labour laws and regulations through the provision of information and advice, enforcement powers are essential to ensure that serious and persistent offenders are punished. Enforcement is largely meaningless unless the level of penalties for contraventions are sufficient to hurt wrongdoers and act as a real deterrent for others. Accordingly, as part of its process of law revision and consolidation the Government proposes to review the level of penalties with a view to ensuring they represent real rather than token punishment.

### **Capacity Building for Labour Administration and the Social Partners**

The formulation of this **Labour Protection Policy 2005** is an indication of the Government's commitment to social and economic reform that strives for a suitable balance between economic efficiency and improved competitiveness of enterprises on the one hand, and the protection of the nation's workers on the other. Accommodating this balance between efficiency and equity requires that the nation's labour administration system adjust and adapt to enable it to pursue

new functions, achieve new objectives, and to see labour protection in a broader, developmental context.

### **Labour Administration Capacity Building**

New policy initiatives as outlined in the **Labour Protection Policy 2005** will require new approaches to policy implementation, involving some restructuring and revitalization of the nation's labour administration, involving both the Ministry as the focal point of the labour administration system, as well as the Labour and Manpower Departments at provincial level.

This will require a significant capacity building effort at both national and provincial levels, directed to strengthening and improving the overall performance of the Ministry as well as Provincial Labour and Manpower Departments. Technical, managerial, information, and logistic capacity building is required to ensure that the labour administration system is able to fully serve the needs of enterprises and workers, and reach out to the wider community it is designed to serve. The strengthening of the labour administration's information and research capacity is of particular importance. Accurate, relevant and up-to-date information is a key resource for effective policy formulation as well as day-to-day decision making. This requires that the labour administration undertake a thorough review of its current information system, identify its information gaps, and take positive steps to make the best use of information currently available as well as generating new information where necessary.

The Ministry will prepare a master plan for the development of the labour administration system over the next 3-5 years, encompassing its human resource, logistic, information, and managerial requirements. External technical assistance will be sought to develop a truly modern labour administration.

### **Capacity Building for the Social Partners**

Capacity building efforts must also include representatives of employers and workers, particularly at enterprise level. The dissemination of information on new approaches to labour protection and labour inspection is essential, as is the planning and conduct of training programmes directed to the practical needs of enterprises.

Trade unions and employers' organizations, through their memberships, have systems and networks in place to enable capacity building activities, particularly information dissemination and training activities, to reach large numbers. Both workers' and employers' organizations need assistance to build their capacity to adjust to new approaches to labour protection and labour inspection, and the government is committed to work with its social partners to develop their capacity to meet the challenges of change.

## IMPLEMENTATION STRATEGIES

Policy pronouncements are an indication of intent but require specific action-oriented interventions if they are to achieve their stated objectives. Such interventions, themselves, must be driven by specific objectives and indicate the key components/strategies within each intervention. Implementation strategies are presented for the following policy elements.

Basic rights

Coverage

Working conditions

Working environment

Social security

Living conditions

Compliance and enforcement

Capacity building

## **Basic Rights**

**Objective:** Promote workers' basic rights (freedom of association, collective bargaining, child labour, bonded labour, non-discrimination, remuneration) and related obligations as embodied in the nation's Constitution, core international labour standards, and national laws and regulations.

### **Strategies:**

- Support the further development of tripartite dialogue at national, provincial, sectoral and industrial levels on the widest range of labour protection and related issues.
- Assess the factors that contribute to successful tripartite interaction and apply these to the operation of various tripartite consultative bodies.
- Encourage the strengthening of bilateral relations at all levels, with a particular emphasis on worker-management relations at enterprise level.
- Support freedom of association and the right to bargain at enterprise level.
- Abolish all labour for children under 14 years and ensure that the provisions of ILO Convention 182 on the Worst Forms of Child Labour are applied in practice.
- Remove all persons under the age of 18 years from the country's mines and tanneries and brick kilns by the end of 2006 and place them in education, training courses, or suitable alternative employment.
- Plan and implement a national awareness programme to promote basic rights, and their related obligations, for the benefit of Federal government ministries, provincial government departments, local government offices, employers and workers.

## Coverage

**Objective:** Extend labour protection to workers not previously or inadequately covered, with a particular emphasis on persons engaged in informal economy activities, as well as workers in the formal economy who have not benefited from the coverage currently available.

