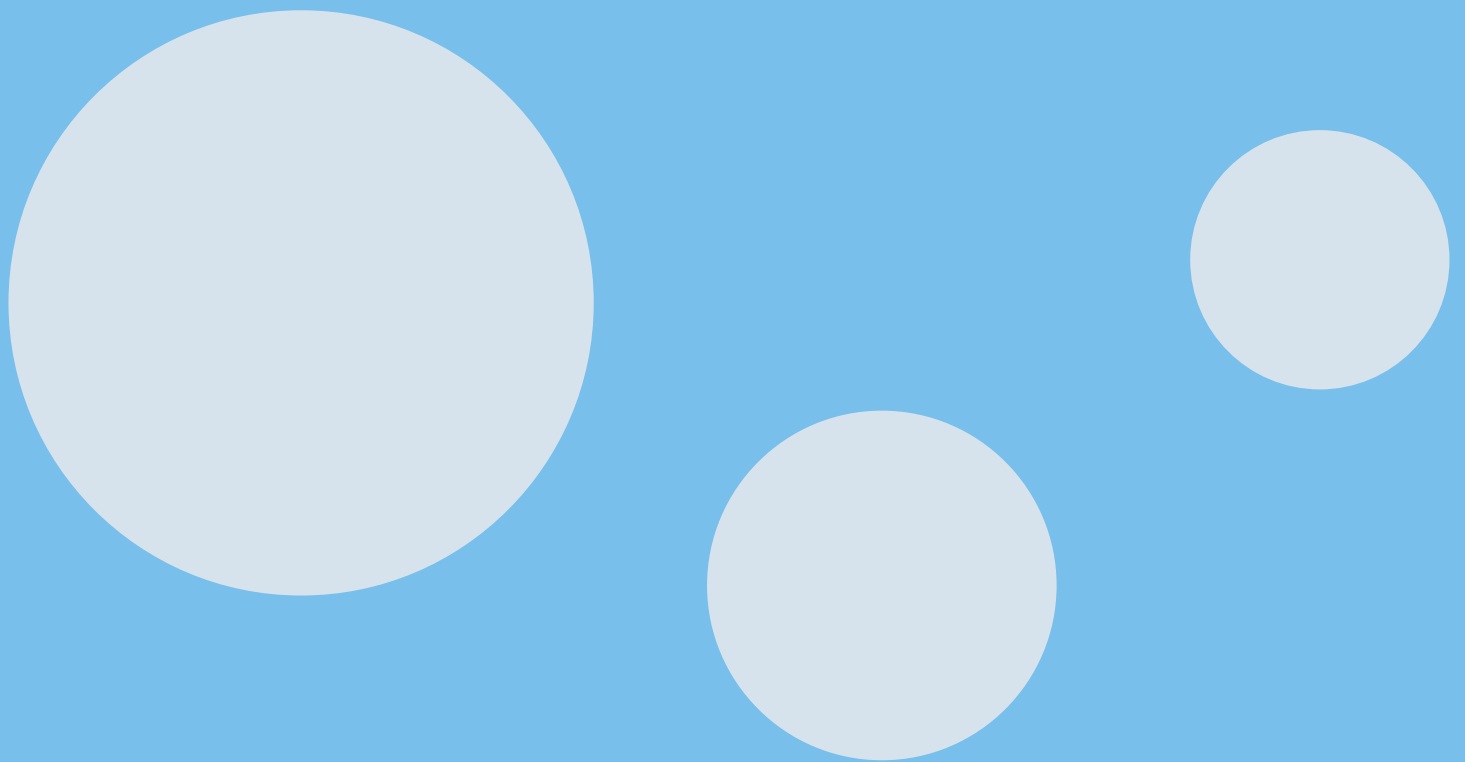


August 2011

Labour conditions in Pakistan

PAKISTAN

www.paycheck.pk



WageIndicator.org

About WageIndicator

This WageIndicator report is based on the national dataset of WageIndicator - Pakistan.

