BetterWork Pakistan

PAKISTAN SYNTHESIS REPORT

# An Industry and Compliance Review (2022-2025)

International Labour Organization

IFC International Finance Corporation WORLD BANK GROUP

ISBN: 9789220437353 (print); 9789220437360 (web PDF)

DOI: https://doi.org/10.54394/00034832



Printed in Pakistan.

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## Acknowledgements

The pilot phase (2022-2025) of the Better Work Pakistan programme has received funding from the following partners:

- **Government of Australia, Department of Foreign Affairs and Trade**
- **European Commission**
- **Export Development Fund Pakistan**

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# Introduction

Better Work is a partnership of the International Labour Organization (ILO) and the International Finance Corporation (IFC) that aims to improve working conditions and competitiveness in global supply chains, with a particular focus on the apparel industry. Better Work operates at multiple levels, including with production enterprises, international brands, and sectoral and governmental stakeholders in several country programme contexts. The programme in Pakistan was established as a three-year pilot in 2022, currently operating within a one-year extension period in anticipation of a second full project phase to begin later in 2026.

As in other country contexts, Better Work Pakistan (BWP) follows an integrated approach that includes assessment, advisory, and training sessions at the factory level, and engagement with industry stakeholders through seminars, workshops and one-on-one meetings to promote cross-industry sharing of best practices and a culture of decent work. In addition, Better Work Pakistan collaborates closely with national constituents, including the federal Government of Pakistan, represented by the Ministry of Overseas Pakistanis and Human Resource Development (MOPHRD), the Departments of Labour from both Sindh and Punjab provinces, and employers' and workers' organizations such as the Employers' Federation of Pakistan (EFP) and the Pakistan United Workers' Federation (PUWF), to inform their respective work to safeguard working conditions and promote sectoral and national competitiveness. Tripartite governance also provides strategic guidance and oversight of the programme through participation in BWP's Project Steering Committee (PSC). The programme also directly engages business partners, including international brands, vendors and trade associations in the sector.

This synthesis report, the first from Better Work in Pakistan, shares highlights of the programme's key initial activities, achievements, and challenges. The report discloses both aggregate results of the latest round of compliance assessments conducted by the programme in 2025 and key trends since its inception. Specifically, the report presents select trend analyses of a subset of firms that have completed three cycles of annual engagement with Better Work since 2022 to give a view of the trajectory of firms participating in the programme. The report also highlights how data and intelligence gained from factory-level engagement support the broader work of BWP to inform sector-wide actions, including informing labour law reform processes. The results and discussion offered in this report provide a basis for reflection for sector stakeholders, and it is intended to inform strategic discussions as the programme continues to expand and support the industry.[1]

1 Insights on factory performance among Better Work and non-Better Work factories were collected as part of a broader research initiative conducted in collaboration with Texas A&M University and the Lahore School of Economics. We gratefully acknowledge their contributions to the project, particularly the efforts of Hamna Ahmad (Lahore School of Economics), Aadya Mishra (Texas A&M University), Danila Serra (Texas A&M University), and Raymond Robertson (Texas A&M University) in leading the baseline data collection and preliminary data analysis.

## Industry overview

Pakistan's textile and garment sector is foundational to its national economy. The sector comprises about one-quarter of total industrial output and more than half of the country's export earnings.[2] As one of the largest textile producers in the world, Pakistan benefits from a vertically integrated supply chain – spanning cotton cultivation, spinning, weaving, processing and finished garment manufacturing – that provides a structural advantage in global markets. Despite such advantageous positioning, the industry operates within a difficult environment. Sustained economic pressures, including high inflation and rising energy costs, negatively affected the competitiveness of manufacturers, particularly those focused on lower value-added production activities. Ongoing security concerns and the continuing aftereffects of widespread flooding in 2022 added to these challenges in the early days of the Better Work programme in Pakistan.

More recently, there are signs of industry resilience. In the first quarter of 2026, across all textile and apparel export categories, Pakistan exported US$4.53 billion, representing a 5.7 per cent increase compared to the first quarter of 2025. Within these exports, traditional textiles showed a continued pattern of decline in line with the past five years, while ready-made apparel exhibited an 8.5 per cent increase over the same period in 2025, suggesting that growth will continue to be driven by value-added segments of the industry.[3] Pakistan's garment and textile sector is integrated into key global supply chains, with a growing base of international brand and retailer customers in key export markets including the United States, the United Kingdom, and the European Union.

The textile and garment industry is concentrated primarily in Punjab and Sindh provinces, and employs an estimated 15 million workers, of which an estimated 3 million work in garment manufacturing settings. Women have limited access to formalized employment and are frequently concentrated in lower-paid, less secure roles outside of formal workplaces. While working conditions and standards tend to be higher in formal, export-oriented factories, common challenges to decent work in the sector include the risks of excessive working hours, low pay, occupational safety hazards, and lack of access to grievance mechanisms. Challenges in the broader economy and sectors also affect workers in garment and textile production, including high levels of informalization, a lack of an enabling environment for freedom of association and collective bargaining, over-stretched capacity for labour inspection, and low levels of national investment in social protection. Against this backdrop, Better Work Pakistan plays a vital role in supporting the garment and textile sector, working closely with factories, national tripartite partners, international buyers, and donors to strengthen labour compliance, improve working conditions, and assist factories in progressively meeting the expectations of international buyers.

2 International Labour Organization. (2023). Decent Work Country Programme for Pakistan (2023–2027). ILO Pakistan Country Office.

3 Analysis by Pakistan Textile Council based on data from Pakistan Bureau of Statistics

## Taking the Pulse of Pakistan's Garment Industry

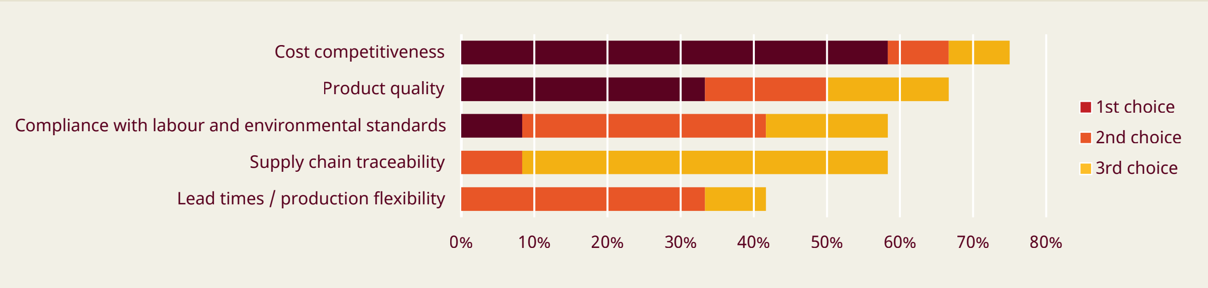
In addition to assessing compliance with national labour law and international labour standards, Better Work Pakistan supports factories in strengthening business performance and competitiveness. Depending on emerging priorities and industry developments, the programme deploys ad hoc data collection tools – ranging from rapid pulse surveys to more in-depth research efforts – to better understand evolving factory conditions, operational challenges, buyer dynamics and longer-term structural trends. These initiatives are not designed solely as performance monitoring exercises; they provide important insights into the business environment in which compliance and working conditions outcomes are shaped.

Between late 2025 and early 2026, Better Work Pakistan implemented three complementary data collection initiatives involving international buyers, participating suppliers and a broader comparative sample of Better Work and non-Better Work factories.

### Buyer perspectives on sourcing from Pakistan

A buyer survey conducted in February 2026 gathered responses from 12 international buyers sourcing from Pakistan. The findings suggest cautious optimism regarding Pakistan's future sourcing potential, while also highlighting the growing importance of compliance with labour and environmental standards alongside cost competitiveness and product quality.

*When selecting suppliers, which of the following factors are most important to your company?*




Cost competitiveness emerged as the most important factor influencing supplier selection decisions, with most respondents ranking it as their first priority. Product quality was the second most important consideration and was consistently ranked highly across responses. At the same time, labour and environmental compliance as well as supply chain traceability were also frequently identified as important considerations, indicating that sustainability and transparency requirements are becoming increasingly integrated into buyer purchasing decisions.

Although Pakistan currently represents a relatively modest share of sourcing portfolios for many buyers, the survey indicates potential for future growth. Around one-third of respondents (33%) stated that they were likely to increase sourcing from Pakistan over the next 2-3 years, while an additional 25% expected to maintain current sourcing levels. Buyers also indicated that improvements in cost competitiveness, product quality consistency, compliance performance, and supply chain traceability would significantly increase the likelihood of future investment in Pakistani suppliers. Nearly half of respondents (49%) indicated a greater than 50% likelihood that their company would increase sourcing from Pakistan if these areas improved substantially over the next few years.



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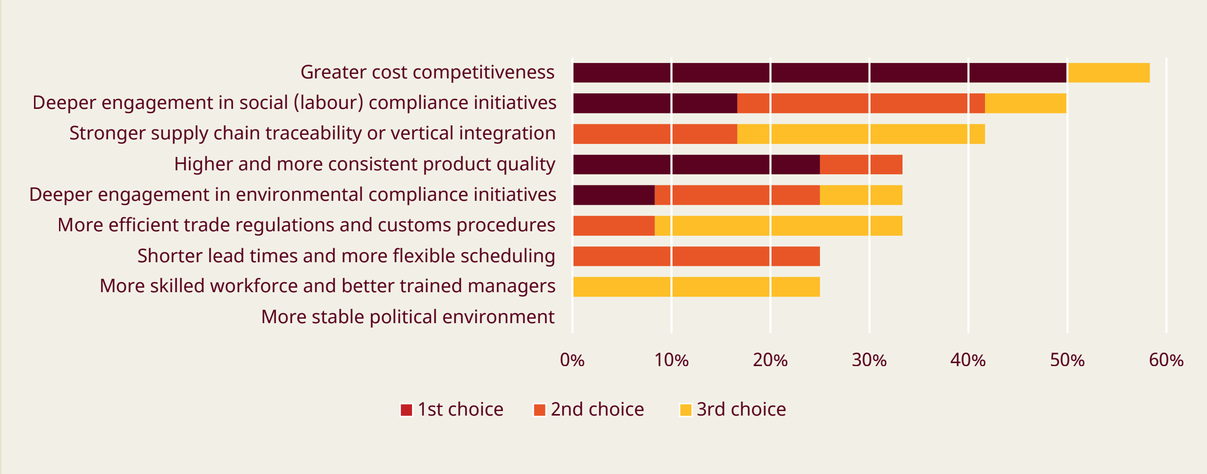
*What are the most important factors that would convince your company to further invest in Pakistani suppliers?*

