

# **Employment and Growth: Review and Recommendations**

## **1. Introduction**

Employment is the critical link between economic growth and poverty reduction. This link is sometimes acknowledged explicitly, but at other times only implied. This chapter takes the view that employment needs to be viewed primarily through the lens of poverty reduction. The chapter spells out the linkage in specific terms and prescribes a framework for employment and income distribution for the current plan period.

## **2. Brief review of underlying theory**

The classical development economics approach to the growth-employment-poverty linkage dominated policy thinking for several decades. According to this view economic growth takes place as a result of rising capital investment in the modern sectors of the economy, and this results in a transfer of labour from traditional subsistence activities to the modern industrial sectors. In the course of this process under-employment declines as the proportion of the workforce in subsistence activities reduces, and overall wage levels rise.

This “dual economy” model has been progressively nuanced and elaborated. The human capital approaches put the focus on the quality of labour – and not only on its quantity. These approaches linked improvements in productivity and growth to investments not only in physical capital, but in the education and health of the workforce. The growth-employment-poverty reduction linkage, therefore, was seen as operating in two directions and not one. Growth, through increased employment, was still a vehicle for poverty reduction. But poverty-reducing direct investments in people also contributed to enhancements in human capital and thus to economic growth.

The simple dual economy models were also further elaborated through a more sophisticated understanding of markets and non-market economic institutions, particularly with respect to labour. The key differences between the traditional subsistence and modern industrial sectors were understood in specific institutional terms – in the working of markets or other institutional arrangements for the organization of economic activity. The institutional approach to employment and labour has had several policy spin-offs.

One strand of thinking has focused on politically-induced distortions in labour markets and has argued for greater labour market flexibility – particularly the lowering of labour regulations and the bargaining power of particular workers. It is felt that labour regulations and politically-induced distortions have created pockets of privileged “insiders” at the expense of the general mass of actual and potential workers. It has been argued that creating more rigorous market conditions in labour will lead to greater investment in employment generating sectors and hence, ultimately, to higher levels of employment and poverty reduction.

Another strand has been concerned about the actual arrangements for labour in specific societies. Societal norms that lead to labour market segmentation along the lines of gender, class and social identity, and the persistence of highly exploitative non-market labour arrangements such as bonded and forced labour have received particular attention. The role of the government in regulating labour and indeed directly providing employment to socially marginalized groups is sometimes seen as an effective instrument for overcoming societal inequalities.

The theoretical approaches outlined above can have alternative and sometimes conflicting policy priorities. Section 3 reviews recent empirical evidence from Pakistan in order to guide the construction of a policy framework for the plan period. Section 4 outlines that framework and sets out policy priorities for the plan period.

### 3. Review of recent empirical evidence

#### 3.1 Workforce and employment trends

Simple statistical evidence from the recent Labour Force Surveys is helpful in setting the context. Less than half the working age population in Pakistan is involved in the labour force (Table 1). These figures are somewhat biased as the Labour Force Survey counts anyone above the age of 10 years as being of “working age”. Taking the male participation as a benchmark, however, it is still the case that a substantial portion of women are not in the workforce. Although the female labour force participation rate has increased somewhat, it remains low.

Table 1: Labour force participation rates – per cent

	1999-2000	2005-2006	2007-2008
Both sexes	42.8	46.0	45.2
Male	70.4	72.0	69.5
Female	13.7	18.9	19.6

Source: Labour Force Survey, various

The distribution of the workforce by type shows that a large proportion of even those who are reported to be in the labour force cannot be counted as being in the labour market. Table 2 shows that “unpaid family helpers” constituted over a quarter of the total workforce and that this proportion had actually increased in the recent period.

Table 2: Distribution of workforce by type – per cent

	1999-2000	2005-2006	2007-2008
Employer	0.78	0.90	0.93
Self-employed	42.23	34.90	34.16
Unpaid family helpers	21.41	26.9	28.94

Employees	35.58	37.3	35.97
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Source: Labour Force Survey, various

The male-female classification of workers by type (Table 3) confirms the importance of the gender dimension in the Pakistani workforce. Nearly two-thirds of female workers were unpaid family helpers and the proportion had increased since 1999-2000. A surprisingly high number of male workers too (one-fifth) were unpaid family helpers. Four-fifths of all unpaid family helpers were in agriculture. Even after accounting for gender and sector, unpaid family workers were relatively more likely to be rural and from larger households.<sup>1</sup>

Table 3: Distribution of workforce by type and gender – per cent

	Male		Female	
	1999-2000	2007-08	1999-2000	2007-08
Employer	0.90	1.16	0.14	0.05
Self-employed	46.40	39.63	16.64	12.83
Unpaid family helpers	16.73	19.68	50.14	64.98
Employees	35.98	39.52	33.14	22.14

Source: Labour Force Survey, various

Underemployment, measured as the proportion of workers reporting that they worked for less than 25 or 35 hours a week stood at 6.5 per cent 14 per cent respectively in 2007-2008. In the recent years the pattern of underemployment was seen to be shifting towards “unpaid family helpers”. While 30 per cent of the self-employed and 28 per cent of the employees in 1999-2000 were working for less than 35 hours weekly (Table 4), by 2007-2008 underemployment was overwhelmingly concentrated among “unpaid family helpers”. This might suggest some degree of specialization among households and in the labour market - as those who were in the labour market (as employees or own-account workers) were now working longer hours and workers outside the labour market were working less.