### Strategies:

- Formulate an acceptable description and definition of the ‘informal economy’ and identify priority areas within the informal economy where current available protection has not been applied.
- Prepare and implement action plans to address these priority areas.
- Design and implement a study on labour protection in the informal economy.
- Identify priority areas in the informal economy for targeted assistance in various areas of labour protection.
- Formulate specific proposals to ensure that greater protection is provided to contract workers, mine workers, fishing workers, and domestic servants.
- Identify key informants and local champions in the informal economy able to serve as interlocutors to advise on priority needs of persons engaged in informal economy activities.
- Plan and implement a national awareness programme directed to those engaged in informal economy activities to highlight areas where improved protection is possible (e.g. voluntary social security, improved work safety and health).

## **Working Conditions**

**Objective:** Strengthen minimum wage determination and various wage related functions by the introduction of new institutional arrangements for wage determination, and improve compliance and enforcement arrangements to ensure working conditions' minimum standards are applied in practice.

### **Strategies:**

- Appoint a tripartite plus task force to recommend on the purpose, objectives, operational arrangements, resource requirements and other relevant matters for the creation of a National Wage Commission, including proposals for its relation to Provincial Minimum Wage Boards.
- Appoint a tripartite task force to examine in detail the issue of labour market flexibility with a view to establish clear policy guidelines, and recommend changes in the law as appropriate.
- Commission a study on labour productivity in the private sector to explore the linkage between improved working conditions and labour productivity enhancement.

## **Working Environment**

**Objective:** Improve occupational safety and health in all workplaces through the establishment of effective institutions at all levels and through a range of awareness and promotional activities.

### **Strategies:**

- Appoint a tripartite plus working group to recommend on the purpose, objectives, operational arrangements, resource requirements and related matters for the proposed National Occupational Safety and Health Council, and the Provincial Safety and Health Institutes.
- Formally establish the Council and Institutes and their respective charters.
- Ensure that work safety and health issues form an integral part of national and provincial safety and health campaigns.
- Encourage enterprises to develop a ‘safety and health’ culture.
- Assist enterprises to prepare and implement a safety and health policy at enterprise level.
- Initiate arrangements for the ratification of ILO Convention 155.

## **Social Security**

**Objective:** Strengthen and improve the nation's social security system through restructuring and reorganization, and by progressively extending services to persons currently not participating in social security schemes.

### **Strategies:**

- Evaluate the findings of the Social Protection Policy currently under preparation with a view to introducing new institutional arrangements and operational procedures, directed to improved transparency and greater efficiency and effectiveness, for the nation's social security system.
- Identify specific groups in both the formal and informal economy to be targeted for participation in the social security scheme, with particular reference to old age pensions and health benefits.
- Appoint a task force to advise on the introduction of an unemployment benefits scheme as part of the nation's social security system.

## **Living Conditions**

**Objective:** Contribute to improved motivation and greater productivity of workers through initiatives directed to improving their living conditions.

### **Strategies:**

- Commission a study on the linkage between living conditions and labour productivity.
- Convene a widely representative working group (government, workers, employers, civil society) to advise on modalities for improving living conditions, with particular reference to the likely impact of such modalities on worker motivation and productivity.
- Assess the priority needs of workers to assist in the design of ‘life skills’ and ‘skills growth’ programmes.
- Organize, implement and monitor a series of ‘life skills’ and ‘skill growth’ programmes within enterprises.

## **Compliance and Enforcement**

The objective and specific implementation strategies for this policy element will be elaborated as part of the Labour Inspection Policy 2006.

## **Capacity Building**

**Objective:** Strengthen and develop the capacity of the labour administration system and employer and worker representatives to improve their overall performance in labour protection and related fields.

### **Strategies:**

- Undertake a performance audit of labour administration at national and provincial levels with a view to identifying performance gaps, and prepare a master plan for the development of the labour administration system over the next 3 years.
- Prepare and implement proposals to address the identified performance gaps in the labour administration system with specific reference to staff training, management development for labour administrators, and logistic support.
- Develop the capacity of the labour administration to report on the application of international labour standards and related matters.
- Undertake a detailed analysis of the information system currently supporting the labour administration system with a view to identifying what needs to be done to address the qualitative and quantitative gaps in the system, as applied to labour protection in particular.
- Assist employers' and workers' organizations to assess their capacity limitations concerning the implementation of labour protection initiatives, with a particular emphasis on staff training.
- Assist in the development of institutions engaged in labour protection training (e.g. NILAT in Karachi, PMI in Islamabad, trade unions, employers' organizations) through the training of trainers and the preparation of high quality training materials making maximum use of information communication technology.
- Explore the possibility of establishing a National Industrial Relations Institute.