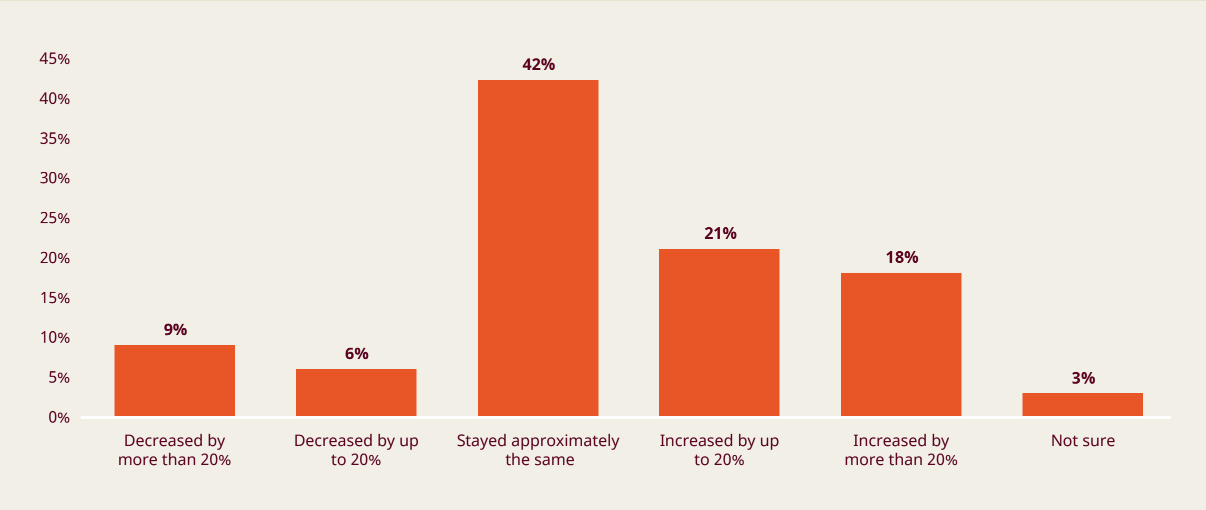



### Factory Pulse Tracker: Business conditions under economic pressure

In April 2026, Better Work Pakistan launched a Factory Pulse Tracker Survey to rapidly assess how factories were responding to economic uncertainty, rising operational costs, geopolitical instability, and changes in global trade conditions. Implemented online, the survey collected responses from 33 participating factories within just a few days.

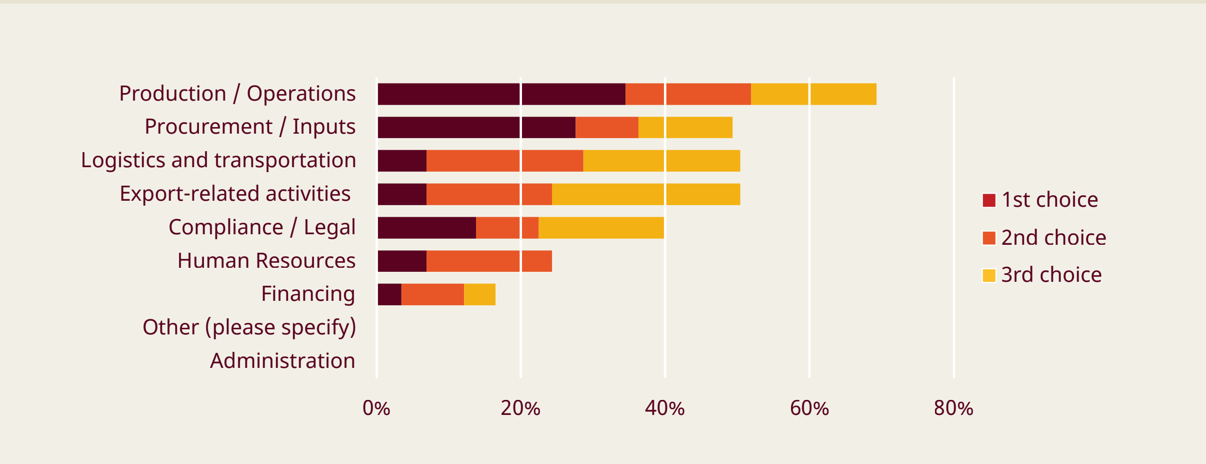
The results highlight both the vulnerability and resilience of export-oriented garment manufacturers in Pakistan. The surveyed factories were highly integrated into international export markets: 85% reported that 100% of their sales were direct exports, while almost all factories exported to the European Union (97%) and United States (94%). Export performance remained relatively stable despite broader economic pressures, with 42% of factories reporting stable export values in 2025 compared with 2024, while an additional 39% reported export growth. Among respondents reporting export increases, the European Union emerged as the most important growth market, with more than 8 out of 10 identifying the EU as the destination with the largest increase in export sales.

*Compared with 2024, how has your factory's total export value changed in 2025?*




At the same time, factories faced substantial operational and financial pressures. Nearly all respondents (88%) reported overall cost increases in 2025. Production and operations experienced the largest cost increases among surveyed factories, and received the highest share of first-choice responses. Procurement and input costs were also identified as a major area of rising expenses. The survey responses indicated that businesses were primarily affected by rising energy and production costs, with nearly half of respondents identifying increases in electricity, fuel, and utility expenses as major challenges. Similarly, around 44% highlighted inflationary pressures and rising raw material costs, which significantly increased operational expenses and reduced profit margins. Qualitative responses further highlighted inflation, geopolitical instability, and supply chain disruptions as major contributing factors affecting factory operations and profitability.

*In which business areas did your factory experience the largest cost increases?*

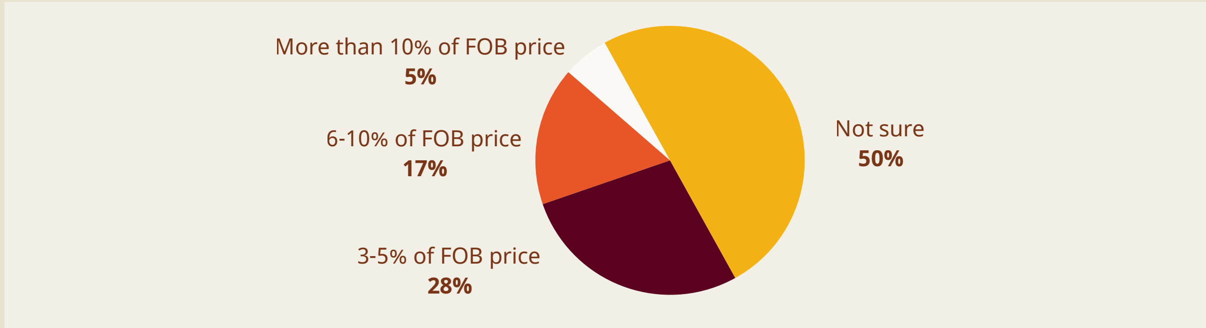





Despite these pressures, many factories continued to demonstrate relatively strong operational performance. More than half of factories (51%) reported production capacity utilization rates above 75%, while 82% had confirmed production orders extending at least 3–6 months into the future. Buyer relationships also appeared relatively stable: 55% of factories reported no change in the number of active export buyers, while 30% reported increases in buyer numbers. Nearly half of factories (46%) successfully secured new buyers or export markets during 2025, and an additional 52% reported actively seeking new buyers.

Nevertheless, pricing pressures remained significant. More than half of factories (55%) reported that international buyers requested price reductions on ongoing or new orders, most commonly in the range of 3-5% of Free on Board (FOB) prices. These requests occurred despite widespread increases in production and operational costs, highlighting continuing pressure on supplier margins and profitability.

*How much of a discount did they ask for in terms of the Free on Board (FOB) price?*



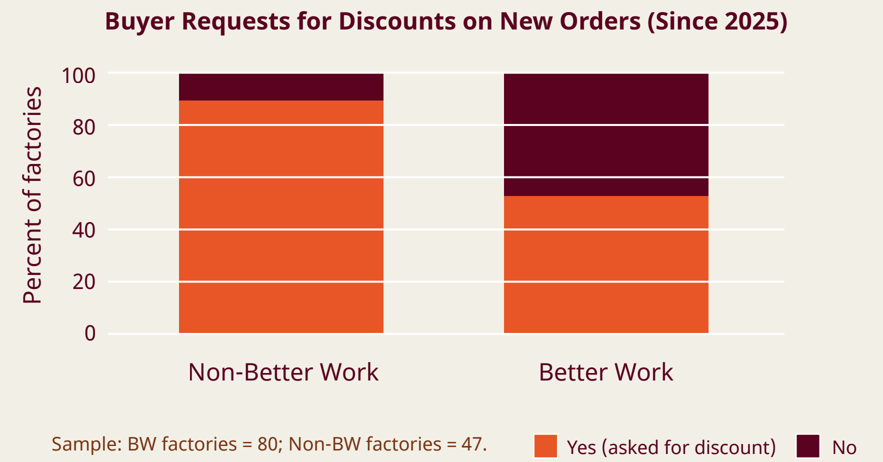

Even amid these challenges, factory sentiment remained generally positive. Nearly three-quarters of respondents (75%) described themselves as optimistic or very optimistic about business prospects over the following six months, suggesting continued confidence in Pakistan's export sector despite ongoing uncertainty.

## Comparative research: Better Work vs non-Better Work factory performance

Better Work also partnered with researchers from Texas A&M University and the Lahore School of Economics on a broader research initiative examining green production practices and women's employment and leadership. Perceived factory performance outcomes were also measured as part of this initiative. Baseline data collected in late 2025 covered 80 Better Work factories and 50 non-participating factories.

The findings suggest that Better Work factories demonstrate several stronger business performance indicators than non-participating factories. Participating factories were generally larger, substantially more export-oriented and more integrated into international buyer networks, often working with a larger number of international buyers. They also appeared more operationally resilient, with fewer factories reporting production declines, more stable production volumes, stronger order security, and greater pipeline stability. By contrast, non-participating factories appeared more vulnerable to tariff uncertainty and buyer pricing pressure through discount requests.

