

Employment and wages rising in Pakistan's garment sector

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For decades, Pakistan has been a key manufacturing base for garments, textiles and footwear (GTF), supplying products for major international retailers.¹ The sector generates billions in exports and provides millions of jobs. In recent years, employment and wage levels in the sector have made notable, albeit uneven, gains despite falling competitiveness in GTF exports. Going forward, making strides in improving job quality and addressing the widespread gender gaps that women face throughout the industry will be critical to sustaining growth and competitiveness.

Competitiveness in textile and garment exports waning

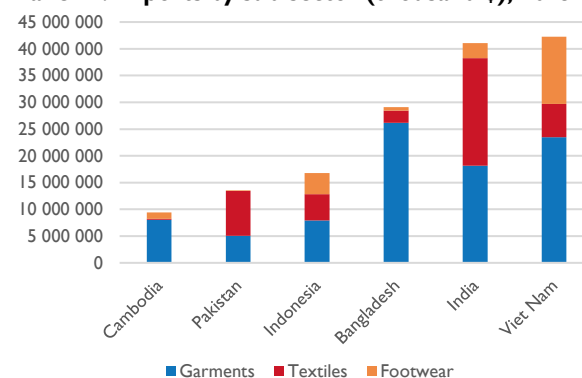
Pakistan's economy remains heavily dependent on GTF manufacturing. In 2015, GTF exports reached nearly US\$13.6 billion, totalling 61.4 per cent of all merchandise exports (Figure 1, Panel A). Textiles alone contributed 62.1 per cent (\$8.4 billion) of GTF exports, with garments and footwear accounting for the remaining 37 per cent and 0.9 per cent, respectively.

In recent years, however, GTF exports from Pakistan have been less dynamic in comparison to key competitors in the developing Asia region (Figure 1, Panel B). From 2010 to 2015, Pakistan's GTF exports increased on average by merely 2.2 per cent each year, lagging considerably behind Bangladesh (10.9 per cent), Viet Nam (17.6 per cent) and Cambodia (17.9 per cent). As a share

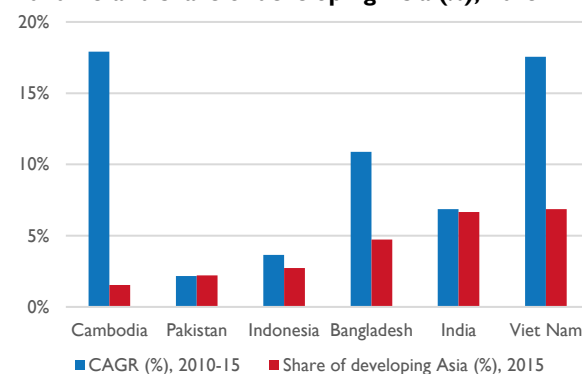
of all GTF exports from developing Asia, Pakistan accounted for 2.2 per cent. The weakening competitiveness of GTF and other exports from Pakistan has resulted from softening demand from key trade partners such as China, the European Union, and the United States. Other factors include the country's poor infrastructure and connectivity and instability of electricity generation.²

Figure 1: GTF exports

Panel A: Exports by sub-sector (thousand \$), 2015



Panel B: Compounded annual growth rate (%), 2010–15 and share of developing Asia (%), 2015



Source: Estimates from UNCTAD: UNCTADstat Database.

¹ This research note benefitted from important contributions from Caroline Bates, Matthew Cowgill and Richard Horne.

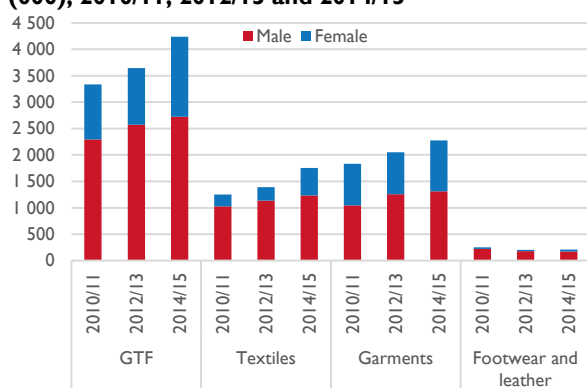
² See: IMF: *Pakistan: Selected issues paper*, IMF Country Report No. 16/2 (Washington, DC, 2016); World Bank:

Pakistan Development Update: From stability to prosperity (Washington, DC, 2016).