Table 4: Per cent of workforce reporting working under 35 hours/week by type – per cent

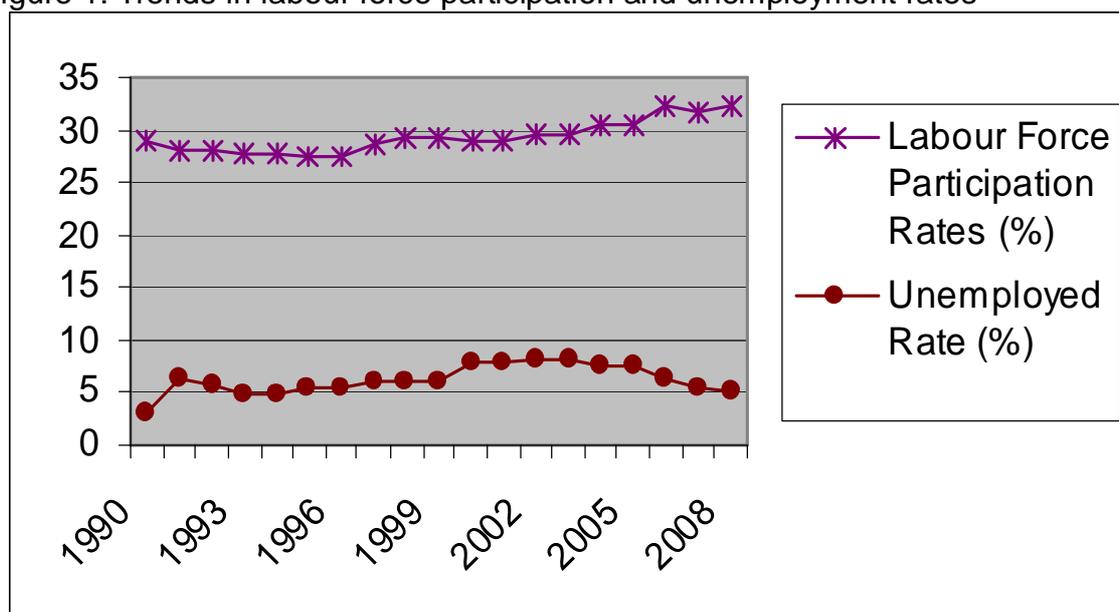
	1999-2000	2005-2006	2007-2008
All workers	100	100	100
Employer	0.42	0.49	0.28
Self-employed	30.3	22.7	21.5
Unpaid family helpers	40.9	53.0	57.8
Employees	28.3	23.8	20.5

Source: Labour Force Survey, various

<sup>1</sup> Shahnaz, Khalid, and Akhtar (2008).

Trends in labour force participation and unemployment rates (Figure 1) indicate that the previous decade was marked by unemployment rates compared with historical data, but that the end of the decade saw a decline in unemployment to the level of the 1990s. Whether and to what extent these latter downwards trends were sustained over the period of economic downturn from 2007-2008 onwards remains to be seen. The reduction in unemployment towards the end of the reference period was largely due to increase in “unpaid family labour” category.<sup>2</sup>