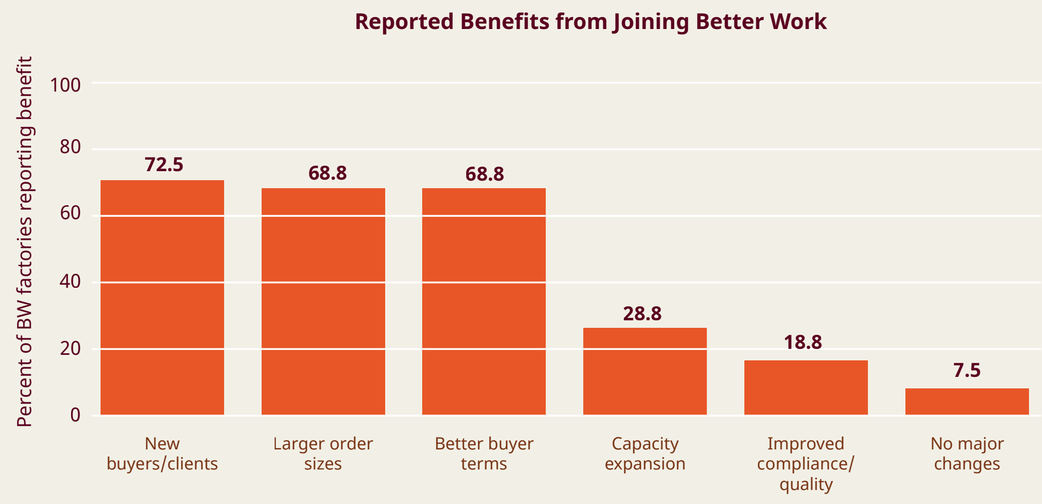
*In 2025, did any international buyers ask for price reductions on new or ongoing orders?*




Sample: BW factories = 80; Non-BW factories = 47.

The research also explored factories' perceptions of Better Work participation and its business impacts. The most commonly cited reasons for joining the programme included improving business opportunities, strengthening buyer relationships, and enhancing compliance performance. The most frequently reported benefits included improved market access and stronger buyer relationships.

*What benefits has your factory experienced as a result of participating in Better Work?*

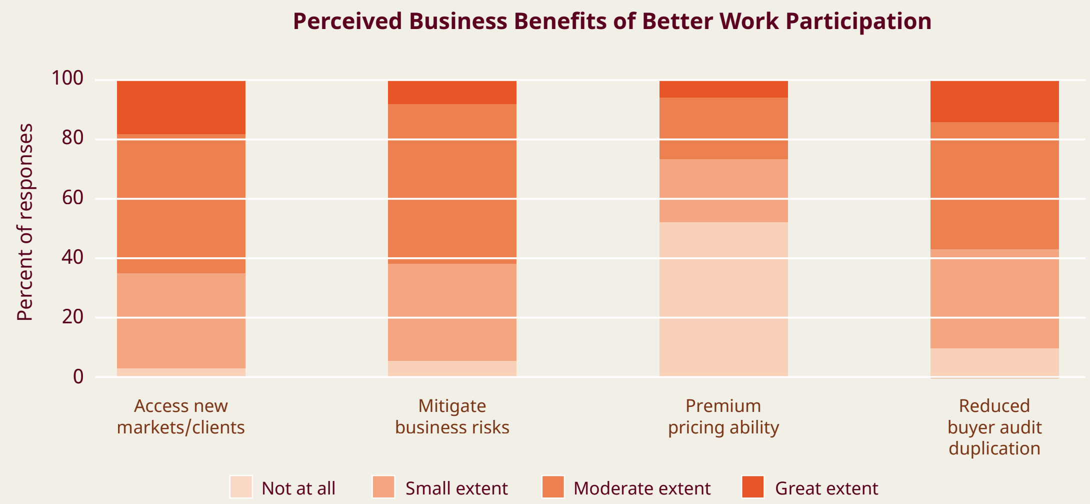



The figure shows the share of Better Work factories reporting each type of benefit from program participation.
Each factory could choose multiple responses.
Sample: 80 factories.

Approximately 60% of participating factories additionally reported moderate to large improvements in market access, business risk mitigation, and reduced duplication of buyer audits.



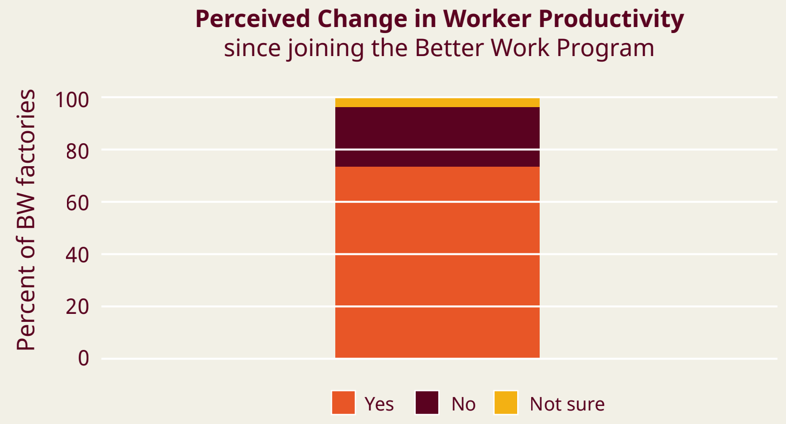
*What benefits has your factory experienced as a result of participating in Better Work?*




The figure shows Better Work factories' assessment of the extent to which the program has improved key business outcomes such as market access, risk mitigation, pricing ability, and audit duplication.
Sample: 80 factories.

The findings further suggest that Better Work participation may contribute positively to operational performance and workplace stability. More than two-thirds of participating factories reported productivity improvements associated with programme participation, with most factories reporting slight productivity gains and roughly one-third reporting moderate gains. Around two-thirds of factories further reported positive effects on worker morale, occupational safety and health conditions, and worker–management relations, while approximately half identified improvements in absenteeism and worker retention.

*Did your factory experience improvements in worker productivity after joining Better Work?*




The figure shows Better Work managers' perceptions of whether worker productivity has increased since joining the program.
Sample: 80 factories.

Taken together, these initiatives illustrate how Better Work Pakistan combines routine monitoring, rapid-response data collection, and longer-term research partnerships to generate actionable evidence on factory conditions, business performance, competitiveness, and resilience in Pakistan's garment sector. In an environment where reliable factory-level data remains limited, these efforts provide an important evidence base to inform factory improvement strategies, buyer engagement, policy discussions, and broader industry responses to emerging economic and operational challenges. The findings also reinforce the close relationship between business performance and labour compliance outcomes, highlighting how operational pressures, buyer dynamics, and market conditions can directly influence working conditions and factory sustainability.

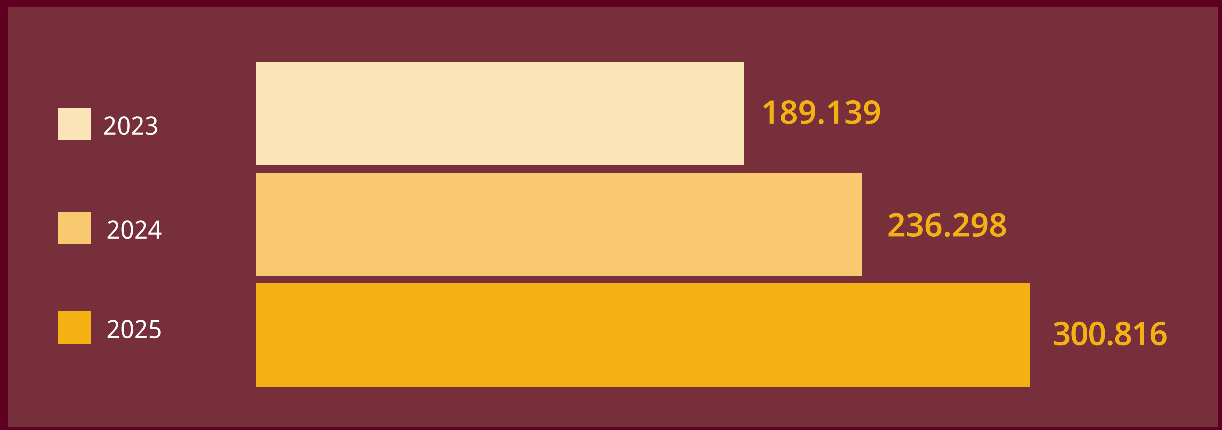



## Better Work Pakistan in numbers

| 2025 | |
|---|---|
| Number of enrolled factories | 135 |
| Number of assessments completed | 87 |
| Number of advisory visits | 504 |
| Workers in registered factories | 300,816 (13% women) |
| Number of international buyer partners | 24 |
| Number of training sessions related to workplace cooperation and labour standards delivered | 46 |
| Number of Better Work Pakistan staff | 16 (June 2026) |

| Factory enrollment growth | | |
|---|---|---|
| 2023 | 2024 | 2025 |
| 78 | 107 | 135 |

Number of workers in BWP-enrolled factories








## Compliance review: factory-level findings, trends, and key actions

Better Work Pakistan engages a significant and growing portion of the country's garment and textile firms, using unannounced compliance assessments and a combination of interlocking services including advisory visits and specialized training. This engagement at the factory level serves as a foundation for informing dialogue and policymaking among sectoral and national stakeholders.

**Assessments**. Better Work Pakistan conducts factory-level assessments using a Compliance Assessment Tool (CAT) comprising over 250 questions. During the unannounced assessment, two Enterprise Advisors (EA) employed by BWP gather data through document review, workplace observations, and interviews with managers, union representatives, bipartite committee members and factory workers. While individual assessment reports allow for identification of non-compliance in individual factories, this report provides an opportunity to present aggregate results from a significant cross section of factories with varying stages of experience participating in the programme.

**Learning services**. Better Work Pakistan's learning services collectively comprise its training offerings, advisory services and industry-convening seminars. In each of these settings, the programme aims to build the capacity of managers and workers, and their representatives, to improve workplace communication, collaboration and to take ownership of compliance and performance improvement processes. As part of shifting ownership, Better Work advises enterprises to conduct self-assessments of compliance issues.

**Sectoral and national engagement**. The insights gained from factory-level engagement by the BWP programme inform dialogue and policymaking among sectoral and national stakeholders. Through its stakeholder relationships and robust data collection with individual enterprises throughout the industry, BWP has collected a unique data set that is regularly analysed to shed light on industry dynamics and performance.

The findings and actions presented below are organized in line with the structure of the BWP assessment tool. The tool used during compliance assessments is divided into eight clusters: five clusters cover the fundamental principles and rights at work and are assessed in line with international labour standards. Aspects of applicable legislation also are reflected in these clusters as appropriate (e.g., the minimum age for employment established for the jurisdiction in question, so long as this is in line with Convention 138). The three other clusters are assessed based on national law and regulations.

