

AMENDMENTS MADE IN LABOUR LAWS THROUGH THE FINANCE ACT, 2006

Amendments were made in some labor laws through the Finance Act 2006. These amendments were notified in the gazette of Pakistan-extraordinary, dated June 06, 2006. For quick comprehension, redeeming features of various changes made in respect of the following labor laws are explained now:

1. Workmens' Compensation Act, 1923.
2. Factories Act, 1934.
3. Industrial and Commercial Employment (Sanding Orders) Ordinance, 1968.
4. Companies Profit (Workers Participation) Act, 1968.
5. West Pakistan Shops and Establishments Ordinance, 1969.
6. Minimum Wages for Unskilled Workers Ordinance, 1969.
7. Workers Welfare Fund Ordinance, 1971.
8. The Employees, Old Age Benefits Act, 1976.

1. WORKMENS' COMPENSATION ACT, 1923

Through an amendment in Schedule IV, the salary of workman of Rs. 3,000 per month has been increased to Rs. 6,000 per month.

2. FACTORIES ACT, 1934

1. Total working hours continue to remain the same *i.e.*, eight hours. The existing spread relating to work was ten and half hours. This has been increased to twelve hours. Consequently, these eight hours can now be obtained within a period of twelve hours. Any work beyond eight hours will be treated as overtime.
2. Earlier, female workers were required not to work beyond 7:00 pm. This has been extended up to 10:00 pm. However the employer is required to provide transport facility for women workers.
3. Earlier, spread over the work for Seasonal Workers was ten and a half hours. This spread has now been increased to eleven and half hours. However, despite above changes, total working hours will continue to remain the same. Any work done by the employee beyond eight hours of work will be treated as overtime.

3. INDUSTRIAL AND COMMERCIAL EMPLOYMENT (STANDING ORDERS) ORDINANCE, 1968

1. Earlier there were five categories of workman. This has now been Increased to six.
2. The sixth category is entitled "Contract Worker". A contract worker has

Been defined as workman who works on contract basis directly with the employer and does not cover a worker employed by an independent contractor for the purpose of execution of the contract.

4. COMPANIES PROFIT (WORKERS PARTICIPATION) ACT, 1968

1. The existing salary ceiling of Rs. 5,000 has been abolished to qualify as a worker for the purpose of above Act. The definition of worker will be the same as in Section 2 of the Industrial Relations Ordinance, 2002. In this section, monthly wage is not the determining factor.

2. If the company complies with prescribed requirements, relaxation is granted to defaulting employer from penal actions and imposition of interest.

3. If a company is established on or after July 01, 2006, the eligibility criteria for application of the Act have been changed. As against the existing limits of paid up capital (Rs. 2 million) and fixed assets of the company (Rs. 4 million), these limits have now been changed to require a company to have these limits as equal or exceeding Rs. 5 million as paid up capital and Rs. 20 million as fixed assets.

4. For non-payment or late payment, rate of additional tax has been increased to 12 per cent.

5. Classification of workers for distribution of benefits has been redefined as under workers drawing average monthly wage not exceeding:

- a) Rs. 5,000.
- b) Between Rs. 5,000 to Rs. 7,500.
- c) Between Rs. 7,500 to Rs. 10,000.

6. Maximum entitlement of a worker relating to annual allocation of units has been increased from Rs. 6,000 with an upper limit of three times of minimum wage for unskilled worker which is currently Rs. 4,000 per month. Accordingly, the maximum entitlement of a worker shall be Rs. 12,000.

5. WEST PAKISTAN SHOPS AND ESTABLISHMENTS ORDINANCE, 1969

1. Earlier weekly holiday for shops and commercial establishments was one day in each week. Through an amendment, this weekly holiday will be in addition to the holidays as provided in Sections 14, 15 and 16 of the Ordinance. It is not necessary for the establishment to remain closed once a week but only the persons employed in such establishments should be given as weekly holiday.

2. The previous mention of Friday or Sunday as weekly holiday has been omitted. Now employers can declare any day as weekly holiday convenient to employer. Besides, the Annual leave of 14 days, Casual Leave of 10 days, Sick Leave of 5 days will continue apart from festival holidays as notified in the official gazette.

3. Earlier the total overtime was not to exceed 150 hours relating to stock taking, making of accounts settlement or such other business operations relating to shops and commercial establishments. This limit has now been enhanced to 624 hours in a year/ overtime is to be paid on twice the ordinary rate of pay.

4. *Contract* workers receiving wages *on piece rate basis are not allowed* overtime. However obligation to pay overtime to workers employed on piece rate

wages is excluded from the above provision. The all limit of 624 hours in a year is to be maintained.

5. Earlier the overall spread over the work in shops and commercial establishments was 10 hours in winter and 11 hours in summer. To simplify *the situation*, the spread over will be 12 hours. However the total working should not exceed 60 hours in relation to adult workers and 54 hours in relation to young persons in a week. Any work taken beyond eight hours work will be treated as overtime.

6. MINIMUM WAGES FOR UNSKILLED WORKERS ORDINANCE, 1969

Earlier limit of minimum wages for unskilled workers was Rs 3,000 per month. This has been increased to Rs. 4,000 per month.

7. WORKERS' WELFARE FUND ORDINANCE, 1971

1. The basis of charge for Workers' Welfare Fund (WWF) @ 2 per cent in profit has been changed. Now it has been amended to income as per accounts or return) f income for tax purposes whichever is higher.

2. The limit of income for industries subject to levy of WWF has been increased to Rs. 500,000 against the earlier limit of Rs. 100,000.

THE EMPLOYEES' OLD-AGE BENEFITS ACT, 1976

1. The workmen employed by any industry *or* establishment set up on or After July 01, 2006 shall be twenty.

2. *Rates of old-age and invalidity* pension have been enhanced.