The data for this August 2011 report is volunteered by workers who are interviewed throughout Pakistan by a professional interview bureau. This so called offline Salary Survey is more or less identical to the online Salary Survey at Paycheck.pk, the Wage Indicator website in Pakistan. The offline Salary Survey is also identical in all countries where Wage Indicator is present. Respondents declare their gross and net income in their national currencies. Next to wages, the self-reporting online questionnaire asks about individual characteristics (e.g. male/female, age, level of education, living with a partner and children), a person's work environment (e.g. type of job, level of responsibility, wages) and other employment-related topics.

The independent non-profit Wage Indicator Foundation aims for transparency of the labour market by sharing and comparing data through its network of national websites and by have offline interviews. By the end of 2010 Wage Indicator has operations in 55 countries world wide. See for the full list www.wageindicator.org or at any national Wage Indicator website, the drop down menu at the bottom of the home page.

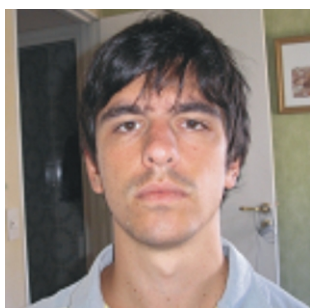
Wage Indicator Foundation was established in the Netherlands in 2003. It is based in Amsterdam. It has regional offices in Ahmedabad, Bratislava, Buenos Aires, Cape Town/Maputo and Minsk. Its headquarters and postal address are:

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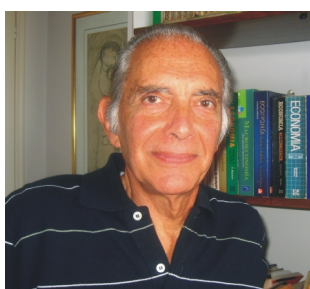
Executive Summary

According to the offline Salary Survey from Paycheck, 4.65 per cent of the respondents earn below the Pakistani National Minimum Wage established by the government for the unskilled workers. The striking point is that 69.8 per cent of these underpaid labourers are either semi-skilled or highly-skilled and work in professional, craft and related trade occupations. 74.35 per cent of the total respondents earn between 7,001 to 21,000 per month (Figure 1), which represents between 220 and 665 dollars in terms of the Purchasing Power Parity (PPP). It is found, on the one hand, a relatively modest gender wage gap, but on the other hand, a considerably high education income gap in favour of those who have graduated from university. These are the main highlights of a study that included 1,626 Pakistani responses taken in Karachi in 2010.

By:



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About the aim of the report, sample and results

The results exhibited in this report come from the Paycheck's offline salary survey taken in 2010 exclusively in Karachi. The survey conducted on many types of occupations in the labour market including from teachers, traders and drivers to building construction workers, salespersons and beauty services. Out of 1,626 respondents, only 924 of them declared their monthly wages last year.

Questions about income and work conditions, family organization, and overall life satisfaction were asked in the offline salary survey. The dataset gathered was then grouped by age, gender, educational level and occupation. The International Standard Classification of Education (ISCED) and the one-digit International Standard Classification of Occupations (ISCO), both ILO criteria, were used to order the dataset by educational level and occupation, respectively.

Wages and other benefits

a) National underpaid workers

Exactly 4.65 per cent of the respondents earn less than the National Pakistani minimum wage, fixed by the government as 7,000 Pakistani rupees for unskilled workers. The striking point of the survey is that 69.8 per cent of these underpaid labourers are, according to the educational levels attained, either semi-skilled or highly-skilled and work in professional, craft and related trade occupations.

Around 56 per cent of the underpaid respondents are men. Half of these male workers are between 20 and 40 years old, whereas 94.8 per cent of the underpaid women belong to the 20-29 age group.

Regarding the educational level, it is found an interesting contrast between genders. Nearly 92 per cent of the male workers who earn less than the minimum wage are either low or middle-educated. On the contrary, 87.5 per cent of the female ones claim to have from high-school to postgraduate or even doctorate degrees.