**Compliance clusters**

| Fundamental international labour standards | Working conditions – national law |
|---|---|
| Child labour | Compensation |
| Discrimination | Contracts and human resources |
| Forced labour | Working time |
| Freedom of association and collective bargaining | |
| Occupational safety and health | |

This report provides: 1) a snapshot of assessment results conducted among a cross section of 87 participating factories in 2025; 2) select trend analysis of a subset of 30 factories that have completed three assessment cycles with BWP since 2022; and 3) examples of how insights from factory-level engagement have informed the broader sectoral activities of the programme.

**Snapshot of 2025 results**. Better Work Pakistan conducted 87 compliance assessments in 2025: 22 of these factories underwent their first assessment, 43 were in their second-cycle assessment, and 22 factories were in their third annual cycle of engagement with Better Work Pakistan.[4] The results of this report therefore represent a cross-sectional snapshot of non-compliance in the portion of the apparel sector covered by Better Work Pakistan. Each thematic section presents an overview of non-compliance at the compliance point level of aggregation. A full overview of non-compliance at this level is found in Annex 2. In addition, some 2025 assessment results are discussed in depth at the level of individual compliance questions to give more nuance to the overall findings.

**Select trend analysis**. Thirty factories have completed three full cycles with the programme as of the time of report writing. Where relevant, this sub-sample of factories is examined in depth to shed light on emerging trends for firms that have shown commitment to participation in the programme. Trend analysis is conducted only at the level of a select number of individual compliance questions, rather than at the compliance point or cluster level. Caution should be used when interpreting or extrapolating these trends to the broader sector, as factories engaging with Better Work over the past three-year period may be more engaged, resourced, or motivated than the typical firm in the sector.

## i. Child labour and forced labour

| | 2025 non-compliance | |
|---|---|---|
| **Compliance point** | **# of factories** | **%** |
| Child Labourers | 0 | 0% |
| Documentation and Protection of Young Workers | 0 | 0% |
| Hazardous Work and other Worst Forms | 0 | 0% |
| Bonded Labour | 0 | 0% |
| Coercion | 0 | 0% |
| Forced Labour and Overtime | 0 | 0% |
| Prison Labour | 0 | 0% |
| *Non-compliance for 87 factories assessed in 2025* | | |

4 In 2025, 49 of the 87 factories were assessed using the Better Work Pakistan Compliance Assessment Tool (CAT), while 38 were assessed using the Social and Labor Convergence Program (SLCP)-compatible compliance assessment tool. SLCP is a global multi-stakeholder initiative aimed at reducing audit duplication and facilitating data sharing. Better Work has developed a tool that allows for alignment with SLCP in line with international labour standards and national laws.



Two of the five clusters covering fundamental labour standards – **child labour** and **forced labour** – did not record any definitive documentation of non-compliance in 2025. Moreover, for the 30 factories that have completed three years of engagement with Better Work since programme inception, no non-compliance has been found over the entire period. This represents a lack of evidence found during assessments for these two issues, rather than definitive proof of compliance. In addition, the severe nature of these labour rights issues – and the zero-tolerance that brands often have toward them among manufacturers in their supply chains, particularly those in the first tier of suppliers with the most visibility – both contribute to minimizing the presence of these risks. Nevertheless, the deeper structural challenges facing Pakistan demand sustained attention and institutional reinforcement to prevent non-compliance in these critical areas from materializing. The ILO has identified child labour and forced labour in Pakistan as persistent issues of critical concern, despite efforts by the Government to combat these practices, including by ratifying relevant ILO Conventions (Convention No. 138 on minimum age; Convention No. 182 on the worst forms of child labour; Convention No. 29 on forced labour; and Convention No. 105 on the abolition of forced labour).[5] While definitive documentation may be rare in assessments of first-tier garment and textile suppliers, child and forced labour are well-documented in the agricultural sector, particularly in cotton production, which is closely linked to first-tier firms in the textile and garment sector.

## ii. Discrimination

| | 2025 non-compliance | |
|---|---|---|
| **Compliance point** | **# of factories** | **%** |
| Gender | 2 | 2.3% |
| Other Grounds | 61 | 70.1% |
| Race and Origin | 0 | 0% |
| Religion and Political Opinion | 0 | 0% |
| *Non-compliance for 87 factories assessed in 2025* | | |

### Factory-level insights

Better Work Pakistan assesses factories for compliance in line with the Discrimination (Employment and Occupation) Convention, 1958 (No. 111), the Equal Remuneration Convention, 1951 (No. 100), and relevant legal provisions. The Convention defines discrimination as any distinction, exclusion, or preference made on prohibited grounds, including race, colour, sex, religion, political opinion, national extraction, or social origin, which can impair equal opportunity or treatment in employment.

Pakistan ranks low globally in terms of female labour market participation and on a range of gender equality indicators, and gender-based violence and unequal treatment based on

5 International Labour Organization. (2023). *Decent Work Country Programme for Pakistan (2023–2027)*. ILO Pakistan Country Office.

disability status are common.[6] The BWP assessment tool addresses conditions of discrimination in workplaces through dozens of compliance questions spread across the compliance points of gender, race and origin, religion and political opinion, and other grounds. Definitively documenting non-compliance in this cluster during the standard assessment process is relatively rare. However, the absence of evidence for establishing non-compliance should not be interpreted as evidence of compliance. Socio-cultural factors affect the ability to document non-compliance in this cluster during a standard assessment. For example, given the limited time in an interview taking place on factory premises, workers are likely reluctant to disclose to a BWP assessor whether they experienced discriminatory behaviours such as sexual harassment. This could be due to the taboo nature of the topic, fear of retaliation, or lack of awareness of behaviours that constitute harassment. Management may also be particularly motivated to avoid formally documenting any such case, given the negative reputational repercussions. Further related to discrimination based on gender, EAs have often found that many married women resign from formal work during pregnancy due to cultural norms and family pressure, rather than specific workplace practices that would lead to non-compliance findings, despite being legally entitled to maternity leave and social security benefits. As a result, approaches and tools outside the scope of a standard compliance assessment are likely required to better capture realities facing workers. More details on the limitations of assessments are found in Annex 1.

Though non-compliance in the discrimination cluster is likely underestimated, several instances of non-compliance, especially related to disabled workers, were noted in the most recent round of assessments, consistent with prior assessments. Better Work assessments reveal systematic non-compliance with fulfilling legal disability employment quotas in the sector. By law, facilities are required to employ workers with disabilities at rates of 3 per cent (in Punjab province) to 5 per cent (in Sindh province) of their total workforce. Better Work found compliance shortfalls among 61 (70 per cent) of enterprises assessed in 2025, related to employers typically hiring only a fraction of the required number. Encouragingly, the trend for the 30 factories with Better Work Pakistan for three years is positive in this area. Whereas 87 per cent of factories were found non-compliance with hiring workers with disabilities initially, by the third year of engagement with Better Work, this declined to 63 per cent, representing a relative decline in non-compliance of 27 per cent.

Perceptions and norms related to disability also play a role in non-compliance in this area: persons with disabilities are not legally required to disclose their disability, though they are encouraged to do so in order to access benefits from public services. However, public institutional support for benefit provision and accommodation of disabled workers remains weak.

### Informing sectoral and policy action

Better Work has mobilized sectoral actors to raise awareness about discrimination, particularly gender-based violence and harassment (GBVH). In 2025, BWP prioritized addressing GBVH through capacity building for factory management and worker representatives. The programme organized training sessions titled "Prevention of Gender-Based Violence and Harassment: Creating a Safe and Respectful Workplace" for nearly all participating factories in Punjab and Sindh. These sessions aimed

6 United Nations Country Team Pakistan. (2021). *Pakistan Common Country Analysis 2020–2021*. United Nations



to raise awareness about GBVH and support factory management to integrate its prevention within OSH management systems.

On the policy front, Better Work's direct engagement with enterprises in a key economic sector in Pakistan helps inform the technical assistance the ILO provides to the Government in its labour law reform efforts, including those related to laws covering discrimination and gender equality. The Governments of Punjab and Sindh have committed to reform provincial Labour Codes to consolidate and replace over 25 existing labour laws with unified, modernized codes, representing the most extensive labour law reform in Pakistan's history. The draft code revisions introduce several substantive changes that will have direct implications for manufacturers and the brands sourcing from them.

The proposed labour law reform addresses gender equality and non-discrimination explicitly. The revised code would expressly prohibit discrimination based on sex, gender, pregnancy, disability, and physical appearance. Additionally, it would mandate equal pay for work of equal value and establish an Equal Employment Opportunity Office to handle complaints. Regarding maternity and family provisions, the draft code prohibits dismissal on account of pregnancy (currently, this protection applies only during maternity leave), guarantees a minimum of 14 weeks of maternity leave (increased from the current 12 weeks) and introduces paternity leave provisions.

The Punjab Labour Code was enacted in February 2026, while the Sindh Labour Code revision remains under review. Better Work Pakistan will continue to play a critical role in creating links between policy and practice, helping industry actors to clarify legal regulations, and providing feedback to policymakers on implementation.

## iii. Freedom of association and collective bargaining

| | 2025 non-compliance | |
|---|---|---|
| **Compliance point** | **# of factories** | **%** |
| Collective Bargaining | 0 | 0% |
| Freedom to Associate | 1 | 1.1% |
| Interference and Discrimination | 0 | 0% |
| Strikes | 0 | 0% |
| Union Operations | 0 | 0% |

*Non-compliance for 87 factories assessed in 2025*

### Factory-level insights

Freedom of association (FOA) and collective bargaining are fundamental enabling rights for achieving decent work. Better Work's assessment and advisory activities on FOA and collective bargaining are influenced by several systemic and contextual factors. First, Pakistan's political history, including frequent interruptions to democratic processes and bans on union activities, underscores the challenging environment for engaging on the topic with factory stakeholders. As enterprise assessments began in 2022, Better Work staff witnessed that workers generally lacked awareness of trade unions and their function. Additionally, among some stakeholders of the programme, legally mandated Workers Management Councils were incorrectly viewed as direct alternatives to formal workers' organizations and unions. The ILO Committee of Experts on the Application of Conventions and Recommendations has noted that the existence of Workers Management Councils must not undermine the position of trade unions or their representatives. Non-compliance with legal requirements pertaining to Workers Management Councils is reported within the cluster dealing with human resources – specifically the dialogue, discipline and disputes compliance point – rather than within the FOA cluster, even though non-compliance with statutory requirements for Workers Management Councils may intersect with broader issues of freedom of association.