Robust job growth especially for women

GTF production in Pakistan is instrumental for job creation. In 2014/15, employment in the sector increased to 4.2 million workers, reflecting a robust average annual expansion of 6.2 per cent since 2010/11 (Figure 2).³ By sub-sector, garment production employed 53.6 per cent of all GTF workers, followed by textiles (41.4 per cent) and footwear and leather (5 per cent).

Figure 2: Employment in GTF by sex and sub-sector (000), 2010/11, 2012/13 and 2014/15



Source: Author's estimates based on Pakistan Bureau of Statistics (PBS): Labour Force Survey (various years).

Men accounted for two-thirds of all GTF jobs overall, although the industry is increasingly employing a greater share of women. Average annual employment growth for women (10 per cent) outpaced that of men (4.3 per cent) during that four-year period. Notably, female employment in textiles averaged 22.9 per cent annual growth. Despite the progress for women, the wide gender disparity in GTF employment may reflect Pakistan's broader challenge of low female labour participation which is driven by cultural barriers and stereotypes, a lack of safe transport and inadequate child care that is affordable, among other factors.⁴

In 2014/15, more than 89 per cent of all GTF jobs were concentrated in just two provinces: Punjab and Sindh employed 2.6 million and 1.6 million women and men, respectively (Annex table I). Similar to other competitors in developing Asia, GTF workers in Pakistan are typically young with

limited educational qualifications. The median age of the workforce was 29 years, although women (27 years) tended to be around three years younger than their male counterparts (30 years).

By education, three in four had at most a primary degree, with the ratio for women even higher. Likewise, only around two in three were able to read and write in any language, although literacy among women was much lower (about one in two). The overall low educational profile reflects the generally low-skill, low-value nature of GTF manufacturing in Pakistan.

Moreover, the GTF industry is dominated by micro and small enterprises under individual ownership. Nearly 84 per cent of the GTF workforce were employed in firms with less than six workers. Conversely, enterprises with staff of 20 or more employed less than 5 per cent of all GTF workers. Unsurprisingly, a vast majority of these small firms were operated by an individual owner and were not registered as a private limited company.

A significant gender dynamic is apparent among GTF workers who did work in a firm with larger staff, were employed by a private limited company or earned wage income. Across all three dimensions, women consistently lag behind men. Nearly all women workers in the industry were employed by small firms with five or fewer staff, while the share for men was around 69 per cent. Likewise, a very minimal percentage of women (less than 3 per cent) were employed by a private limited company whereas the ratio for men was 42.8 per cent. Moreover, 71.5 per cent of men earned wages, while the share for women was merely 29.9 per cent. Despite remarkable job creation in the GTF industry in recent years, the quality of those jobs remains a key concern particularly for women.

³ In total, GTF account for nearly half of all manufacturing employment. See Annex table I.

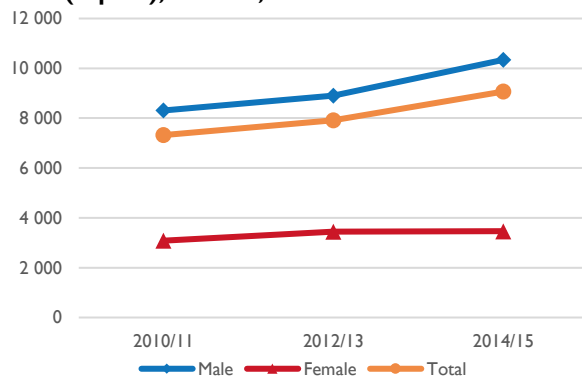
⁴ ILO: *The gender pay gap in the garment sector in Pakistan* (Islamabad, forthcoming).