According to the ILO's Minimum Wage convention, minimum wages must contemplate "the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups". Several social-economic effects arise as a consequence of fixing a just-levelled minimum wage. First, it attacks wage inequity and labour exploitation by reducing bad-paid jobs. Second, it lessens population's dependency on state assistance, which may lead to a tax reduction. Third, it promotes an increase in the national outcome as it expands the consuming population. Fourth, it also discourages child exploitation as children wouldn't have to leave school to contribute to the family income.

b) Descriptive statistics and how education, gender and occupations influence wages

Even though only a small fraction of respondents receive less than the minimum salary, most of the earnings that respondents claim to earn are comparatively low. In fact, 74.35 per cent of their wages range from 7,001 to 21,000 per month (Figure 1), which represents between 220 and 665 dollars in terms of the Purchasing Power Parity (PPP) . That is to say that 7,001 rupees can purchase the same basket of goods as 220 dollars in the United States.

Table 1 - Wages descriptive statistics

Percentage of respondents who earn less than the national Minimum Wage	4.65%
Median monthly wage in <u>rupees</u>	12,550
Minimum monthly wage in <u>rupees</u>	400
Maximum monthly wage in <u>rupees</u>	216,500

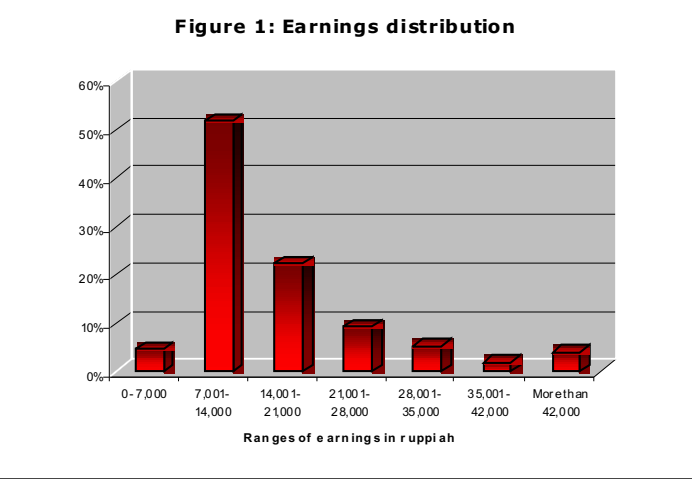
Source: Paycheck.pk

The Purchasing Power Parity (PPP) is a measure of long-term equilibrium exchange rates based on relative price levels of two countries. It is commonly used to compare the acquiring capacity of wages or any type of incomes from different nations.

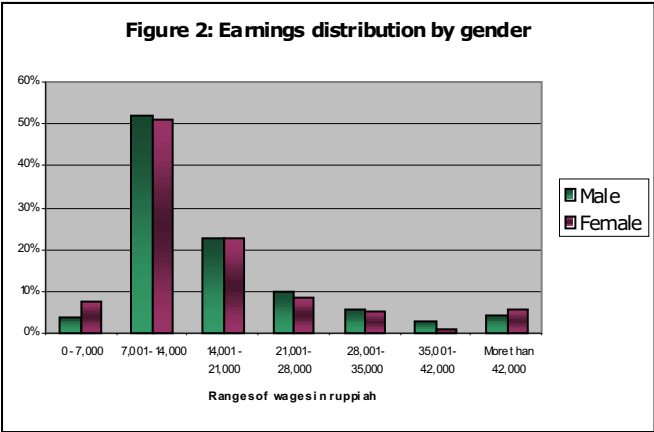
The median is a measure of local tendency that is described as the numeric value separating the higher half of a sample, a population, or a probability distribution, from the lower half. The median of a finite list of numbers can be found by arranging all the observations from lowest value to highest value and picking the middle one. If there is an even number of observations, then there is no single middle value. Its representativeness is higher than the mean's when the sample is significantly heterogeneous. The average (arithmetic mean) loses representativeness when there are excessively high (low) values in the sample, whereas the median remains unaffected.