Within the freedom of association and collective bargaining cluster, Better Work Pakistan assesses participating factories on 22 questions across compliance points addressing freedom of association, collective bargaining, interference and discrimination, strikes, and union operations. One factory was cited as non-compliant in 2025, with the question, "Can workers freely form and join the union of their choice?" More than half of the workers interviewed during the assessment reported being instructed not to form or discuss unions, with management allegedly stating this would harm the factory's work environment.

Although the programme identified only one documented case of non-compliance in a single factory in 2025, this should not be interpreted as an absence of issues related to workers' rights in these areas. The actual prevalence of such issues may be higher than officially documented, as these are often systemic concerns that can be difficult to identify through annual enterprise assessments alone. The sensitive nature of the topic can lead to reticence among workers to raise concerns related to FOA conditions, limiting the evidence needed to determine non-compliance. In other cases, workers may have limited knowledge of their rights, including, for example, the right to join or withdraw from a union. Implicit, rather than overt, pressure to limit the operating environment of unions means instances of non-compliance can be difficult to definitively establish during a time-bound assessment process. As a result of these assessment challenges, no notable trend in non-compliance is observed among the 30 factories participating in the programme since 2022.

### Informing sectoral and policy action

Pakistan has regularly been subject to observation and recommendation from ILO supervisory bodies on freedom of association and collective bargaining. The ILO has noted that low trade union density and a lack of inclusive participation within workers' organizations present challenges for the effective realization of these fundamental rights for all workers.[7] Better Work Pakistan recognizes the current lack of an enabling environment in Pakistan for unions to function effectively and independently, and the programme plays a key role in contributing to a more conducive environment.

In coordination with the ILO Country Office, Better Work Pakistan has prioritized the promotion of freedom of association and collective bargaining as central to its capacity-building work with employers' and workers' representatives. Since the pilot of the programme began in 2022, Better Work Pakistan has contributed towards capacity-building efforts by the ILO country office for Pakistan to support social partners at the sectoral and provincial levels to participate in labour code reform. Tripartite committees were established and regularly convened to address ILO Supervisory Body comments and build consensus among sectoral and national-level stakeholders. This led to the development of consolidated Labour Codes for Sindh and Punjab provinces. At the time of this final report's release, the Sindh Labour Code remains under review, while the Punjab Labour Code has been approved and published.

7 International Labour Organization. (2023). *Decent Work Country Programme for Pakistan (2023–2027)*. ILO Pakistan Country Office



## iv. Occupational safety and health

| | 2025 non-compliance | |
|---|---|---|
| **Compliance point** | **# of factories** | **%** |
| Chemicals and Hazardous Substances | 32 | 36.8% |
| Emergency Preparedness | 54 | 62.1% |
| Health Services and First Aid | 23 | 26.4% |
| OSH Management Systems | 58 | 66.7% |
| Welfare Facilities | 63 | 72.4% |
| Worker Accommodation | 1 | 1.1% |
| Worker Protection | 78 | 89.7% |
| Working Environment | 23 | 26.4% |
| *Non-compliance for 87 factories assessed in 2025* | | |

### Factory-level insights

The highest levels of non-compliance in BWP-assessed factories relate to occupational safety and health, which is consistent with compliance dynamics documented across other Better Work country programmes. High levels of non-compliance can be partly attributed to the high number of areas assessed – 66 individual compliance questions across eight compliance points – as well as the evident physical nature of certain OSH violations that enables easier detection and documentation during assessments.

#### OSH management systems

***2025 snapshot***. Recognizing the importance of management systems to ensure sustained compliance, Better Work assesses factories against requirements for **OSH management systems**, including instituting specific written OSH policies, conducting in-house assessments of OSH risks and ensuring mechanisms for communication and cooperation at the factory to address OSH matters. Only a minority of factories – 9 per cent of those assessed in 2025 – were found lacking a written OSH policy that meets legal requirements, which include: ensuring the policy has approval from top management, clearly defining OSH objectives and commitment to eliminating work-related injuries and illnesses, developing the policy in consultation with workers and their representatives, and outlining the roles and responsibilities of all parties in the workplaces with regard to OSH matters. In contrast, 50 factories – well over half of those assessed in 2025 – had issues with performing an internal assessment of OSH risks in the factories. Better Work assessment results found that while many factories found non-compliant conducted an OSH assessment, there were critical gaps in implementation, including failure to involve or communicate results of such assessments to workers and workers' representatives. Additionally, 21 per cent of factories were found non-compliant with the question, "*Has the employer developed mechanisms to ensure cooperation between workers and management on OSH matters?*" In this case, the most frequently observed gap leading to non-compliance is the failure to form committees through a proper election process, with worker representatives frequently nominated by management rather than elected by workers. Where committees exist in these factories, members routinely lack awareness of their roles and responsibilities, and employers have generally not arranged or funded legally required government-approved training for worker representatives. Among non-compliant factories, committee meetings are often irregular or poorly documented, and in several cases, workers are unaware of the committee's existence. Additional issues include a lack of regular elections, an absence of female representation in committees, and missing displays of committee member information on production floors.

***Trend analysis***. Examining the trends in OSH management systems non-compliance over three years up to 2025 reveals several positive developments. Relative to the first assessment cycle in the programme, factories have reduced non-compliance with having a written OSH policy, from 23 per cent to only 3 per cent, and non-compliance with mechanisms to ensure workplace cooperation on OSH went down by more than half, from 50 to 20 per cent. Putting mechanisms into action as intended continues to be a challenge as illustrated through the 50 per cent of factories that fail to perform an assessment of OSH risks staying constant through three years of engagement (table 1).

**TABLE 1. NON-COMPLIANCE TRENDS: OSH MANAGEMENT SYSTEMS**

| | Cycle 1 | Cycle 2 | Cycle 3 |
|---|---|---|---|
| Does the employer record and report work-related accidents and diseases? | 13% | 3% | 0% |
| Does the factory have a written OSH policy? | 23% | 17% | 3% |
| Has the employer developed mechanisms to ensure cooperation between workers and management on OSH matters? | 50% | 20% | 20% |
| Has the employer performed an assessment of occupational safety and health risks in the factory? | 50% | 43% | 50% |
| *Non-compliance for 30 factories, 2022-2025* | | | |



## Emergency preparedness

***2025 snapshot***. The **emergency preparedness** compliance point contained several significant findings of non-compliance. While the non-compliance rate for this area stood at 62 per cent in 2025, no single question elicited a non-compliance finding in more than 23 per cent of factories. In other words, non-compliance issues were spread widely across the 10 questions in this compliance point. Critical gaps in emergency preparedness included non-functional or missing fire detection systems in about 1 in 5 factories assessed, with smoke detectors absent or inoperative in production areas, and inadequate alarm systems that failed to activate when tested. While an adequate number of emergency exits were observed in a large majority of factories, 23 per cent were found non-compliant with ensuring emergency exits were free from obstruction by fabric stacks, cartons, trolleys and other equipment, while emergency pathways lacked visible markings and proper signage, with some facilities using inconsistent colour coding that created confusion. Lack of adequate firefighting equipment led to non-compliance in 18 per cent of factories, with issues including expired or blocked fire extinguishers, missing fire hydrants and standpipe systems in multi-story buildings, and non-functional hose reels. Several facilities demonstrated delayed emergency response times, with one taking 13 minutes to activate fire hydrants against a 2-3 minute standard.

**TABLE 2. IN-DEPTH SNAPSHOT: EMERGENCY PREPAREDNESS**

| | Non-compliance, 2025 | |
|---|---|---|
| | # of factories | % |
| Are the emergency exits accessible, unobstructed and unlocked during working hours, including overtime? | 20 | 23.0% |
| Does the workplace have a fire detection and alarm system? | 18 | 20.7% |
| Does the workplace have adequate fire-fighting equipment? | 16 | 18.4% |
| *Non-compliance rates for 87 factories assessed in 2025* | | |

***Trend analysis***. Considering trends among factories with Better Work since 2022, the two most positive developments in emergency preparedness related to ensuring emergency exits were accessible (from 33% non-compliant to 17%) and providing an adequate number of workers to use fire-fighting equipment (from 20% non-compliant to 7%).

## Chemicals and hazardous substances

***2025 snapshot***. The **chemicals and hazardous substances** compliance point contains seven questions that cover the proactive management and mitigation of exposure workers may have to hazardous substances during production. The most prominent issue found was non-compliant chemical labelling, affecting 22 of 87 factories assessed in 2025. Fourteen factories were found non-compliant with maintaining chemical safety data sheets, and 12 enterprises lacked the adequate washing facilities required by law to treat workers in the event of workplace exposure to hazardous material. Encouragingly, all factories were found to have a working inventory of chemicals used at the workplace, and only two were found lacking in efforts to limit exposure to hazardous materials.

***Trend analysis***. Taking a broader perspective, this compliance point witnessed some of the largest improvements since 2022 (table 3). For example, non-compliance with properly labelling hazardous substances as required by law halved for the 30 factories engaging with Better Work since 2022.

**TABLE 3. NON-COMPLIANCE TRENDS: CHEMICALS AND HAZARDOUS SUBSTANCES**

| | Cycle 1 | Cycle 2 | Cycle 3 |
|---|---|---|---|
| Are chemicals and hazardous substances properly labelled? | 60% | 33% | 30% |
| Are chemicals and hazardous substances properly stored? | 20% | 17% | 0% |
| Does the employer have chemical safety data sheets for the hazardous chemicals used in the workplace? | 60% | 23% | 10% |
| Does the employer provide adequate washing facilities and cleansing materials in the event of exposure to hazardous chemicals? | 43% | 23% | 17% |
| *Non-compliance for 30 factories, 2022-2025* | | | |

## Worker protection

***2025 snapshot***. The **worker protection** compliance point recorded the highest percentage of factories – nearly 90 per cent – with at least one question found non-compliant during assessments in 2025. The largest single issue (table 4) was ensuring workplaces followed legal ergonomic requirements. The most frequently observed deficiency in this area, found in 62 factories, is the absence or inadequate provision of anti-fatigue mats for workers required to stand for extended periods. A second widespread issue is the provision of benches and stools without backrests to machine operators, primarily in stitching sections. About half of factories are non-compliant in ensuring the provision of all necessary personal protective equipment to workers, with a similar percentage of factories failing to effectively train and encourage the proper use of PPE, such as dust masks in stitching sections or safety shoes for those lifting and managing heavy loads in finishing sections.