Women benefitting less from wage gains

Of the 4.2 million workers in Pakistan's GTF sector, 2.4 million (56.6 per cent) were paid employees who earned wages. For these wage earners, wages have risen in recent years but remain meagre particularly for women. In 2014/15, average nominal wages were around 13,000 rupees per month (\$128), ranging from 11,300 rupees in footwear and leather manufacturing to 14,000 rupees in textile production (Annex table 2).⁵

Moreover, a pronounced gender wage gap was evident across the GTF industry: women earned 66.5 per cent less than men. A forthcoming study that examines in-depth the gender pay gap in the garment sub-sector in Pakistan attributes the male-female wage differential to various forms of direct and indirect discrimination. This includes occupational segregation, the lack of maternity support, inequality in access to education and vocational training, and lower trade union membership.⁶

Figure 3: Average real monthly earnings by sex in GTF (rupees), 2010/11, 2012/13 and 2014/15



Note: Covers only paid employees (aged 15 and above) who earn wages; nominal earnings adjusted by constant 2010 prices; earnings include payment in cash and kind, plus bonuses.

Source: Author's estimates based on earnings data from PBS, op. cit. and consumer price data from World Bank: World Development Indicators (2016).

Wage growth, in real terms, was substantial overall but uneven (Figure 3). From 2010/11 to 2014/15, GTF wages increased year-on-year by

5.5 per cent on average, after accounting for price inflation. However, rising wage trends did not benefit women to the same extent. After rising by 5.8 per cent per year from 2010/11 to 2012/13, growth in real wages of women stagnated at 0.2 per cent from 2012/13 to 2014/15. Given these trends, the gender pay gap in the GTF sector has worsened in recent years.

Low pay and weak minimum wage compliance still pervasive

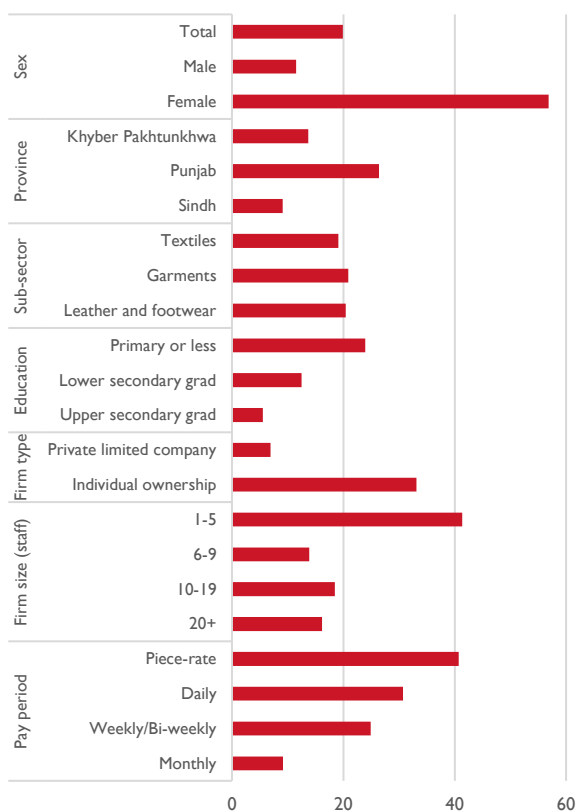
Despite rising average wages, the distribution of earnings in the GTF industry shifted only marginally, reflecting a lack of progress for the low-paid relative to other workers. In 2014/15, the share of employees earning low pay (or two-thirds of estimated median hourly earnings) was 19.9 per cent, a slight increase from 19.5 per cent in 2012/13. Women were considerably more likely to be low-paid than men: the male-female gap in the low pay rate was 45.3 percentage points (Figure 4).

In addition, low pay rates were notably higher in Punjab (26.4 per cent) compared to either Khyber Pakhtunkhwa (13.7 per cent) or Sindh (9.1 per cent). As expected, a strong relationship is evident between being low-paid and educational attainment, firm type and firm size and frequency of wage payment. Employees with lower education credentials were more likely to be at the lower end of the earnings ladder. Likewise, low pay rates were markedly higher for wage earners in small enterprises with just one to five staff and those employed by firms with an individual owner. By periodicity of payment, around two in five employees paid under a piece-rate scheme were low-paid compared to only one in ten among those receiving monthly wages.

⁵ Based on official exchange rates from World Bank: World Development Indicators (2016), <http://data.worldbank.org/> [accessed 1 Dec. 2016].