The top 4.22 per cent of the respondents' pay surpass 42,000 rupees, which has the same purchasing power as 1,330 dollars in the United States. This amount is even lower than the current minimum wages for Belgium, Australia, Netherlands, United Kingdom, Luxemburg, France, San Marino and New Zealand.

The remaining 16.77 per cent of the sample's earnings range between 21,000 and 42,000 rupees. Considering PPP exchange rates, these wages have purchasing powers similar to the minimum wages established in the United States and some developing countries, such as Taiwan and Argentina.



Regarding the wage distribution analysis by gender, it is found that the overall income gap between male and female respondents doesn't follow the usual pattern in which women's wages concentrate in the lowest ranges while the male ones mostly lay at the highest ranges.



In Figure 2 it may be seen that women dominate on both the top and the bottom wage ranges, whereas men prevail in the middle ones. Nonetheless, comparing median levels, it may be seen a relatively slight income gap in favour of the male respondents, who earn 8.3 per cent more than the female ones (Table 2).

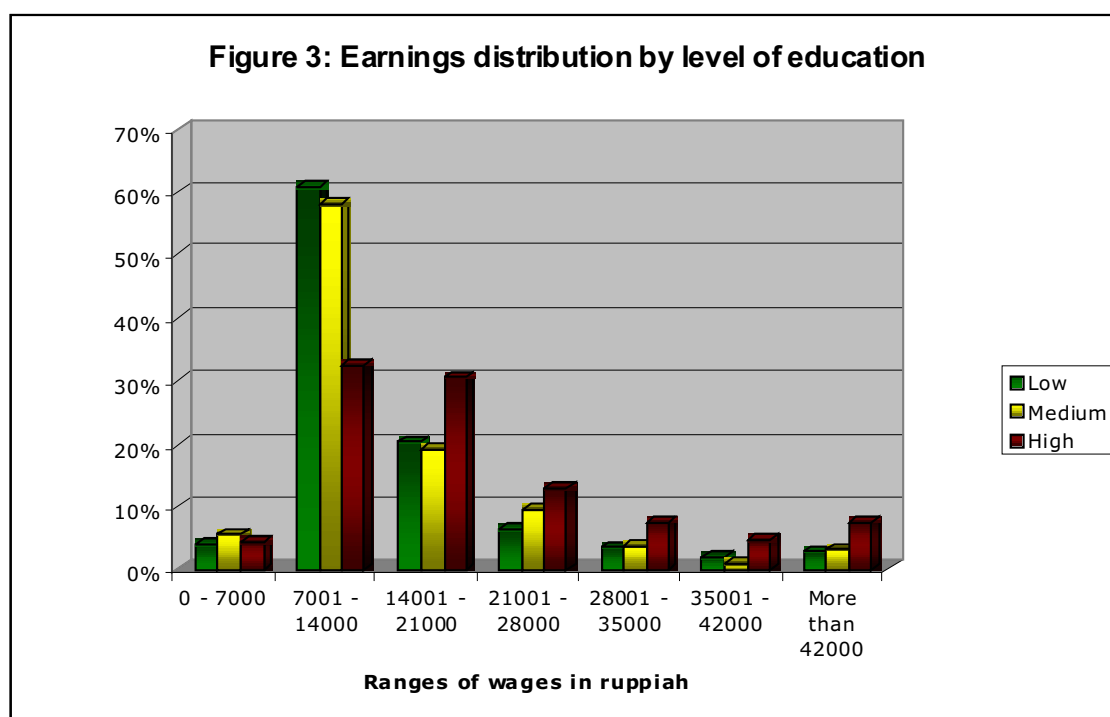
However, when the level of education is taken into consideration, the usual gender gap appears. See p. 11 of this report.

