

# Regulatory Procedure

(Labor Laws Assigning Standards for Wages)



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## **1 Disclaimer**

This information memorandum is to introduce the subject matter and provide a general idea and information on the said matter. Although, the material included in this document is based on data/information gathered from various reliable sources; however, it is based upon certain assumptions, which may differ from case to case. The information has been provided on as is where is basis without any warranties or assertions as to the correctness or soundness thereof. Although, due care and diligence has been taken to compile this document, the contained information may vary due to any change in any of the concerned factors, and the actual results may differ substantially from the presented information. SMEDA, its employees or agents do not assume any liability for any financial or other loss resulting from this memorandum in consequence of undertaking this activity. The contained information does not preclude any further professional advice. The prospective user of this memorandum is encouraged to carry out additional diligence and gather any information which is necessary for making an informed decision, including taking professional advice from a qualified consultant/technical expert before taking any decision to act upon the information.

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## **2 Introduction of SMEDA**

The Small and Medium Enterprises Development Authority (SMEDA) was established in October 1998 with an objective to provide fresh impetus to the economy through development of Small and Medium Enterprises (SMEs).

With a mission "to assist in employment generation and value addition to the national income, through development of the SME sector, by helping increase the number, scale and competitiveness of SMEs", SMEDA has carried out 'sectoral research' to identify policy, access to finance, business development services, strategic initiatives and institutional collaboration and networking initiatives.

Preparation and dissemination of prefeasibility studies in key areas of investment has been a successful hallmark of SME facilitation by SMEDA.

Concurrent to the prefeasibility studies, a broad spectrum of business development services is also offered to the SMEs by SMEDA. These services include identification of experts and consultants and delivery of need based capacity building programs of different types in addition to business guidance through help desk services.

### **3 Role of Legal Services Cell, SMEDA**

The Legal Services Cell (LSC) as part of Business & Sector Development Services (B&SDS) Division of SMEDA plays a key role in providing guidance and overall facilitation and support to SMEs on legal matters.

LSC believes that information dissemination to SMEs on the existing regulatory environment is of paramount importance and plays a pivotal role in their sustainable development.

In order to facilitate SMEs LSC has developed user-friendly systems, which provide them detail description of the laws and regulations including processes and steps required for compliance.

The purpose of this document is to provide SMEs whether individuals or companies with information pertaining to the principal labor laws applicable in Pakistan, so as to enable them to ascertain the applicability or otherwise of the governing law in their particular area of choice. (It is pertinent to note that upon the passage of the 18th Amendment Act on April 19, 2010 the subject of “labor” (which earlier found mention in the Concurrent Legislative List) was devolved on to the Provincial legislatures, which has resulted in such legislation now being a Provincial prerogative.)

## **4 Labor Laws Assigning Standards for Wages**

The three primary laws dealing with payment and fixation of wages are:

- The Payment of Wages Act, 1936
- The Minimum Wages Ordinance, 1961
- West Pakistan Minimum Wages for Unskilled Workers Ordinance, 1969.

### **4.1 The Payment of Wages Act, 1936**

#### **4.1.1 Applicability**

The law applies to the payment of wages to persons employed in any factory, industrial establishment or commercial establishment and to persons employed upon any railway by a railway administration.

#### **4.1.2 Purpose of the Law**

This law regulates the payment of wages to certain classes of persons employed in industry

#### **4.1.3 Admissible Deductions under the Act**

The Act provides for the following deductions that can be made from the wages of an employed person:

- a) fines;
  - b) deductions for absence from duty;
  - c) deductions for damages to or loss of goods expressly entrusted to the employed person for custody, or for loss of money for which he is required to account, where such damage or loss is directly attributable to his neglect or default;
  - d) deductions for house accommodation supplied by the employer;
  - e) deductions for such amenities and services supplied by the employer as the Provincial Government may, by general or special order authorize;
  - f) deductions for recovery of advances or for adjustment of overpayment of wages;
  - g) deductions of income tax payable by the employed person;
  - h) deductions required to be made by order of a Court or other authority competent to make such order;
  - i) deductions for subscriptions to, and for repayment of advances from, any recognized or approved Provident Fund;
  - j) deductions for payment to co-operative societies approved by the Provincial Government or to a scheme of insurance maintained by the Pakistan Post Office; and
  - k) deductions made with the written authorization of the employed person, in furtherance of any War Saving Scheme approved by the Provincial Government.
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#### 4.1.4 Penalty

In case of violation of the provisions of the Act, a fine (depending on which provision is contravened) ranging from Rs. 200/- to Rs. 500/- may be levied (section 20).

## 4.2 The Minimum Wages Ordinance, 1961 [along with Rules (1962)]

### 4.2.1 Applicability

The law extends to the whole of Pakistan.

### 4.2.2 Purpose of the Law

This law provides machinery for the regulation of minimum rates of wages for workers employed in certain industrial undertakings.

## 4.3 Minimum Wage Notifications for Adult, Unskilled & Juvenile Workers Effective July 01, 2015

Sr. No.	Province	Minimum Rates of Wages (Rs.)		Deductions Housing/ Transport P.M. (Rs.)
		Per day	Per Month	
1	Sindh	500/-	13,000/-	---
2	Punjab	500/-	13,000/-	---
3	Balochistan	500/-	13,000/-	---
4	KPK	500/-	13,000/-	---

### 4.3.1 Forms of Register and Records

- a) A Wage Register in Form I has to be maintained by every employer at the place of employment;
- b) Every employer shall issue to the employees employed in any industry in respect of which minimum rates of wages have been fixed under the provisions of the Ordinance, Wage Slips in Form II;
- c) Every employer shall obtain the signature or thumb-impression of every employee on the Wage Register;
- d) The employer shall authenticate entries in the Wage Register and Wage Slips or a person authorized by him in this behalf.
- e) A Muster Roll in Form-III shall be maintained by the employer at the place of employment in respect of all employees regarding whom minimum wages have been fixed under the Ordinance

## **4.4 West Pakistan Minimum Wages for Unskilled Workers Ordinance, 1969**

### **4.4.1 Applicability**

The law extends to the whole of Pakistan.

### **4.4.2 Purpose of the Law**

To fix the minimum rates of wages for unskilled workers employed in certain commercial and industrial establishments.

### **4.4.3 Rate**

The rate of minimum wages per month is presently fixed at Rs. 6000/-.