⁶ ILO, op. cit. Also see: P. Huynh: *Assessing the gender pay gap in Asia's garment sector*, ILO Asia-Pacific Working Paper Series (Bangkok, ILO, 2016).

Figure 4: Share of employees earning low pay in GTF (%), 2014/15



Note: Covers only paid employees (aged 15 and above) who earn wages; low pay defined as less than two-thirds of estimated median hourly earnings; earnings include payment in cash and kind, plus bonuses.

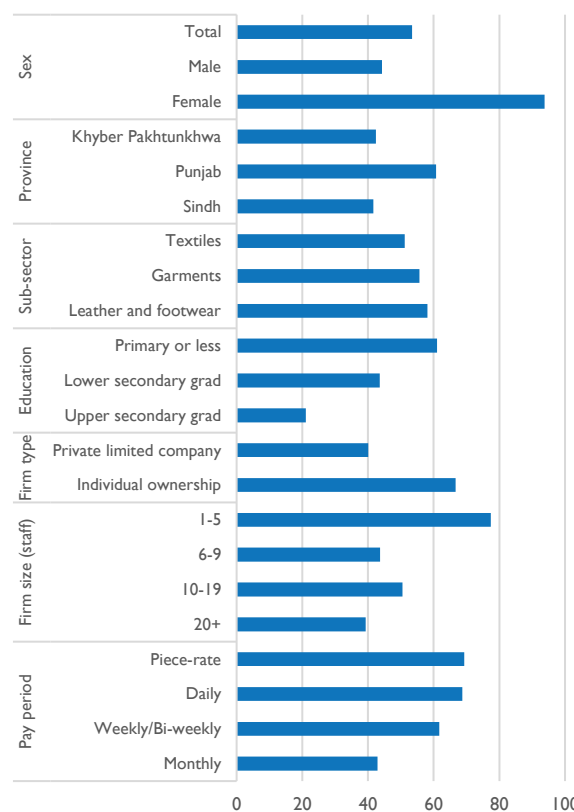
Source: Author's estimates based on PBS, op. cit.

For those at the low-end of the wage ladder, minimum wage policies are critical to ensure adequate earnings. If properly designed and implemented, minimum wages can help alleviate poverty and provide a minimum level of protection for the most vulnerable wage earners. However, minimum wage policies can only be effective where compliance is strong.

Despite the existence of minimum wage legislation in Pakistan, poor compliance is indicative of the GTF industry overall. In 2014/15, more than half (53.4 per cent) of all GTF wage employees earned less than the statutory monthly minimum wage although there were considerable variances across the sector (Figure 5). Notably, 93.8 per cent of female employees reportedly earned less than the minimum wage compared to 44.3 per cent for men. Compliance was also weaker in Punjab (60.7 per cent) relative

to Khyber Pakhtunkhwa (42.4 per cent) and Sindh (41.6 per cent).

Figure 5: Share of employees earning less than minimum wage in GTF (%), 2014/15



Note: Covers only paid employees (aged 15 and above) who earn wages; minimum wage defined as 12,000 rupees per month except in Khyber Pakhtunkhwa (10,000 rupees); earnings include payment in cash and kind, plus bonuses.

Source: Author's estimates based on PBS, op. cit.

Reflecting the positive association between earnings and education, minimum wage compliance tended to be stronger with higher educational attainment. Around three in five employees with a primary degree or less received earnings below the minimum wage level, while the ratio was one in five for those with an upper secondary diploma or tertiary studies. Likewise, non-compliance with minimum wage legislation was higher among wage earners employed in enterprises under individual ownership (two in three) and those in small firms with less than 6 workers (three in four).

