

BIPO TIMES



Understanding Pakistan's Labour Law & Employment Regulations

Pakistan

Pakistan is the 35th largest economy in the world with a nominal GDP of US\$347 billion.

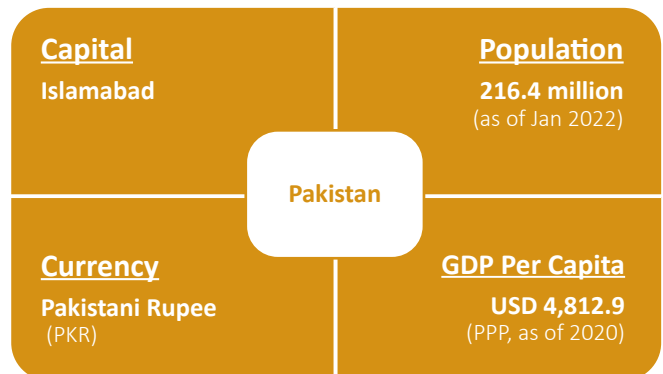
Pakistan's industrial sector accounts for 64% of the country's GDP. Cotton textiles production and apparel manufacturing are Pakistan's largest industries. Other major industries include cement, fertiliser, edible oil, sugar, steel, tobacco, chemicals, machinery, and food processing.

Overview

1. Why Invest in Pakistan

Pakistan is strategically located to become Asia's premier trade, energy, and transport corridor. It is also the gateway to the energy rich Central Asian States, the financially liquid Gulf States and the economically advanced Far Eastern tigers. This strategic advantage makes Pakistan a marketplace teeming with possibilities.

Pakistan's investment policy has been designed to provide a comprehensive framework for creating a conducive business environment for the attraction of FDI. Pakistan's policy trends have been consistent, with liberalisation, de-regulation, privatisation, and facilitation being its foremost cornerstones.



2. Pakistan's Labour Law

There are 16 laws on which compliance is mandatory and are applicable to organisations, commercial establishments, industrial establishments, and factories.

- Employee's Old Age Benefits Act, 1976
- Provincial Employees Social Security Ordinance (PESS), 1965
- The Industrial And Commercial Employment Ordinance (Standing Orders), 1968
- Punjab Shops And Establishments Ordinance (The Ordinance), 1969
- Workers Children (Education) Ordinance, 1972
- Minimum Wages Ordinance, 1961
- Payment Of Wages Act, 1936
- Companies Profits (Workers Participation) Act, 1968
- The Factories Act, 1934
- Workmen's Compensation Act, 1923
- West Pakistan Maternity Benefit Ordinance, 1962
- Apprenticeship Ordinance, 1962
- Disabled Persons (Employment And Rehabilitation) Ordinance, 1981
- Workers' Welfare Fund Ordinance (WWF Ordinance), 1971
- Punjab Industrial Relations Act, 2010
- Industrial Relations Act, 2012

3. Minimum Wage

Minimum wage is set by the government yearly. **The current minimum wage is PKR. 37,000 monthly* with effect from July 2024.**

- Minimum Wage in Pakistan is set by the following five acts:
 - The Minimum Wages Ordinance, 1961 (applicable in ICT and Balochistan).
 - Pakistan Minimum Wages for Unskilled Workers Ordinance, 1969 (no longer in use after the 18th Amendment).
 - The Minimum Wages Ordinance, 1961 (adapted in Punjab by 2012 Amendment Act).
 - The Khyber Pakhtunkhwa Minimum Wages Act, 2013.
 - Sindh Minimum Wages Act, 2015

4. Working Hours

Daily working hours ranges from 8 to 9 hours each day and 48 hours weekly. During the holy month of Ramadan, working hours are reduced by 2 to 3 hours daily. The working hours can be reduced further by the regulatory government authority if the work is deemed as strenuous.

Type	Details
Daily	Maximum of 8 – 9 hours daily, including 1 hour lunch and prayer break
Weekly	Maximum of 48 hours weekly
Ramadan	Maximum of 6 hours daily
Rest Time	<ul style="list-style-type: none">• Every 6 hours of work, 1 hour of rest• More than 5 hours of work, 30 minutes of rest• More than 8.5 hours, 2 intervals of 30 minutes rest

5. Overtime

Overtime may range to 2 – 3 hours daily, depending on business needs. Daily spread over (time from entry to exit from workplace) is 12 hours.

- If you work for more than 8 hours in a day or more than 48 hours in a week (while working in a non-seasonal factory), you are eligible for this extra/overtime pay.
- If you are working in a seasonal factory, you can't be eligible for overtime rate of pay unless you work for more than 50 hours in a week.