Table 2 – Wages in rupees and the gender income gap index

Gender	Median wage (in rupees)	Income gap index	Minimum wage (in rupees)	Maximum wage (in rupees)
Male	13,000	108.3	400	216,500
Female	12,005	100	1.982	150,000

Source: Paycheck.pk

Unlike in the gender case, the sample capture across ranges the expected positive relation between wages and levels of education. As can be seen in Figure 3, the highly educated workers dominate in the highest earning ranges, while either the low or the middle-educated respondents prevail in the wage levels between 0 and 14,000 rupees.



The education earning gap reveals predictable results for the top level. Undergraduates or postgraduates earn considerably more than the basic and the middle educated ones.

The income gap has been constructed after selecting one median wage as the base level and assigning it the number 100. In the gender analysis, the female average wage was chosen as the base level. The rest of index values depend on the variation of their related median wage with respect to the base-levelled one.

It seems that having a university degree allows Pakistani workers to earn on average 33.41 per cent more than those who only finished the basic studies. However, the influence on earnings of having a high-school degree doesn't reflect on the sample wages. In fact, those who declare to have a medium level of education earn on average 5.74 per cent less than the basic-educated respondents.

Table 3 - Wages in rupees and the education income gap index

Level of education	Median wage (in rupees)	Income gap index	Minimum wage (in rupees)	Maximum wage (in rupees)
Low	12,000	100.00	400	216,500
Medium	11,309	94.24	800	194,850
High	16,009	133.41	1,982	199,267

Source: Paycheck.pk

When the sample is sorted by occupation, it is found that the highest salaries are earned by technicals and associate professionals. As it may be seen in Tables 4 and 5, they present the highest median wage surpassing the managers' one; 28.38 per cent of them earn more than 28,000 rupees per month and only 21.62 of them earn less than 14,000 rupees per month. On the contrary, rural workers appear as the worst paid ones: the skilled agricultural, forestry and fishery workers pays don't surpass 15,000 rupees.

Table 4 –Wage distribution by occupation

Occupations	Ranges of wages in rupees						
	0 - 7000	7001 - 14000	14001 - 21000	21001 - 28000	28001 - 35000	35001 - 42000	More than 42000
Managers	0.00%	23.81%	28.57%	28.57%	4.76%	9.52%	4.76%
Professionals	12.41%	35.77%	21.17%	13.87%	7.30%	2.19%	7.30%
Technicals and associate professionals	0.00%	21.62%	28.38%	21.62%	10.81%	8.11%	9.46%
Clerical support workers	2.26%	62.41%	27.82%	3.76%	2.26%	0.00%	1.50%
Service and sales workers	3.19%	43.62%	29.79%	9.57%	7.45%	2.13%	4.26%
Skilled agricultural, forestry and fishery workers	11.11%	77.78%	11.11%	0.00%	0.00%	0.00%	0.00%
Craft and related trades workers	4.78%	58.82%	19.12%	7.35%	5.51%	0.37%	4.04%
Plant and machine operators and assemblers	3.42%	65.81%	19.66%	5.98%	2.56%	0.85%	1.71%
Elementary occupations	4.08%	63.27%	14.29%	8.16%	4.08%	4.08%	2.04%

Source: Paycheck.pk

Table 5 – Median, minimum and maximum wages by occupation

Occupations	Managers	Professionals	Technicals and associate professionals	Clerical support workers	Service and sales workers	Skilled agricultural, forestry and fishery workers	Craft and related trades workers	Plant and machine operators and assemblers	Elementary occupations
Median wages in rupees	20,000	14,400	20,509	11,105	14,155	10,000	12,000	11,000	11,309
Minimum wages in rupees	10,000	1,981.88	8,000	6,000	500	6,666.66	400	800	3,500
Maximum wages in rupees	40,008	135,000	199,267.39	150,000	100,427.38	15,000	216,500	151,550	64,950

Source: Paycheck.pk

c) Education and occupations linked to the gender income gap

This section will focus first on the relation between the three levels of education established by the ILO's international Standard Classification of Education (ISCED) and the gender wage gap. Then it will proceed with the study of the link between the nine one-digit ISCO occupations and the income distance between male and female respondents. In both cases the women's wage will be referred as a percentage of the male's earnings in order to describe the pay inequity.