Widespread non-compliance is driven by various factors. Compliance with minimum wages and other labour legislation tend to be much stronger among suppliers that manufacture for international retailers and brands in the United

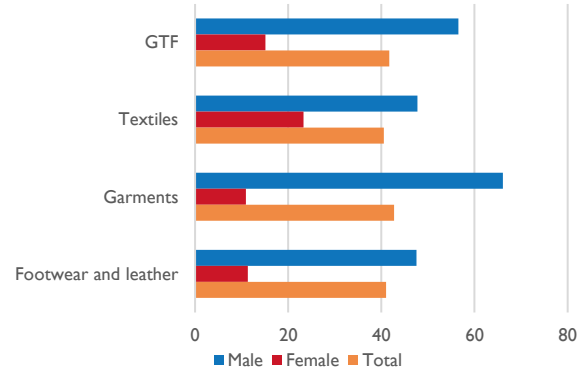
States and European Union as a result of carefully regulated codes of conduct and audit requirements.⁷ Another factor for poor compliance is related to the weak labour inspection regime that severely lacks capacity and resources. In addition, a large segment of the GTF industry operates in the informal economy and is effectively unregulated altogether.

Long and excessive working hours for men

In Pakistan, GTF production is typified by high volume and long hours of work. In 2014/15, workers were engaged for 48 per week on average, a slight increase from 47.7 hours in 2012/13. Working time was significantly higher for men (54.3 hours) in comparison to women (36.6 hours). By sub-sector, working hours in both textiles and footwear (49.9 hours) were longer than in garment manufacturing (46.3 per cent).

Using the international definition of more than 48 hours per week to classify excessive hours of work, estimates indicate that two in five of those employed in the GTF industry in Pakistan worked excessive hours in 2014/15 (Figure 6). In comparison to 2012/13, the portion who worked excessive hours increased slightly by 2.5 percentage points, reflecting in particular a spike of 6.3 percentage points for men. These concerning trends in working time could point to the need for workers to work more to compensate for low wages. It may also reflect an attempt to enhance competitiveness through longer working hours as opposed to sustainable approaches based on greater productivity and efficiencies.

Figure 6: Excessive hours of work by sex and sub-sector in GTF (%), 2014/15



Note: Excessive hours defined as more than 48 hours per week.
Source: Author's estimates based on PBS, op. cit.

Conclusion

The GTF industry is vital for Pakistan's economic prospects. It accounts for nearly \$13.6 billion in exports and employs 4.2 million women and men. However, the sector faces a number of major challenges that could undermine its competitiveness. The quality of employment remains mostly poor overall. Women in particular face sizeable disadvantages related to education and training, low wages, and access to better jobs in larger firms. Conversely, long and excessive working hours are a common situation for men throughout the industry. Addressing these issues calls for stronger measures to reduce occupational segregation, bolster maternity support, enhance access to safe transport and strengthen labour inspection systems with the aim of better wage compliance. Also critical are investments to boost workplace productivity and efficiency towards sustainable competitiveness gains.

⁷ For further discussion, see: ILO, op. cit.

Annex table I. Selected employment indicators in GTF, 2012/13 and 2014/15

	2012/13			2014/15		
	Male	Female	Total	Male	Female	Total
Total employment (000)	2 571.1	1 076.3	3 647.5	2 721.5	1 520.3	4 241.8
Textiles	1 134.3	257.1	1 391.4	1 236.4	518.6	1 755.0
Garments	1 258.0	794.3	2 052.3	1 311.3	963.5	2 274.8
Footwear and leather	178.8	24.9	203.7	173.8	38.2	212.0
<i>GTF share of manufacturing employment (%)</i>	40.2	84.0	47.5	40.1	84.6	49.4
Textiles	17.7	20.1	18.1	18.2	28.9	20.5
Garments	19.6	62.0	26.7	19.3	53.6	26.5
Footwear and leather	2.8	1.9	2.7	2.6	2.1	2.5
<i>By province (% distribution)</i>						
Khyber Pakhtunkhwa	4.8	7.0	5.5	4.7	7.1	5.6
Punjab	57.8	73.8	62.6	57.2	70.1	61.8
Sindh	36.2	14.6	29.8	36.3	11.4	27.3
Balochistan	1.2	4.7	2.2	1.6	11.2	5.0
Islamabad	0.0	0.0	0.0	0.2	0.4	0.3
<i>By education (% distribution)</i>						
Primary or less	69.1	86.2	74.1	68.9	86.4	75.2
Completed lower secondary	18.5	11.3	16.4	17.5	10.3	14.9
Completed upper secondary and above	12.4	2.5	9.5	13.5	3.3	9.8
Other (unclassified)	0.0	0.0	0.0	0.1	0.0	0.0
<i>By literacy (% distribution)</i>						
Literate	74.8	50.9	67.7	76.5	46.2	65.6
Not literate	25.2	49.1	32.3	23.5	53.8	34.4
<i>By firm size (% distribution)</i>						
1-5 workers	67.8	96.1	79.1	69.2	99.0	83.8
6-9 workers	13.7	2.3	9.2	13.8	0.6	7.3
10-19 workers	9.8	0.4	6.1	8.2	0.2	4.3
20+ workers	8.8	1.2	5.7	8.9	0.2	4.6
<i>By firm type (% distribution)</i>						
Private limited company	38.1	4.4	28.1	42.8	2.5	28.4
Individual ownership	56.9	94.1	67.8	54.4	96.7	69.5
Other	5.1	1.5	4.0	2.9	0.8	2.1
<i>By employment status (% distribution)</i>						
Employee	74.0	39.9	63.9	71.5	29.9	56.6
Employer	2.4	0.0	1.7	3.1	0.0	2.0
Own-account worker	19.2	45.9	27.1	21.8	55.1	33.7
Contributing family worker	4.3	14.2	7.2	3.6	14.9	7.7
Other (unclassified)	0.2	0.0	0.1	0.0	0.0	0.0
 Median age (years)						
Textiles	29	25	28	30	27	29
Garments	30	27	29	30	27	30
Footwear and leather	28	25	26	29	27	28
Footwear and leather	32	34	32	32	28	32