**TABLE 2. IN-DEPTH SNAPSHOT: EMERGENCY PREPAREDNESS**

| | Non-compliance, 2025 | |
|---|---|---|
| | # of factories | % |
| Does the employer comply with ergonomic requirements? | 62 | 71.3% |
| Does the employer provide workers with all necessary personal protective clothing and equipment? | 43 | 49.4% |
| Are workers effectively trained and encouraged to properly use personal protective equipment and machines? | 41 | 47.1% |
| *Non-compliance for 87 factories assessed in 2025* | | |



***Trend analysis***. Despite the high level of non-compliance with ergonomic requirements, among the 30 factories with the programme since 2022, there has been a 28 per cent relative decrease in non-compliance with this question. Similarly, among factories that have completed three years with Better Work, non-compliance with training workers has decreased by 13 per cent, suggesting that efforts at the factory-level to build a culture of compliance and decent work may be taking hold.

### Informing sectoral and policy action

Within Better Work, occupational safety and health issues have traditionally been addressed for compliance with local labour laws. Following the adoption in 2022 by ILO constituents of a safe and healthy working environment as a fundamental principle and right at work, and the recent revision of the Punjab Labour Code, OSH issues in compliance assessments fall within the scope of international labour standards. This shift is embedded and reflected in Better Work's compliance assessments and advisory services, transforming how OSH issues are understood and addressed in line with internationally recognized principles and practices.

Better Work's connection to enterprises, including the data collected in assessments and in knowledge sharing in advisory and training services, helps inform broader efforts to implement legal standards related to safe and healthy working environments. The programme uses its unique convening function among tripartite partners from the government, workers' organizations and employers' organizations, along with international buyers, to flag issues and find ways to collaborate on solutions. In 2025, as part of the programme's annual business forum, BWP convened international brands and national tripartite partners for discussions on key issues facing the sector. Among them, Better Work facilitated dedicated workshop sessions on safe chemical handling and heat stress prevention, both critical OSH issues. In another example, Better Work's training on creating a respectful workplace has ensured that it includes the concept that gender-based violence and harassment (GBVH) is not only a discrimination issue, but an OSH concern as well. Enterprises are encouraged to recognize psychosocial hazards and include them in their occupational risk assessments, representing a significant conceptual shift that the programme aims to spread on a sector-wide basis.

## v. Compensation

| | 2025 non-compliance | |
|---|---|---|
| Compliance point | # of factories | % |
| Method of Payment | 18 | 20.7% |
| Minimum Wages/Piece Rate Wages | 4 | 4.6% |
| Overtime Wages | 2 | 2.3% |
| Paid Leave | 2 | 2.3% |
| Social Security and Other Benefits | 49 | 56.3% |
| Wage Information, Use and Deduction | 6 | 6.9% |
| *Non-compliance for 87 factories assessed in 2025* | | |

## Factory-level insights

Better Work Pakistan assesses participating factories for compliance with national legislation covering compensation. This compliance cluster consists of 33 questions among six compliance points. Non-compliance with **minimum wages/piece rate wages** and **overtime wage** payments was low in 2025. In two instances, piece rate workers were not compensated at a level that ensured they earned the statutory minimum wage.  Similarly, **paid leave** – including for maternity leave and breastfeeding breaks, annual leave and leave for holidays – recorded low levels of non-compliance in 2025.

Under the **social security and other benefits** compliance point, 32 factories were found non-compliant with maintaining a "fair price shop" at the factory premises – a regulation relevant only in Punjab province – which should offer key select commodities to workers, including food and household items. When considering only the 46 factories assessed in 2025 in Punjab, this corresponds to a 70 per cent non-compliance rate for this question.

Regarding social security contributions, several factories were non-compliant in *collecting and forwarding workers'* contributions to social insurance funds and *paying the required employer contribution* to social insurance funds. Non-compliance with social insurance obligations pertained to both the Employees Old Age Benefits Institution (EOBI) and provincial social security institutions. The most prevalent issue is the failure to enrol and remit contributions for all eligible workers, with most facilities covering only a fraction of their total workforce. In several factories, piece-rate and daily wage workers were disproportionately excluded despite legal requirements. In some cases, employers deducted workers' contributions from wages but failed to forward them to the relevant institutions, leaving workers without benefits despite having funds withheld. Nevertheless, when considering the trend among factories with BWP for three years, enterprises are reducing their non-compliance with these social insurance contributions (table 5).

**TABLE 5. NON-COMPLIANCE TRENDS: SOCIAL SECURITY**

| | Cycle 1 | Cycle 2 | Cycle 3 |
|---|---|---|---|
| Does the employer comply with requirements to collect and forward workers' contributions to social insurance funds? | 23% | 17% | 13% |
| Does the employer pay the required employer contribution to social insurance funds? | 30% | 17% | 13% |
| *Non-compliance for 30 factories that have enrolled since 2022* | | | |

In the **method of payment** compliance point, 18 factories were found non-compliant with *paying wages in the manner required*. Detailed assessment findings revealed that this non-compliance was largely due to varying segments of workers receiving their payment of wages in cash, whereas regulations in Sindh province require wage payments by bank transfer. When considering only factories assessed in Sindh, this corresponds to 44 per cent of factories found non-compliant in 2025. When considering the trend since 2022 among factories with at least three assessment cycles, there has been a 74 per cent relative decrease in non-compliance, suggesting that exposure to Better Work assessment and advisory services quickly aids factories in coming into compliance with these legal requirements. Prior to the recent Labour Code revisions, cash payments were permitted under law in Punjab province.



## Informing sectoral and policy action

Assessing the provision of compensation in line with legal requirements presents a complex task for Better Work. In the area of minimum wages, for example, assessing compliance is complex due to legal ambiguities and a lack of institutional mechanisms for implementing minimum wages based on skill categories. Better Work actively engages with tripartite and sectoral partners in Pakistan on the topic of wages to better clarify legal requirements and implementation challenges. Ensuring wage transparency is a key objective within the broader agenda of labour law reform underway in the country and supported by Better Work and the ILO, including by mandating payment through banking channels with itemized pay slips provided to workers detailing gross and net remuneration and deductions.

Better Work has also raised the issue of pay transparency and fairness among daily wage and piece-rate workers both within enterprises and at sectoral convening events. While a lack of awareness or understanding of rights and entitlements is common among workers, it is especially the case among daily wage and piece-rate workers, who may have more difficulty accessing correct compensation for overtime.  (Non-compliance with overtime wages was recorded in only two factories in 2025, but this has nonetheless been identified as an issue of concern.) Better Work has aided enterprises enrolled in the programme to take initiative in seeking clarity on terms of employment and ensure compliance with minimum and overtime wage requirements for all workers.

# vi. Contracts and human resources

| | 2025 non-compliance | |
|---|---|---|
| **Compliance point** | **# of factories** | **%** |
| Contracting procedures | 3 | 3.4% |
| Dialogue, discipline, and disputes | 20 | 23.0% |
| Employment contracts | 65 | 74.7% |
| Termination | 20 | 23.0% |
| *Non-compliance for 87 factories assessed in 2025* | | |

## Factory-level insights

The most prominent non-compliance area among the seven questions assessed under **dialogue, discipline, and disputes** compliance point concerns meeting the legal requirements for the bipartite Workers Management Council in factories. Nineteen factories had some issues with the formation and functioning of these bipartite committees at the workplace. A common issue was the lack of committee formation through a proper election process, with worker representatives commonly nominated or selected by management rather than elected by their fellow workers. Piece-rate and daily wage workers are frequently excluded from representation entirely, despite constituting a significant proportion of the workforce in many facilities. In many cases, assessors noted that worker representatives lacked adequate training and understanding of their roles and responsibilities within the committee.

Under **employment contracts**, while non-compliance was found to be low for ensuring the provision of contracts for all workers, ensuring workers understand the terms and conditions of employment was a key issue leading to non-compliance in over 70 per cent of factories assessed (table 6). For example, workers were unaware of their leave entitlements and pension and social security benefits. In some instances, interviews with female workers during assessments showed they were not aware of the social security benefits related to maternity protections.

**TABLE 6. IN-DEPTH SNAPSHOT: EMPLOYMENT CONTRACTS**

| | Non-compliance, 2025 | |
|---|---|---|
| | # of factories | % |
| Do workers understand the terms and conditions of employment? | 62 | 71.3% |
| Do all persons who perform work for the factory, both on the premises and offsite, have a contract? | 8 | 9.2% |
| Do the employment contracts specify the terms and conditions of employment? | 3 | 3.4% |
| *Non-compliance for 87 factories assessed in 2025* | | |

## Informing sectoral and policy action

Better Work's support for ongoing labour law reform efforts in Pakistan is expected to contribute to broader application of workplace rights and benefits to workers on different types of contracts. Part-time workers and workers on temporary or contract arrangements would gain full access to rights and benefits at the workplace under envisioned reforms. Given the precarious nature of the contracts held by many workers in the garment and textile sector, such reform will have broad implications for the workers and enterprises engaged by Better Work Pakistan. The programme will continue to serve a clarifying and advisory role for enterprises and sector stakeholders to ensure the success of implementing the upcoming reform. Regarding workplace dialogue mechanisms examined in the contracts compliance point, Better Work Pakistan is aware that the Workers Management Council established in enterprises in line with legal requirements is at times misconstrued as a substitute mechanism for functioning unions at the workplace. Better Work continues to build space for social dialogue at the workplace through these mechanisms, while clarifying what should be their complementary role to workers' organizations. Insights into perceptions at the enterprise level on topics like this inform the broader role played by BWP, including raising issues of concern at sectoral and national levels to inform social dialogue among tripartite stakeholders.



## vii. Working time

| | 2025 non-compliance | |
|---|---|---|
| Compliance point | # of factories | % |
| Leave | 33 | 37.9% |
| Overtime | 23 | 26.4% |
| Regular hours | 0 | 0% |
| *Non-compliance for 87 factories assessed in 2025* | | |

## Factory-level insights

Working time non-compliance is a common occurrence in apparel and textile manufacturing globally. Compliance assessment results in 2025 from factories participating in Better Work Pakistan reveal a mixed picture, with some challenges that reflect global dynamics, particularly around overtime limits.

Five compliance questions are assessed under the **regular hours** compliance point, covering weekly working hours, time records, and daily and weekly rest periods. No evidence of non-compliance was found in 2025 among participating factories in these areas.

Better Work also assesses compliance with legal requirements for various types of **leave**. Although the non-compliance rate in aggregate for this compliance point was 37.9 per cent in 2025, non-compliance was concentrated within a select number of questions. Twenty-two factories were found non-compliant with providing sick leave required by law, which should include 16 days at half-pay. Interviews during factory assessments showed several cases where workers were at times provided eight days of full pay, rather than 16 days at half-pay. Eight factories were non-compliant with providing the correct amount of personal leave, a further eight with paternity leave requirements, and seven factories were found lacking in their provision of annual leave in line with legal requirements.