While studying the relation between education and the gender gap, it appears that the income distance reaches its maximum level within the highly-educated, where women earn 73 per cent of the men's wages (Table 6). The gap narrows for those who have a high-school degree as the female medium-educated respondents earn 83 per cent of what men earn. The last finding concerning this relation is the 25 percentage point distance between what low-educated men and women earn.

Table 6 – Gender gap and levels of education

Level of education	Median wages (in rupees)		Female wage as % of the male's	
	Male	Female	Female	
Low	12,000	9,000		75%
Medium	12,000	10,000		83%
High	19,614	14,300		73%

Source: Paycheck.pk

Regarding the occupation-gender gap relation, professionals present the widest income distance in favour of men, where women earn nearly two thirds of what their male colleagues get. By contrast, the clerical support workers exhibit a peculiar gender gap: female clerks earn 11 per cent more than men, which may be attributed to the high share of secretaries in this group. The narrowest income distance is found in the craft and related trade earnings, where women get an amount that represents 92 per cent of what men earn.

Table 7 – Gender gap and occupations

Occupations	Median wages (in rupees)	Female wage as % of the male's	
	Male	Female	
Managers	20,000	n/a	n/a*
Professionals	19,864	12,700	64%
Technicals and associate professionals	20,509	18,505	90%
Clerical support workers	11,000	12,250	111%
Service and sales workers	15,000	12,009	80%
Skilled agricultural, forestry and fishery workers	10,000	n/a	n/a*
Craft and related trades workers	12,000	11,000	92%
Plant and machine operators and assemblers	11,000	8,900	81%
Elementary occupations	11,359	9,609	85%

* non-available data
Source: Paycheck.pk

d) Bonus, allowances, benefits and social security nets

No matter the type of bonus, allowance or benefit mentioned, a small portion of Pakistani respondents receive them. As it may be seen in Table 8, only 1.2 per cent of those who answered the survey get target-related bonus, 0.6 per cent of them, a skill bonus and 1.7 per cent of the respondents are rewarded with a performance bonus. In reference to the allowance distribution, 13 per cent of the workers who filled the questionnaire receive a transport allowance, 1.4 per cent get periodically a holiday allowance and just 0.3 per cent get a sum related to the exercise of dirty or dangerous work. Finally, in what refers to benefits, 3.7 per cent of the respondents get vouchers and discounted goods and services, 9.3 per cent, expenses aid and only 0.6 per cent are benefited with sports facilities.

Table 8 – Bonus, allowances and benefits

Bonus/allowances/benefits	Percentage of workers that receive
Target-related bonus	1.20%
Skill bonus	0.60%
Performance bonus	1.70%
Transport arrangements allowance	13.00%
Holidays allowance	1.40%
Dirty/Dangerous work allowance	0.30%
Vouchers and discounted goods and services	3.70%
Expenses arrangement	9.30%
Sports facilities	0.60%

Source: Paycheck.pk

e) Health insurance arrangements and pension schemes

Table 9 shows that only 6.96 per cent of the respondents declare to have agreed with their employer a health insurance plan. 62.8 per cent of them are low-educated men; most of them are between 30 and 40 years old and work in the craft and related trades workers. On the other hand, the female insured workers are mostly high-educated clerical support workers who belong to the same age group.

Table 9 – Health insurance arrangements

Health insurance arrangements	Frequency	Percentage	Aggregate percentage
No	1,512	93.04%	93.04%
Yes	113	6.96%	100%
Total	1,625	100%	

In relation to the pension schemes, one out of ten respondents state to have agreed pension schemes with their employers (Table 10). 69 per cent of them are either low or middle educated men, who work as plant operators, assemblers in the craft and related trade sector and are between 30 and 50 years old. On the contrary, the female workers who have a pension scheme are mostly in their thirties, have a university degree and work as professionals or as clerks.