Figure 1: Trends in labour force participation and unemployment rates



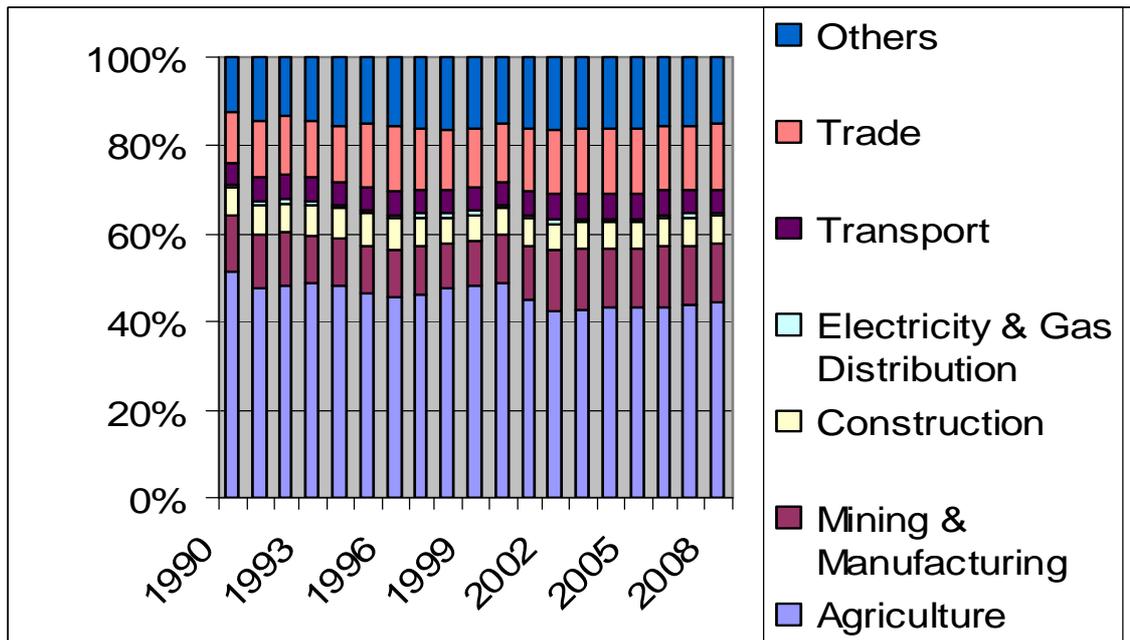
Source: Labour Force Surveys, various

The sectoral trends in employment (Figure 2) suggest that the contribution of agriculture declined from above 50 per cent in the early 1990s to the low 40s towards the end of the last decade. Service sector activities were major contributors to this trend and manufacturing a minor contributor. In the same period agriculture’s contribution to the GDP had declined from 26 per cent to 21 per cent. By the end of the last decade, crop farming contributed under a 10 per cent of the GDP compared with 15 per cent in the early 1990s. This implies that agriculture remained a reserve of under-employment.

The last decade saw a mixed record in economic growth with a strong correlation between growth and external strategic and economic conditions. Growth was low in the early part of the decade, speeded up in the middle, and then decline towards the end of the decade. The period of the previous plan (MTDF) saw high growth in the beginning and low growth in the end. In terms of job creation, however, the overall experience was even less promising. The proportion of the workforce employed in formal sector jobs decline for males and females (Table 5).

<sup>2</sup> Anwar (2009).

Figure 2: Trends in sectoral distribution of workforce



Source: Labour Force Survey, various

Table 5: Distribution of workforce by formal/informal and gender – per cent

Sector	MALE		FEMALE	
	1999-2000	2007-08	1999-2000	2007-08
Agriculture	44.43	36.87	72.93	74.98
Non-Agriculture	55.56	63.12	27.14	25.07
Formal	19.01	17.15	9.29	6.86
Informal	36.55	45.97	17.79	18.22

Source: Labour Force Survey, various

### 3.2 Growth-employment linkage

The economy responded to exogenous impulses in the form of greater aid and capital inflows during the 2000s. There was also greater sensitivity to negative external shocks. Growth was led largely by the service sectors, particularly the financial sector, and partly by public investment up to around 2006-2007. As the employment data reviewed above have shown, the linkage between growth and poverty reduction through employment was relatively weak.

There were concerns in other countries too about the weak employment effect of economic growth in the recent period.<sup>3</sup> Many of the conditions that were studied more rigorously in these countries also appear to hold true in Pakistan. It was found that unlike East Asia the South Asia region did not

<sup>3</sup> See Gordon and Bailly (1993), and Bhattacharya and Sakthivel (2004).

succeed in escalating the creation of high quality jobs. The main causes of this failure were found to be poor infrastructure development in the region, and the unavailability of skilled labour in some of the countries including Pakistan.<sup>4</sup>

The experience of these countries with respect to the growth-employment linkage suggested a number of important lessons. In India it was found that states with high levels of pro-worker regulation had not been able to create high quality formal sector jobs, whereas states with pro-employer regulation had been more successful in expanding formal sector employment.<sup>5</sup> Mexico showed that an overwhelming focus on liberalization – without corresponding improvements in skills and incentives for formal job creation - could lead to stagnation in employment.<sup>6</sup> The International Labour Office (ILO) found that it was important for countries to find the optimal mix between labour market flexibility and worker security, and that regulatory regimes that found the correct balance were successful not only with respect to employment generation, but also in terms of economic growth and poverty reduction.<sup>7</sup>

Given the historical pattern of external-led growth in Pakistan – generally in response to global strategic priorities – public investment has played an important role in the growth-employment-poverty reduction linkage. The role of public investment in generating employment has remained an implicit one, as labour processes are sub-contracted out without precise accounting of actual days of employment generated. Policy choices with respect to public investments, therefore, are only weakly guided by the employment generation potential of any given project.