Law	Overtime Rate
All employment laws (except Railways Act)	Double the rate of pay (2X)
Railways Act	One and a quarter time (1.25X)

Overtime pay formula:

- $$\text{Overtime} = \frac{\text{Monthly Gross Salary} \times 2 \times \text{No. of Overtime Hours}}{\text{Working Days in a Month} \times 8 \text{ (Working Hours in a Day)}}$$
- For railway workers, change the 2 to 1.5

6. Types of Leave



- 14 days of public holiday in 2022
- 14 days of paid leave

a. Paid Leave

i. Annual Leave

14 calendar days annually (section 49-B of Factories Act)

- Annual leave must be consecutively. If not possible, annual leave balance is to be carried forward to the next year – maximum of 14 days carry over

Laws	Earned Annual Leave
Factories Act, 1934 (Applicable in Balochistan, ICT and Punjab)	14 consecutive days leave
The Khyber Pakhtunkhwa Factories Act, 2013	
Sindh Factories Act, 2015	
Shops and Establishments Ordinance, 1969 (Applicable in Balochistan, ICT and Punjab)	14 consecutive days leave
Khyber Pakhtunkhwa Shops and Establishments Act, 2015	
Sindh Shops and Commercial Establishment Act, 2015	
Mines Act, 1923 (Applicable in Pakistan)	One day of leave for every seventeen days of work below ground One day of leave for every 20 days of work above ground
Newspaper Employees Act, 1973 (Applicable in Pakistan)	At least 1/11th of time spent on duty
Road Transport Workers Ordinance, 1961 (Applicable in Pakistan)	At least 14 days leave with full pay

ii. Sick Leave

Government Sector:

- A secured person (for whom at least 90 days of contribution have been paid in the last 6 months) is entitled to receive the sickness benefit throughout the period of sickness.
- Tuberculosis and cancer, a secured person has to be provided with 100% of the wages (50% of the wages in Khyber Pakhtunkhwa and Balochistan) for 365 days in a period of one year.

- Other diseases, he has to be paid 75% of his wages (50% of the wages in Khyber Pakhtunkhwa and Balochistan) for 121 days only in a period of one year.

Private Sector:

- Employees are entitled to ten (10) days sick leave if no hospitalization is necessary.
- Where hospitalization is necessary, employees can avail up to an additional 30 days sick leave.
- In case of Prolonged Illness, application for sick leave from employees afflicted with mental illness or other illness requiring prolonged treatment such as tuberculosis, cancer, leukemia, heart disease, poliomyelitis, leprosy, cerebral thrombosis, etc., which is certified by a registered panel clinic may be granted full pay sick leave up to a maximum of six (6) consecutive months, followed by another six (6) consecutive months with half pay and followed by another six (6) consecutive months sick leave without pay.
- Upon full recovery, the employee shall resume work on condition that he/she is certified fit for employment by a medical officer.
- In addition to the 14 days of paid annual leave, every employee is entitled to 10 days casual leave with full pay and a further 16 days of sick or medical leave with 50% of pay. Casual leave is granted upon certain situations such as sudden illness and requires a medical certificate.

iii. Maternity Leave

Pakistan has four different laws that cover maternity leave and the associated benefits. These laws are:

- The Mines Maternity Benefits Act, 1941 – applicable to mine workers.
- The West Pakistan Maternity Benefit Ordinance, 1958 – applicable to all organizations, establishments (industrial or commercial) and factories.
- The Provincial Employees Social Security Ordinance, 1965 – applicable to all establishments and stipulates maternity benefits and medical care during pregnancy.
- The Civil Servants Act, 1973 – applicable to civil servants.
 - Under the Maternity Benefits Ordinance, every employed woman is entitled to a maximum of 12 weeks of fully paid maternity leave. This leave can be taken 6 weeks before the expected birth date and 6 weeks after the delivery and entitles the employee to 100% of pay. The employee must be employed for at least 4 months preceding the date of delivery.
 - Additionally, female employees are eligible for pre-natal confinement and postnatal medical care through the Provincial Employees Social Security Ordinance provided that contributions were paid for at least 90 days in the previous 6 months.

iv. Paternity Leave

- A male employee expecting his wife to give birth to a child shall, at his option, be granted paternity leave on full pay not exceeding thirty days outside his leave account from the date of its commencement.
- Such paternity leave may not be granted for more than three times in the entire service of the male employee except when such leave is granted within his leave account due and admissible to him or as an extra ordinary leave without pay.

v. Pilgrimage Leave

- Every Muslim employee must be granted an unpaid leave of up to 30 days for the purpose of pilgrimage. Such leave may be taken only once during the course of employment and may not be deducted from any other period of leave to which the employee is entitled.

b. Public Holidays in 2024*

Refer to Government announcement for Public Holidays.