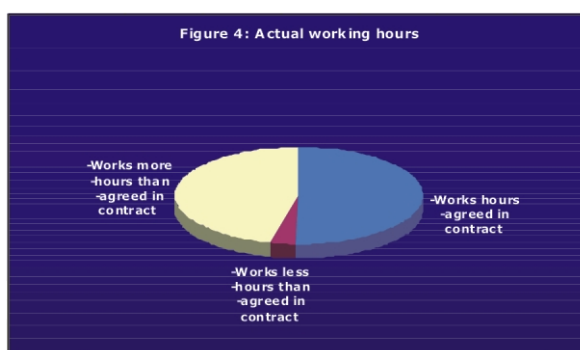
Table 10 – Pension schemes

Pension schemes	Frequency	Percentage	Aggregate percentage
No	1,457	89.66%	89.66%
Yes	168	10.34%	100%
Total	1,625	100%	

Source: Paycheck.pk

Working hours and extra time

Approximately half of the respondents declare that they work the amount of hours agreed in the contract; only 3 per cent of them usually work less hours than those agreed and 46 per cent of those who filled the survey state that they frequently do overwork (Figure 4).



80.9 per cent of those who work extra-time are middle-aged men, most of them has a basic education and work in the craft and related trades occupations. By contrast, the female labourers who work more hours than those agreed in their contracts are mainly high-educated professionals aged between 20 and 40 years old.

Collective agreements and trade union members

From the point of view of an employee, it is more beneficial to negotiate labour conditions collectively than individually due to the higher power that a big group exercises while pulling towards a common cause. According to the survey, only 5.88 per cent of the sample enjoys this benefit and just 1.59 per cent are members of a trade union. Two third of them are men, most of whom are middle educated, in their thirties and work as craftsmen. Like those who have a pension schemes, the female workers covered by a collective agreement are mostly high-educated clerks or professionals and are between 30 and 40 years old.

Table 11 – Collective agreement coverage

Covered by collective agreement	Frequency	Percentage	Aggregate percentage
No	112	94.12%	94.12%
Yes	7	5.88%	100%
Total	119	100%	

Source: Paycheck.pk

Table 12 – Trade union membership

Member of a trade union	Frequency	Percentage	Aggregate percentage
No	124	98.41%	98.41%
Yes	2	1.59%	100%
Total	126	100%	

Levels of satisfaction

The last section of the report refers to the respondents' levels of satisfaction in relation to their jobs, pay, working hours and lives as-a-whole.

Regarding their jobs, 40.3 per cent of the respondents express indifference about their level of satisfaction. This proportion surpasses the 35.4 per cent of those who declared to be at least satisfied with their work duties and is even higher than the 22.3 per cent expressed by those surveyed workers who are at least discontent with their jobs. In the case of the pay, 37.1 per cent of the respondents feel content with their income, and nearly a third of this group express high satisfaction; on the contrary, 29 per cent of the surveyed workers show dissatisfaction with their earnings and the remaining 33.7 per cent exhibit indifference. Approximately half of the respondents express satisfaction in relation to their working hours, whereas 26.6 per cent state to be discontent and 23.8 per cent show indifference.

Table 13 – Levels of satisfaction with their job, pay and working hours

Levels of satisfaction with their...	Highly discontent	Discontent	Indifference	Satisfied	Highly satisfied
job	10.6%	11.7%	40.3%	23.2%	14.2%
pay	16.4%	12.6%	33.7%	26%	11.1%
working hours	15.1%	11.5%	23.8%	33.5%	16%

At the end of the process of filling the survey, respondents are offered a scale that goes from one to ten so that they can state more accurately how happy they are in relation to their lives as-a-whole. The bottom level refers to the highly dissatisfied answers whereas the top one belongs to the highly satisfied responses

According to the results, respondents seem to be relatively happy with their lives. Most of the answers concentrate in the middle levels but closer to the top one, and just a few answers lay at both the top and the bottom extremes. 54.5 per cent of the respondents choose answers between five and seven, indicating that there are many aspects that can be improved. However, comparing the extreme values, the two highest levels of the scale sum 15.3 per cent of the answers while the two lowest ones only gather 3.3 per cent.