The trend towards informalization and casualization of the workforce is only partly driven by the regulatory framework in the formal sector. Agriculture remains the largest absorber of labour – and as shown above as a “sink” for underemployment. Within agriculture there has been a steady trend towards self-cultivation and a decline in share-tenancy. While the overall prevalence of rural landlessness has remained steady, the decline in share cropping tenancy has corresponded with a rise in casual labour in agriculture. The decline in landless tenancy is driven by a combination of regulatory incentives, fragmented holdings, steady introduction of mechanization, and the inability of the landless poor to make a transition to fixed lease rentals. New forms of casual labour contracts in harvesting and other farm operations have emerged, reducing livelihood and food security among the landless poor.<sup>8</sup>

### **3.3 Overseas employment**

One factor that allowed countries to reduce poverty despite a weak growth-employment linkage was overseas employment, which has been an important

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<sup>4</sup> Khan, A. R. (2007)

<sup>5</sup> Ehrenpreis (2007)

<sup>6</sup> Ehrenpreis (2008)

<sup>7</sup> Sharkh (2008); Vandenberg (2008)

<sup>8</sup> Gazdar, Khan, and Khan (2002).

feature of Pakistan's experience. In 2008, for example, the flow of workers abroad was over 400,000.<sup>9</sup> This amounted to around 28 per cent of the total addition in the size of the domestic workforce between 2006-07 and 2007-08.

Using conservative assumptions about the length of stay abroad it is estimated that the stock of Pakistani workers in non-OECD countries is around 1.6 million.<sup>10</sup> The total number of Pakistani residents in OECD countries amounted to around 575,000 individuals in 2000.<sup>11</sup> Even if one out of every three Pakistanis in the OECD countries were a worker (others being students or non-working family members) the total number of Pakistani workers abroad would be around 1.8 million persons. This amounts to 3.5 per cent of the total domestic workforce.

### **3.4 Returns to education and labour market opportunities**

It has been conventionally assumed that returns to education are high in Pakistan at all levels, and that the usual pattern of concavity – that is, decreasing returns for successively higher levels of education – hold in Pakistan as in other countries. This conventional wisdom has been challenged by recent empirical research that shows that returns to education are convex in Pakistan.<sup>12</sup> In other words, returns are low or non-existent at low level of education and then escalate at higher levels of education.<sup>13</sup>

The gendered division of labour noted above operates at all levels of the labour market, with a high wage gap between men and women.<sup>14</sup> The returns to schooling framework threw important further insights. Women were joining the workforce at higher levels of schooling compared to men – typically after 10 years of schooling.<sup>15</sup> The wage gap between men and women which was in favour of men at all levels became narrower at higher levels of female education.<sup>16</sup>

The precise relationship between education, employment and poverty reduction has been analyzed in various ways. In particular, does the labour market in Pakistan reward human capital, or does it use educational qualifications to simply screen workers? Using data on cognitive ability it was possible to separate out the human capital effects from the “credentialist” value of qualifications. It was found that measured ability had no direct effect

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<sup>9</sup> Ghayur (2009c).

<sup>10</sup> Based on Bureau of Emigration and Overseas Employment, Ministry of Labour and Overseas Pakistanis, Government of Pakistan, Annual Data on Labour Migration 1971-2006. URL: <http://www.beoe.gov.pk/DATAS/Country%20wise%2071-2006.xls>

<sup>11</sup> Organisation for Economic Cooperation and Development (OECD), Database on Migrants and Expatriates, updated 2005, based on OECD national census reports circa 2000. URL: [http://www.oecd.org/document/51/0,3343,en\\_2649\\_37415\\_34063091\\_1\\_1\\_1\\_37415,00.html](http://www.oecd.org/document/51/0,3343,en_2649_37415_34063091_1_1_1_37415,00.html)

<sup>12</sup> The research was carried out by the Research Consortium on Educational Outcome and Poverty and the Mahbul Haq Human Development Centre.

<sup>13</sup> See Aslam (2009a), and Aslam (2009b).

<sup>14</sup> Shahnaz (2009).

<sup>15</sup> This finding concurs with sectoral data which shows a rapid increase in the number of young women who are entering the workforce as private sector primary school-teachers (Andrabi et al, 2009).

<sup>16</sup> Aslam (2009a); Aslam (2009b).

on earnings for either men or women. In other words, the observed positive correlation of education with earnings was almost entirely due to the use of qualifications to screen workers.<sup>17</sup>

These results are in line with the now well-established findings that formal sector jobs – which in most cases mean public sector jobs – command a premium in terms of earnings even after accounting for educational levels. There is also evidence that formal sector jobs tend to be rationed by prior social identity – namely region and kinship group – and that educational and occupational mobility tends to be restricted by social marginalization.<sup>18</sup>

### **3.5 Social institutions and labour**

Social institutions and social marginalization influence the functioning of labour markets, and contribute to the prevalence and perpetuation of various non-market labour arrangements. The clearest instance of this is observed with respect to gender and patriarchy, and it was seen above that the labour market is highly segmented by gender. Societal institutions as well as economic constraints also play an important role in the perpetuation of child labour. Extreme forms of exploitation often work across multiple dimensions of social marginalization, and manifest themselves in the shape of forced labour and bonded labour. These extreme forms of exploitation, however, need to be viewed as part of a more general continuum of labour arrangements, in which personalized transactions and obligations remain important even in apparently “open” labour markets.<sup>19</sup>

#### *Women workers*

Women’s access to the labour market – both formal and informal – is heavily regulated by families and communities. There continue to be strong social norms governing women’s access to public spaces and their ability to take up remunerative activities outside the family sphere. While it is common for women in rural areas to work outside the home – e.g. cotton farming depends on female labour – working outside the context of the family is still regarded as an undesirable activity among many communities. So much so that taking up paid employment outside of one’s family context is often seen as a marker of lower social status. These norms are breached in many urban areas and at the upper segment of the labour market.