Turning to **overtime**, 20 of 87 factories assessed in 2025 were found non-compliant with limits on daily or weekly overtime hours worked. National law limits overtime to 12 hours per week. Recorded weekly overtime among some interviewed workers reached as high as 32 hours, while monthly overtime in some cases was well over permitted levels. In several instances, excessive overtime coincided with workers being required to work on designated rest days. Less prominent issues in the overtime compliance point dealt with compensatory days off, obtaining exemptions, and advance notice of work on Sundays, all with non-compliance rates below 10 per cent of factories in 2025.

When considering trends since BWP's programme inception, a mixed picture of overtime non-compliance appears. Among the 30 factories with three full assessment cycles, conditions related to overtime all improved, with the exception of compliance with limits on overtime hours worked (table 7).

**TABLE 7. NON-COMPLIANCE TRENDS: OVERTIME**

| | Cycle 1 | Cycle 2 | Cycle 3 |
|---|---|---|---|
| Does the employer comply with limits on overtime hours worked? | 23% | 27% | 33% |
| Does the employer comply with notice requirements regarding Sunday work? | 27% | 7% | 3% |
| Does the employer obtain the required exemptions in order to work overtime? | 27% | 3% | 0% |
| Does the employer provide a compensatory and substitute day off when workers work on festival holiday(s)? | 17% | 10% | 7% |
| Does the employer provide a compensatory day off when workers work on weekly rest day(s)? | 20% | 13% | 7% |
| *Non-compliance for 30 factories that have enrolled since 2022* | | | |

## Informing sectoral and policy action

Better Work's close engagement with factory stakeholders and its gathering of data and intelligence at workplaces help set a foundation for broader sector-wide engagement on meeting legal requirements for working time. Experience from multiple Better Work country contexts suggests that non-compliance with overtime hours remains the most persistent working time issue found in assessments of many first-tier garment factories. Unpredictable demand, changing order requirements and short delivery times from international customers have been shown to have spillover effects on overtime compliance in production facilities. Moreover, economic pressures play a role in incentivizing workers' preference for securing overtime work, which can also contribute to instances of non-compliance. Better Work EAs have noted through interviews with workers that rising inflation and cost-of-living concerns spur workers to seek as much overtime as possible. As a result, pressure from both the top of the supply chain and economic incentives among workers to work overtime combine to create conditions that incentivize factory management to run overtime shifts, and in some cases, manipulate records to meet these demands and appear compliant with the issue. Better Work will continue to build trust and transparency among factory stakeholders while raising awareness of the drivers of overtime non-compliance with sectoral actors.



# Summary and next steps

Compliance gaps in Pakistan's garment and textile export sector are concentrated in operational and management systems, particularly in OSH, human resource practices, working time and compensation. No definitive evidence of non-compliance is documented in relation to standards covering forced and child labour assessed by Better Work. Given the broader socio-economic and political context in Pakistan, however, risks remain for these issues, as well as for effective worker representation and the fundamental right to freedom of association.

Weak transparency and control systems are a common thread across non-compliance areas. Working time gaps involve inaccurate overtime recording and poor tracking of leave. Compensation issues include gaps in payroll transparency, recordkeeping and payment irregularities. Human resource management lacks openness in hiring and termination, and adequate communication of workers' rights and employment conditions. Occupational safety and health weaknesses include inconsistent safety enforcement and poor emergency preparedness. Gender-related gaps exist, including in relation to ensuring proper maternity protections at work.

Taken together, these findings suggest that while exporting factories participating in Better Work Pakistan are largely compliant with foundational labour standards, systemic gaps in implementation, transparency and enforcement persist. Addressing these will require strengthening enterprise-level management systems, promoting credible compliance data and industry intelligence, enhancing worker awareness and participation, and reinforcing labour administration to support sustained compliance and improved working conditions across the sector. In this context, the ILO has a critical role to play in advancing decent work through support for labour law reform, strengthening labour administration and promoting effective implementation of the Labour Code. As an integral element of this effort, the Better Work programme will continue to support enterprises in translating legal requirements into improved workplace practices by enhancing compliance systems, building capacity and fostering social dialogue.

In the anticipated next strategic phase for Better Work Pakistan, beginning in 2026, the programme will continue to ramp up the number of garment and textile enterprises it engages with, including to better inform activities to support broader improvements in the sector. A revised factory engagement model is expected to create efficiencies in reaching an expanded number of enterprises. Capacity building among national tripartite partners will continue to be a priority for the programme, and shall be informed by the experience and data generated from its enterprise-level work.

Among enterprises, priority areas will include strengthening OSH systems among factories in the first tier of the garment supply chain, while developing practical approaches to improve workplace safety for informal and home-based workers in tiers further upstream. Gender equality and inclusion will be another focus, including addressing gaps in maternity protection – including childcare and breastfeeding support – advancing female leadership and access to promotion opportunities, and reducing the gender pay gap.

# Annex 1: Methods, data, and limitations

Better Work Pakistan conducts factory-level assessments using a Compliance Assessment Tool (CAT) comprising over 250 questions.[8] During the unannounced assessment, typically conducted over two days, two Enterprise Advisors (EAs) employed by Better Work gather data through document review, workplace observations, and interviews with managers, union representatives, bipartite committee members and factory workers. Worker interviews conducted during the assessment process are held onsite, either in a private room within the factory building or outside the building (such as in a yard or eating area) and take place either in small groups or individually. The compiled information is analysed to create a detailed report. Assessment reports highlight non-compliance findings, which are then used to help factories identify areas in need of improvement. Collecting and reporting these data over time help factories demonstrate their commitment to improving working conditions.

During assessments, factories are considered non-compliant if they do not adhere to national labour law or core international labour standards. The CAT is divided into eight clusters. Five clusters cover the fundamental principles and rights at work and are assessed in line with core international labour standards, and the three other clusters are assessed based on national law and regulations. While individual assessment reports allow for identification of non-compliance in individual factories, this annual report provides an opportunity to present aggregate results from a significant cross section of factories participating in the programme.

***Fundamental international labour standards***. The ILO Declaration on Fundamental Principles and Rights at Work, adopted in 1998 and amended in 2022, calls upon Member States to respect, promote and realize the principles and rights in five areas, whether or not they have ratified the relevant conventions. These categories (or clusters for the purpose of the BWP compliance assessment) include: freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; the elimination of discrimination in respect of employment and occupation; and the right to a safe and healthy working environment.[9] The Declaration designates ten ILO Conventions addressing these areas as fundamental, and these conventions form the basis for assessing factory compliance with fundamental rights for all Better Work country programmes. For some issues, such as minimum legal working age, provisions in national law specify requirements for the application of international conventions. If national law is not consistent with core labour standards pertaining to fundamental rights, the core labour standards are applied.

***Working conditions***. The three other clusters assess conditions at work, including compensation, contracts and human resources, and working time. The areas covered in these clusters are largely consistent across Better Work countries; however, specific compliance questions may vary from country to country due to differences in national legislation. National legislation is used as a reference point even if it is not in accordance with the international conventions that have been ratified by the country. In countries where national law either fails to address or lacks clarity on a relevant issue regarding conditions at work, Better Work establishes a benchmark based on international standards and good practices. The eight compliance clusters are subdivided into 38 compliance points, detailed below.

8 Better Work Pakistan compliance data is compatible with the Social and Labor Convergence Program (SLCP). Based on expressed interest, factories can reshare their compliance data from the BWP assessment through the SLCP Gateway with international clients.
9 ILO 1998 Declaration on Fundamental Principles and Rights at Work and its Follow-up, ILO (2022)



| Compliance clusters and compliance points | |
|---|---|
| **Fundamental international labour standards** | |
| **Child labour** | |
| ▶ Child labourers<br>▶ Hazardous work and other worst forms of child labour<br>▶ Documentation and protection of young workers | |
| **Discrimination** | **Forced labour** |
| ▶ Race and origin<br>▶ Religion and political opinion<br>▶ Gender<br>▶ Other grounds | ▶ Coercion<br>▶ Bonded labour<br>▶ Forced labour and overtime<br>▶ Prison labour |
| **Freedom of association and collective bargaining** | |
| ▶ Freedom to associate<br>▶ Union operations<br>▶ Interference and discrimination<br>▶ Collective bargaining<br>▶ Strikes | |
| **Occupational safety and health** | |
| ▶ OSH management systems<br>▶ Chemicals and hazardous substances<br>▶ Worker protection<br>▶ Working environment | ▶ Welfare facilities<br>▶ Health services and first aid<br>▶ Worker accommodation<br>▶ Emergency preparedness |
| **National labour legislation** | |
| **Working time** | **Contracts and human resources** |
| ▶ Regular hours<br>▶ Overtime<br>▶ Leave | ▶ Dialogue, discipline and disputes<br>▶ Employment contract<br>▶ Contracting procedures<br>▶ Termination |
| **Compensation** | |
| ▶ Minimum wages/piece rate wages<br>▶ Overtime wages<br>▶ Method of payment | ▶ Wage information, use and deduction<br>▶ Paid leave<br>▶ Social security and other benefits |

In its annual reports, Better Work discloses aggregate non-compliance in participating enterprises. Non-compliance is reported for each subcategory (compliance point) of the eight labour standards clusters. Results of some individual compliance questions are also disclosed, providing a more nuanced picture for a select number of issues. In aggregate reporting, a factory is reported as non-compliant in a compliance point if it is found to be out of compliance on any *one question or issue addressed within the subcategory*.