Table 14 – Satisfaction with their lives as-a-whole

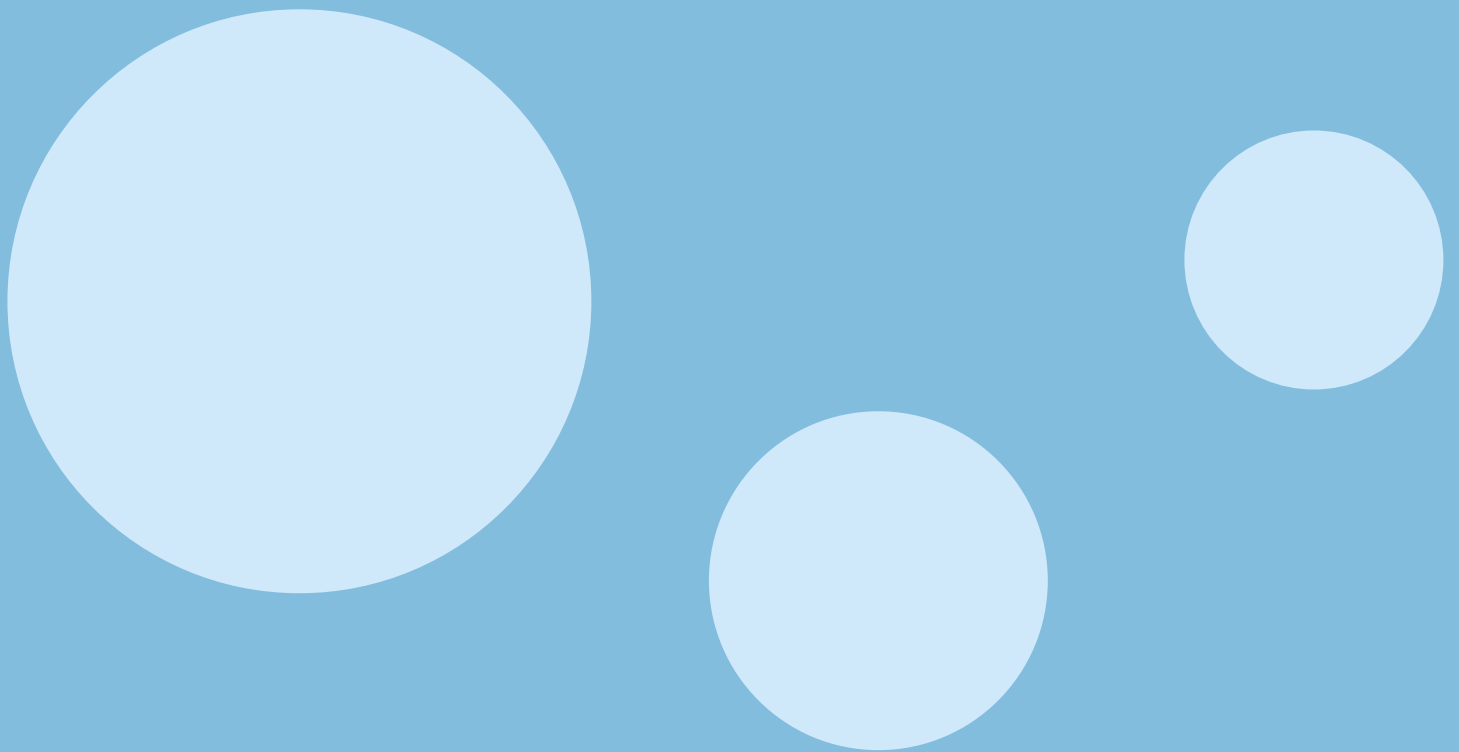
Levels of satisfaction with their lives as-a-whole	Percentage
Highly dissatisfied	0.9%
2	2.4%
3	6%
4	6%
5	14.1%
6	28.6%
7	11.8%
8	14.8%
9	6.1%
Highly satisfied	9.2%

Source: Paycheck.pk

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