In urban areas with rapidly diversifying economic opportunities women’s limited mobility and autonomy has led to a growth in home-based work. This work, which is often carried out by women and children, places workers at a great disadvantage in terms of pay, working conditions, bargaining power and contractual security.<sup>20</sup>

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<sup>17</sup> Aslam, Bari and Kingdon (2008).

<sup>18</sup> See Cheema, and Naseer (2009b); Gazdar (2007).

<sup>19</sup> Informal social networks, for example, play an important part in access to most labour markets and also facilitate intra-country and overseas migration.

<sup>20</sup> See Azhar (2009).

Women's access to formal paid work is thought to have second round effects for women's empowerment on several counts.<sup>21</sup> Direct access to sources of livelihood reduces dependence on male household members. Over time the increasing presence of women in the public domain is likely to change the gendered division of space in Pakistani rural and urban communities, making it easier for women to access not only economic resources but also political and social resources that are their citizenship-based entitlements. Even relatively low-paying public sector engagement can have important social repercussions in terms of women's empowerment in many communities.<sup>22</sup>

Women's participation in paid work is often a signal of a "double burden" – that of earning a living as well as providing care within the family. Pakistan's recorded rate of female labour participation is so low, and the correlation with the gendered division of space so close that the expansion in women's autonomous economic opportunities is bound to be a move in the positive direction.

### *Child labour*

Child labour is complicated for many of the reasons that apply to women's work. There are stronger formal legal restrictions on sectors and activities considered to be harmful. At the same time the law and policy provide a great deal of leeway to existing social norms and practices. In fact, it is widely acknowledged that there are no reliable up to date statistics on child labour in the country. Child labour is closely linked to the absence of good quality and affordable schooling, and some counts rely on the number of children of school-going age who are out of school as the starting point. Child labour is also often linked to social marginalized and social hierarchy – as it is children belonging to marginalized groups who end being exposed to dangerous and harmful economic activities.<sup>23</sup>

### *Bonded labour*

The persistence of bonded labour and other forms of forced labour is the starkest indication that the relevance of the labour market framework remains severely restricted in Pakistan. Bonded labour is defined in law to denote any form of employment where forced labour is procured against debt or on any other pretext. Bonded labour abolition legislation has been useful for highlighting a once-neglected issue. Two decades since enactment, however, the task of abolishing bonded labour outright remains to be achieved. In fact, there is still a dearth of reliable empirical evidence on the incidence of bonded labour and its regional and sectoral prevalence.

It is widely believed that some sectors and regions such as brick kilns in Punjab, agricultural tenancy in Sindh have a high prevalence of bonded labour. Nationally representative household and labour force surveys have been of limited use in ascertaining the scale of the problem. Qualitative

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<sup>21</sup> For a review see Khan (2007).

<sup>22</sup> See Khan (2008) on the impact of Lady Health Workers on women's empowerment in rural areas.

<sup>23</sup> See Danish (2009) and Khan (2009).

studies and smaller scale sample surveys have shown that bonded labour is not limited to these sectors, and not all credit-labour contracts in these sectors are necessarily coercive.<sup>24</sup>

Social marginalization along the lines of group identity (caste, kinship, ethnicity, religion) is one common factor in the presence of bonded or forced labour. Individuals and families who belong to traditional marginalized groups – “low” castes, indigenous communities, and religious and ethnic minorities – are particularly vulnerable to forced labour. In many instances the debt or *peshgi* relationship – credit-labour linkage – is significant. Dependence on employers for residential land also plays an important part. In general, situations where employers have recourse to strong collective action and workers are socially marginalized and politically disempowered, have a high degree of vulnerability to bonded or forced labour.

### *Social networks*

The importance of social networks is simply the flip side of social marginalization and labour vulnerability. Labour arrangements in Pakistan range from the highly coercive to contracts with a high degree of worker protection. Despite the existence of protective laws and legal mechanisms, there is a great deal of inequality between individuals in their ability to access existing laws and protections.

Social networks play a key role in facilitating employment opportunities, lowering the cost of migration, and creating assurance between workers and employers. Personal recommendation or *sifarish* on the part of someone with whom there is a prior social connection is quite often the only way in which jobs and workers get matched. The role of personal connection is important in the traditional *ustaad-shagird* systems of apprenticeship and vocational training.<sup>25</sup> Even in the case of overseas migration personal and kinship relations dominate formal arrangements for labour matching.