Note: Ages 15 and above; GTF industry corresponds to International Standard Industrial Classification of All Economic Activities (ISIC) Rev. 4 groups 13 (textiles), 14 (garments) and 15 (footwear and leather).

Source: Author's estimates based on PBS, op. cit.

Annex table 2. Selected indicators of working time and wages in GTF, 2012/13 and 2014/15

	2012/13			2014/15		
	Male	Female	Total	Male	Female	Total
Average working time (weekly hours)	53.1	34.8	47.7	54.3	36.6	48.0
Textiles	53.9	39.1	51.1	54.2	39.7	49.9
Garments	52.6	33.3	45.2	54.6	35.0	46.3
Footwear and leather	51.7	36.9	49.9	52.7	36.3	49.9
Excessive hours (% of all GTF workers)	50.3	12.9	39.2	56.6	15.1	41.7
Textiles	46.8	17.2	41.4	47.8	23.3	40.5
Garments	54.7	11.8	38.1	66.1	10.9	42.7
Footwear and leather	40.7	0.8	35.8	47.5	11.4	41.0
Total wage employees (000)	1 902.0	429.2	2 331.2	1 945.2	455.1	2 400.3
Textiles	1 000.7	120.8	1 121.5	1 056.3	207.4	1 263.7
Garments	766.3	294.7	1 061.0	767.7	224.2	991.9
Footwear and leather	135.0	13.7	148.7	121.2	23.6	144.8
<i>By payment period (% distribution)</i>						
Daily	4.6	7.1	5.1	5.0	9.3	5.8
Weekly/Bi-weekly	18.9	32.2	21.3	17.8	25.1	19.2
Monthly	63.3	16.8	54.7	65.2	7.8	54.3
Piece-rate	13.1	43.5	18.7	11.8	57.4	20.5
Other (unclassified)	0.2	0.5	0.2	0.1	0.4	0.2
Average monthly earnings (000 rupees)	11.4	4.4	10.1	14.8	5.0	13.0
Textiles	12.1	3.8	11.3	15.8	5.0	14.0
Garments	10.5	4.7	9.0	13.9	5.1	12.0
Footwear and leather	10.0	3.2	9.4	12.7	4.0	11.3
Low pay rate (% of employees)	11.1	57.6	19.5	11.5	56.9	19.9

Note: Ages 15 and above; GTF industry corresponds to International Standard Industrial Classification of All Economic Activities (ISIC) Rev. 4 groups 13 (textiles), 14 (garments) and 15 (footwear and leather); excessive hours defined as more than 48 hours per week; wages and earnings cover only wage employees; low pay defined as less than two-thirds of estimated median hourly earnings.

Source: Author's estimates based on PBS, op. cit.

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