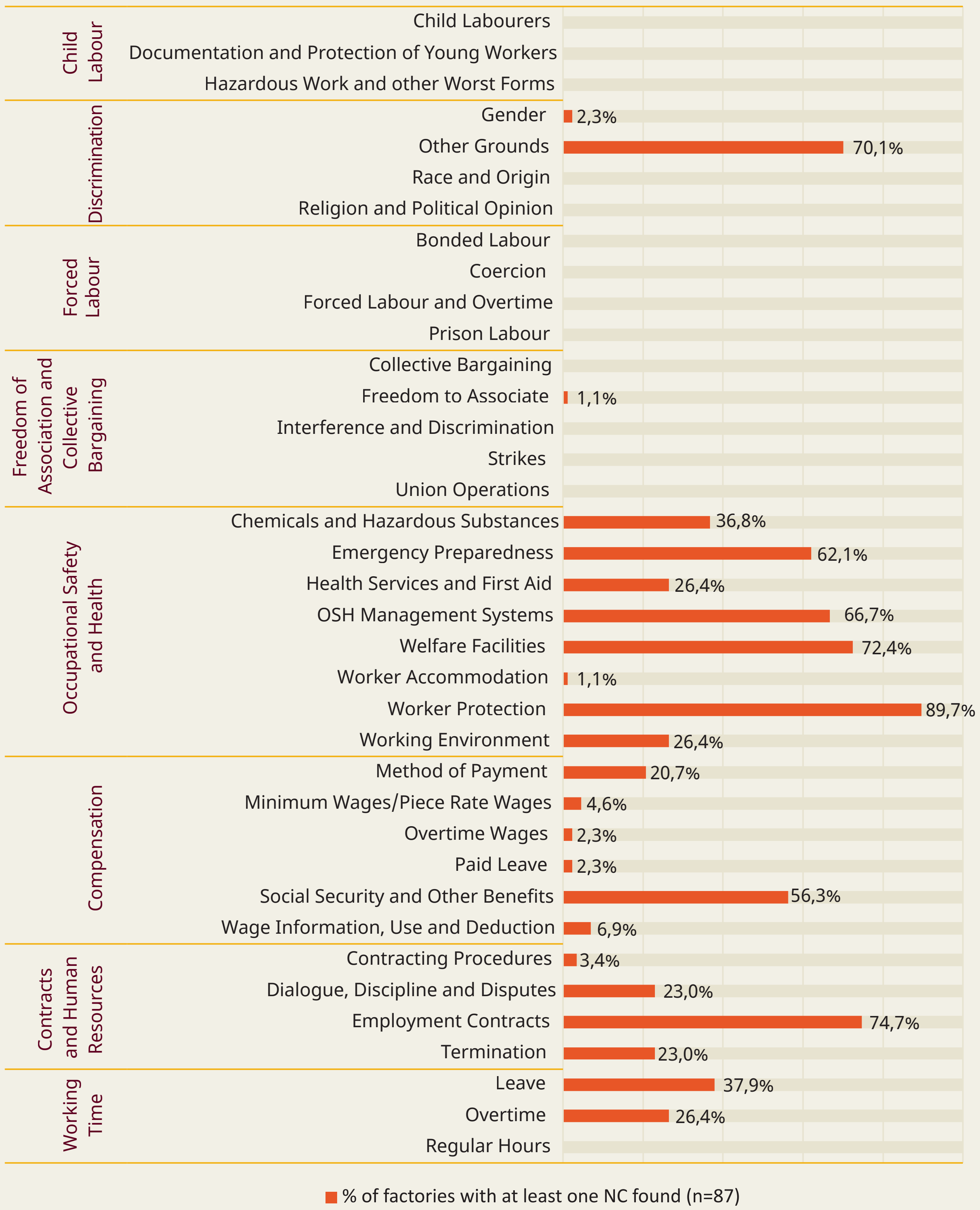
***Limitations of assessments***. Detailed factory assessment reports are based solely on what is observed, investigated, and analysed during assessment visits. Before the reports become official, factories are given a period to provide feedback and clarifications, which in some cases impacts the language in the final report. Certain issues remain difficult to assess and verify independently. To address such limitations, information provided by workers and management is crosschecked through representative interview samples and various documents maintained at the factory.

***Limitations of non-compliance reporting***. The binary "yes" or "no" structure of the answers to compliance questions limits the ability of Better Work to numerically present the severity of non-compliance and is not conducive to capturing the "levels of non-compliance." For example, a factory may significantly improve in a particular area but may still not qualify as compliant. While an aggregate and strict indicator, the non-compliance rate is useful for Better Work to compare data across countries and gain a general understanding of areas of non-compliance in the industry. It is often beyond the capacity of such numbers to fully capture the specific issues observed during factory assessments. Accordingly, it is important to examine the clusters and compliance points in further detail to create a more comprehensive understanding of the industry and the overall non-compliance rates, and to understand the specific reasons for the non-compliance cited.



# Annex 2: Non-compliance snapshot, 2025

**Non - compliance by Compliance Point in 2025**



# Annex 3: Enterprises assessed in 2025

Active Apparels International (Pvt) Ltd
Adamjee Enterprises
Afroze Textile Industries (Pvt.) Ltd.
Afroze Textile Industries Pvt Ltd (Printing Unit)
AL RAHIM TEXTILE INDUSTRIES LIMITED
Albarka Fabrics( Pvt.) Ltd.
Ali Murtaza Associates (Pvt) limited
Allied International
Ambition Apparel
Arshad Corporation (Pvt) Ltd
Artistic Denim Mills Ltd
Artistic Garment Industries (AGI Denim) (Pvt) Ltd. (Unit M-1)
Artistic Garment Industries (AGI Denim) (Pvt) Ltd. (Unit K-2)
Artistic Garment Industries (AGI Denim) (Pvt) Ltd. (Unit K-1)
Artistic Garment Industries (AGI Denim) (Pvt) Ltd. (Unit K-11)
Artistic Garment Industries (AGI Denim) (Pvt) Ltd. (Unit K-13)
Artistic Garment Industries (AGI Denim) (Pvt) Ltd. (Unit M-2)
Artistic Garment Industries (AGI Denim) (Pvt) Ltd. Unit K-10
Artistic Garment Industries (AGI Denim) (Pvt) Ltd. Unit M-4
Artistic Milliners (Pvt) Limited (UNIT AM-2)
Artistic Milliners (Pvt) Ltd (Unit AM-4(ext))
Artistic Milliners (Pvt) Ltd -(Unit AM-4c)
Artistic Milliners (Pvt) Ltd (Unit AM-6)
Artistic Milliners Pvt Limited (Unit AM-5)

Ayesha Spinning Mills Ltd.(Socks Division)
Beacon Impex (PVT) limited
Beacon Impex (PVT) Limited (Beacon Complex)
Beacon Impex (PVT) Limited (Hawk Unit)
Beacon Impex PVT Limited (Falcon Unit)
Bismillah Textiles (PVT)Limited
Challenge Apparels Ltd.
Combined Fabrics Ltd
Diamond Export industries
Diamond Fabrics Limited
Feroze1888 Mills Limited
First American Corporation Pvt. Ltd
G.E Textile (Private) Limited
Global Exports
Global Exports Unit-I
Green Apparel Pvt Limited
INDUS HOME LIMITED
Interloop Limited (Hosiery Division-I)
Interloop Limited Apparel Park
Interloop Limited Hosiery Division-III
Interloop Limited, (Hosiery Division-II)
Kamal Limited
Kamal Limited (Knits Apparel Division)
KAMAL TEXTILE MILLS (PVT) LTD
Kay & Emms (Pvt) Ltd
KEYSTONE ENTERPRISES (PVT) LTD
Kings Apparel Industries (Pvt) Ltd. - Unit 02.
Klash Pvt. Ltd.Unit 4&5
LIBERTY MILLS LIMITED

LIBERTY MILLS LIMITED (UNIT I)
LUCKY TEXTILE MILLS LIMITED
M.K Sons Pvt. Ltd.
Magna Processing Industries (Pvt) Ltd.
Maheen Textile Mills Pvt Ltd Processing Unit
Maheen Textile Mills Pvt. Ltd
Masood Textile Mills Limited Apparel-III (Peacock Unit)
Naeem Enterprise
NFK Exports (Pvt) Ltd.
Nishat Mills Limited (Apparel Division, Unit-2)
Sadaqat Limited
Sapphire Finishing Mills Limited Unit # 3
Sapphire Textile Mills Limited (Stitching unit)
SELIMPEX INTERNATIONAL
Shahkam Industries (Pvt) Ltd.
SOORTY ENTERPRISES (PVT) LIMITED (Unit 14)
Soorty Enterprises (Unit 10)

SOORTY ENTERPRISES PRIVATE LIMITED (UNIT 4)
Soorty Enterprises- Unit 17 (Pvt.) Ltd
Soorty Unit 5 and 6
Style Textile (Pvt) Limited (QIE)
Style Textile (Pvt) Limited (Raiwind)
Style Textile (Pvt) Limited SAP
TAUSEEF ENTERPRISES PVT LTD
THREADS CONNECT
TM EXPORTS
Towellers Limited
Towellers Limited (Garments)
US Apparel & Textile (Pvt) Ltd. Unit 3/4
US Apparel & Textile Pvt Ltd Unit 02
US Apparel & Textile Pvt. Ltd. Unit 05
Yunus Textile Mills Limited Unit-2
Yunus Textile Mills Limited Unit-7
Zafar Fabrics (Pvt.) Limited

# Annex 4: Participating buyers and retailers

As of June 2025, 64 international buyers have been utilizing data generated by Better Work Pakistan – including 24 brand partners.

Better Work has 48 partnership agreements with international buyers globally.[10] Out of these 48 companies, the following 24 partner brands are actively sourcing from Better Work enrolled factories in Pakistan:

1 Adidas
2 American Eagle Outfitters, Inc.
3 ASOS.com Ltd.
4 C&A
5 Disney Worldwide Services
6 Fast Retailing Co.
7 GAP Inc
8 H&M Hennes & Mauritz GBC ABP
9 Inditex
10 Levi Strauss & Co
11 Li & Fung (Trading) Limited
12 Lidl Stiftung & Co. KG
13 Marks and Spencer
14 Next Level Apparel
15 NIKE, Inc
16 Primark Stores Ltd
17 PUMA SE
18 PVH Corp
19 Ralph Lauren Corporation
20 Target Corporation
21 The Children's Place
22 Under Armour, Inc.
23 Vera Bradley
24 VF Corporation

In addition to the above, 40 international companies are sourcing from Better Work Pakistan enrolled factories and consuming Better Work data for sourcing and monitoring decisions as participant buyers.

10 A list is available at https://betterwork.org/brands-and-retailers/

**FOLLOWING DONORS FUND BETTER WORK THROUGH A MULTIDONOR FUND, ONE OR MORE COUNTRY PROGRAMMES OR SPECIAL PROJECTS (IN ALPHABETICAL ORDER)**

**Australia** (DFAT)

**Canada** (ESDC)

**European Commission** (NDICI - Global Europe)

**Germany** (BMZ and GIZ)

**The Netherlands** (Ministry of Foreign Affairs)

**Switzerland** (SECO)

**Better Work Pakistan** is currently supported by the Export Development Fund (EDF) in Pakistan

International Labour Organization

IFC International Finance Corporation WORLD BANK GROUP