While micro-level studies generally reveal the personalized nature of labour arrangements even in the urban sectors, there is relatively little statistical data or policy focus on this aspect of labour and employment. This implies that even though labour markets have a potentially emancipatory role, in the absence of promotional policies these markets will reverse existing social inequalities only slowly. Existing social norms and hierarchies mediate access to opportunities that open up as a result of public and private investment or in the overseas labour markets.

## **4. Policy framework and priorities**

The plan period needs to achieve a number of quantitative and qualitative objectives with respect to employment and labour. These objectives, if

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<sup>24</sup> See Danish (2009), and ILO supported sector studies cited there.

<sup>25</sup> Janjua and Naveed (2009).

achieved, will have a direct bearing on the role of employment in reducing poverty and economic inequality.

#### *Quantitative objectives*

- Increase in high quality domestic employment opportunities for men and women
- Reversal of informalization of the workforce
- Increase in female labour force participation
- Reduction in the proportion of unpaid family labour in the workforce
- Increase in non-agricultural and non-service sector employment
- Slowing down of the casualization of the agrarian workforce

#### *Qualitative objectives*

- Pro-active engagement with factors leading to bonded or forced labour
- Progress towards changing social norms and attitudes towards child labour
- Engagement with social marginalization in labour arrangements
- Engagement with patriarchy and gender segmentation of labour market
- Pro-active labour market interventions for impersonal third party contract enforcement
- Skills enhancement in place of qualification credentials as role of schooling and education

The remainder of this section outlines a range of policy and programme priorities that had help to attain these objectives. Before proceeding with specific policy and programme priorities, however, possible economic and demographic scenarios during the plan period are highlighted.

### **4.1 Economic and demographic scenarios**

There are three key elements to the emerging economic and demographic scenarios over the period of the plan, which will set the context for priorities and programmes with respect to employment and its income distribution and poverty reduction linkage.

The economy is on the path to stabilization and is likely to embark upon a growth path within the lifetime of the plan. Pakistan cannot, realistically, radically alter its decades-old reliance on external circumstances – often driven by global strategic considerations - within the lifetime of the plan. What can be attempted is a deepening of the economic base and institutional changes that will in turn create the basis for sustainable domestic or comparative advantage-led growth.

External political factors provide short to medium relief, but also act as constraints on Pakistan realizing its growth potential. The Pakistani economy's key dynamic strategic advantage rests with its location between actually and/or potentially fast-growing economies of East, South, West and

Central Asia. The realization of the country's economic potential is highly dependent on the resolution of bilateral and other regional disputes, which are beyond the remit of economic policy. Planning can, however, prepare the economy to take advantage of future openings if and when they occur.

Pakistan is currently facing serious internal challenges to the security of its citizens and the stability of its fundamental institutions. The challenges manifest themselves in the form of terrorist attacks and counter-insurgency operations. Until there is a satisfactory resolution of this internal challenge the country's economy will remain vulnerable to international isolation, shyness of international investment, and the burden of coping with the loss of lives, investments, and human displacement.

Furthermore there are also concerns that long years of neglect of inter-provincial relations is taking a political toll, and many of the ameliorative measures proposed and taken in this regard have direct implications for economic planning.

Quite autonomously of these economic and political scenarios, Pakistan is also currently poised at an important moment in its demographic evolution. The country's population will increase to 182 million to 195 million by the end of the plan period under different population growth scenarios.<sup>26</sup> Besides the quantitative change the current period is also witnessing the decline in fertility and hence the possibility of a "demographic dividend". The key opportunity in this regard is to use the decline in the growth rate of the population to rapidly increase the coverage and quality of education, health and welfare services.

From the viewpoint of employment the "demographic dividend" refers to a bulge in the population of working age, and thus a decline in the dependency ratio. Depending on the population growth scenario the demographic dividend could last several decades.<sup>27</sup> In Pakistan the effects of the demographic dividend could be magnified through increasing labour force participation rates for women. But in the absence of investment in education, skills and health, the potential demographic dividend could quickly turn into a demographic threat with high rates of youth unemployment, which in turn fuel political and security challenges.

The key implication of the present demographic moment in Pakistan is that investment in social sectors needs to be escalated rapidly before it can be allowed to decline – as is the classical implication of demographic dividend in countries with high levels of human development. There is historic opportunity in incentivizing a youthful workforce to take up gainful employment in education, health and social welfare, both as a way of capitalizing on the demographic dividend and as way of seeing off the demographic threat.<sup>28</sup>

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<sup>26</sup> Sathar, Mahmood, & Sultan (2009)

<sup>27</sup> Anwar (2009).

<sup>28</sup> It was noted above this is already happening through the market mechanism – for example with the rapid increase in the employment of young women as private school teachers. These market trends need to be further encouraged and leveraged by the public sector.

## **4.2 Counter-cyclical employment and demand management**

The debate about demand management appears to have been settled for now in the favour of counter-cyclical intervention. This means that in periods of economic down-turn the government should borrow and spend – on capital and current consumption – in order to boost demand and jump-start recovery.<sup>29</sup> The economic downturn in Pakistan from 2007-2008 onwards was linked to and worsened by global currents. An important feature of the stabilization programme, however, was commitment to enhanced social safety nets in the shape of targeted income transfers.