Public Holidays	Date	Day	Type
Kashmir Day	5-Feb-2024	Monday	Public Holiday
Pakistan Day	23-Mar-2024	Saturday	Public Holiday
Eid-ul-Fitr Holiday	10-Apr-2024	Wednesday	Public Holiday
	11-Apr-2024	Thursday	Public Holiday
	12-Apr-2024	Friday	Public Holiday
Labour Day	1-May-2024	Wednesday	Public Holiday

Public Holidays	Date	Day	Type
Eid-ul-Azha Holiday	17-Jun-2024	Monday	Public Holiday
	18-Jun-2024	Tuesday	Public Holiday
	19-Jun-2024	Wednesday	Public Holiday
Ashura Holiday	16-Jul-2024	Tuesday	Public Holiday
	17-Jul-2024	Wednesday	Public Holiday
Independence Day	14-Aug-2024	Wednesday	Public Holiday
Eid Milad-un-Nabi	16-Sep-2024	Monday	Public Holiday
Allama Iqbal Day	9-Nov-2024	Saturday	Public Holiday
Quaid-e-Azam Day	25-Dec-2024	Wednesday	Public Holiday
Day after Christmas	26-Dec-2024 (for Christians only)	Thursday	Public Holiday

7. Statutory Contributions

Qualifying conditions:

- Industrial and Commercial Establishments (Standing Orders) Ordinance 1968 (or any of its variants) is applicable to that establishment (whether commercial or industrial) i.e. it must have the minimum number of workers as mentioned above.
- A person has to be a workman as defined in Standing Orders Ordinance 1968. A workman is "any person employed in any industrial or commercial establishment to do any skilled or unskilled, manual or clerical work for hire or reward".
- He/she must be a permanent workman. If a worker is temporary, badli, probationer or a contract worker, he/she is not eligible for gratuity under the law.
- The minimum qualifying employment period is twelve months or above. However, if a worker has worked over six months in a specific year, he will be entitled to gratuity of one year. Thus, in essence, gratuity is payable for more than six months of employment.

Qualifying events:

- He resigns from his service (voluntary retirement or voluntary redundancy in exchange for financial benefits like golden handshake schemes).
- His organizations terminates his services due to reasons other than misconduct.
- He dies while in service of his employer (it is not necessary that employee should be on duty at the time of death).
- He reaches the superannuation age and retires.
 - Gratuity does not apply if an employee is terminated on account of misconduct (harassment, theft etc.)
 - In case of death of a workman, gratuity is payable to the legal dependents of a workman. As mentioned above, death may not necessarily occur on duty, but the worker should be in continuous service at that time.
 - The amount of gratuity, in this case, is transferred to "Workmen Compensation Commissioner" who will then allocate this amount to the dependents of a worker. The dependents of a deceased worker include "his widowed mother, his own widow, minor son and unmarried daughter".
 - Rate of gratuity is "thirty (30) days wages for every completed year of service or any period in excess of six months"
 - Any employment period exceeding six months will be considered as one year.

Date of joining/first appointment in an establishment	1st September 1989
Date of voluntary retirement/resignation	30th April 2015
Gross salary paid in 2015	PKR. 30,000/-
To calculate gratuity, Last drawn monthly gross pay	PKR. 30,000/-
Pay per day	30,000/26 (working days) = PKR. 1153.85/-
One year gratuity (pay per day*30)	1153.85*30=PKR. 34,615.4/-
Gratuity for the whole period served i.e. 26 years	26*34,615.4=PKR. 900,000/-

8. Termination and Severance

Types of Termination

Notice period for employees under probation is subjected to Company's policy. For example if employment contract is of one year, then employees needs to serve seven days' notice period.

Type of Termination	Notice Period	Severance Pay/Entitlements
Limited/Short term contract	Depends on notice period on the contract	<ul style="list-style-type: none"> Compensating the other party to the level that was agreed to by both parties, provided such compensation does not exceed the equivalent of three months gross wages.
Unlimited/Long term	Depends on notice period on the contract	-

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**Information denoted in asterisk updated in August 2024.*

About us

Established in 2010 and headquartered in Singapore, BIPO is a global payroll and people solutions provider. Our comprehensive **total HR solutions** include our Human Capital Management (HCM) suite, Global Payroll Outsourcing (GPO) and Employer of Record (EOR) service across **160+ global markets**.

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