What is required over the period of the plan is a comprehensive and systematic counter-cycle response. An employment guarantee programme is an effective way of addressing this concern. The underlying principle of an employment guarantee programme is public commitment to offer work at a low wage for a specified number of days - or unemployment support in the failure to provide work. Such programmes which are also known as workfare have the advantage of being counter-cyclical – people withdraw themselves from the programme as economic activity picks up. The programmes are also self-targeting, since individuals with better remunerative opportunities elsewhere will not offer themselves for work at low wages.

The main disadvantages of such programmes are administrative complexity and non-labour costs. Combined with productive projects for local infrastructure – such as local roads, draining and canal cleaning – such programmes can contribute to valuable infrastructure development as well as acting as effective income transfers. Employment guarantee schemes should be piloted for taking to scale during the life of the plan.

## **4.3 Public investment-employment linkages**

There needs to be closer employment tracking of existing and proposed public investments. Currently the mechanisms at the disposal of monitoring and audit authorities are imprecise and often based on notional data. This pattern needs to be reversed within the life of the current plan. Planning and monitoring of projects must include rigorous accounting of employment generation. Employment generation needs to be accorded higher priority in project selection. There needs to be a system for ranking projects that generate high levels of employment, with additional weightage to employment generation in backward and under-developed districts.

## **4.4 “Flexicurity” in labour markets**

Pakistan needs to move towards an optimal combination of labour market flexibility and security during the plan period. This will require a review of existing labour laws and regulation with the view of reducing incentives for the creation of small and impenetrable formal enclaves. At the same time there

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<sup>29</sup> Ocampo (2009).

needs to be paid greater attention to labour regulation and possibilities of collective bargaining for the vast pool of labour in agriculture and the non-agricultural informal sector. A second key dimension of an optimal balance is enhanced social protection for workers across the board, that is not linked to particular jobs.

#### **4.5 Local labour arbitration and information**

A key challenge is to open up and make the labour market more equitable to individuals regardless of their gender, social status and prior political or social advantage. A segmented labour market, with coercive labour arrangements at its bottom end, will perpetuate unequal economic and social outcomes even through periods of growth and employment generation. The linkage between skills and earnings is also dampened through the existence of personalized labour relations. There is a dire need in Pakistan for much improved labour market information and exchange systems, and these too can make a major contribution to labour market efficiency.<sup>30</sup> Three related proposals are made in this regard for the plan.

Labour arbitration and information systems need to be established within sectors and at the local level.<sup>31</sup> Prominent early candidates for the establishment of arbitration and information systems are tenant farming and brick kilns, which are known, *a priori*, for the prevalence of forced and bonded labour. Workers and employers representatives along with local civil society activists should run arbitration and information systems within the prescribed legal framework. Pilot projects can be initiated in selected districts for replication and scaling up during the plan period, and other sectors and localities can be added.

Arbitrators and information system managers (representatives of workers, employers and local civil society) need to be trained and sensitized to issues relating to social marginalization as well as child welfare.

Centres for the registration of workers seeking employment should be set up on a pilot basis in selected localities, and these should be linked with employment opportunities using computerized databases. The local outreach of employment exchanges and registration centres is needed to ensure effectiveness.

#### **4.6 Affirmative action for women workers/entrepreneurs**

Affirmative action policies for women workers and employees, as well as women entrepreneurs need to be put in place during the plan period. Public sector investments create employment during their construction phase and also on a recurrent basis. Along with the tracking of employment generation there needs to be additional tracking of gender dimension of job creation of

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<sup>30</sup> Ghayur (2009a); Ghayur (2009b).

<sup>31</sup> The idea of local outreach for arbitration and information systems builds on Ghayur (2009a, 2009b) who focuses exclusively on information systems, and responds to the concern that labour markets remain informal and segmented due to weak contract enforceability.

public investment. Projects with a particularly high female employment effect should be prioritized.

Special windows should exist for women entrepreneurs in the SME sector.<sup>32</sup>

#### **4.7 Women's cooperatives and centres**

The plan needs to address issues relating to home based workers, particularly home based women workers who play a mostly ignored and undocumented role in economic activity and growth. Women's cooperatives and women's centres should be set up on a pilot basis in selected urban areas, targeting locations and sectors where home-based work is highly prevalent.<sup>33</sup> Such centres and cooperatives can offer many of the benefits of home-based work – by providing a secure, female-dominated and child friendly environment – while helping overcome some of the hazards. Such centres can be managed by women's organizations which can provide access to contractors and sub-contractors of piece-rate work while also offering a protective environment to women workers.<sup>34</sup> The cooperatives and centres can additionally serve as focal points for the delivery of health services to women and children.

#### **4.8 Job creation in social sectors – health and education**

Pakistan's growth and demographic scenarios demand significant expansion in the provision of social services such as health, education and welfare. While many emerging service providers who offer increasing numbers of jobs to new labour market entrants – young men and women – are in the private sector, there is great pressure too on the public sector to provide employment.<sup>35</sup> Various public-private partnership models that have worked well at the local level need to be piloted and scaled up to sponsor a large increase in the number of jobs for young people in the social sectors.<sup>36</sup>

#### **4.9 Interventions to slow down casualization in agriculture**

Going by past trends agriculture's share of total employment is likely to decline by around 5 per cent points over the plan period. The sector would still remain the largest single employer, as well as a "sink" for economy-wide under-employment. Another trend that will continue at an even faster pace is the dispossession of the landless poor from self-employment in agriculture, and the option of landless tenancy becomes less available. There are equity

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<sup>32</sup> Shahnaz (2009).

<sup>33</sup> The idea of women's centres builds upon the idea of "socio-economic centres" in Sindh province outlined in Shabbir (2009), and combines this idea with concerns raised in Azhar (2009) and Shahnaz (2009).

<sup>34</sup> See Azhar (2009) on the advantages of approaching homebased workers through women's organizations or NGOs, including the possibility of leveraging existing social protection measures such as the Benazir Income Support Programme.

<sup>35</sup> Shahnaz (2009) makes this case specifically for women, and it can be generalized for young men too.

<sup>36</sup> The experience of the National Commission for Human Development, Lady Health Workers' programme, expansion of private sector female teachers, and of innovative provincial vocational programmes (such as the Sindh government's Shaheed Benazir Bhutto Youth Development Programme) needs to be taken into account in this regard. On the latter see Shabbir (2009).

and efficiency concerns with respect to this trend. Given the rigidity in the land market, landowners with surplus land (perhaps because of their diversified or urbanized livelihood options) make land available to tenants on fixed lease rentals from which the poor are effectively excluded due to capital constraints.

There is an opportunity to slow down the casualization of agrarian labour, and intervene on the behalf of the poorest segments of the rural population, protecting their access to livelihoods and food security. Agricultural tenancy regulation has led to the decline of the offer of share-tenancies to the landless poor, as landowners fear dispossession. For a more active tenancy market – in lieu of a more efficient land sales market – tenancy regulation needs to be brought in line with current requirements.<sup>37</sup>

The landless poor's opportunities for access to land can be further expanded through market-based interventions. Organizations (NGOs, RSPs, cooperatives) can be facilitated to act as intermediaries between landlords (or state land) and the landless poor. The organizations can sign fixed lease rentals with private landowners or the state and then sub-let smaller plots along with extension and micro-credit service to the landless poor on a share-cropping basis.<sup>38</sup>

#### **4.10 Strategic technical vocational education planning**

There needs to be an upgrading of technical and vocational education and strategic planning for emerging labour demands and opportunities in the medium term.<sup>39</sup> The emerging need for young trained workers in the social sectors (particularly health and education) has already been highlighted. There are two important strands to the reform and upgradation of TVE in Pakistan.

First, strategic planning needs to take account of emerging sectors, industries and locations of future economic opportunity within and outside the country.<sup>40</sup> Pakistan's natural comparative in a number of sectors will become salient through investment currently in the pipeline. These include the coal industry and energy production, natural gas exploration and transmission, marine fisheries, as well as a range of social sectors. The political feasibility of a number of inward investments will be influenced by the efforts that are made to mobilize local youth for remunerative and skilled employment in these sectors. In addition, depending on the resolution of regional political disputes

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<sup>37</sup> The plan is an appropriate framework for addressing this concern, considering the fact the early land reform legislation itself was debated in plan documents of the 1950s (see Gazdar, forthcoming).

<sup>38</sup> This idea was examined in detail on the basis of pilot interventions in Gazdar, Khan and Khan (2002). The work of SRSO in Sindh and various RSPs in Punjab, particularly in the southern districts of the province suggests that such models can indeed work.

<sup>39</sup> A detailed review of vocational training and education in Pakistan is available in Shah and Bhatti (2009).

<sup>40</sup> Location of opportunities within the country will be important as part of the political reconciliation process in smaller provinces is premised on the training of local youths for emerging job opportunities. Afaqi (2009) notes local constraints in the supply of skilled labour in the SME sector which could be met through investment in appropriate TVE.

new economic opportunities with respect to neighbouring economies will need attention to mutual complementarities. All these strategic employment considerations are in addition to the already acknowledged issue of anticipating patterns of overseas labour demand.<sup>41</sup>

The second important area of reform, particularly with respect to the skill requirements of the SME sector is based on the insight that the traditional *ustaad-shagird* system combines training with the cultivation of a personal bond. The weakness of impersonalized labour market institutions in many growing sectors of the economy – particularly SME – implies that there is a need to combine some of the advantages of the traditional system alongwith the advantages of modern training and education.<sup>42</sup>

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<sup>41</sup> Ghayur (2009c).

<sup>42</sup> Janjua and Naveed (2009).

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