



THE EMPLOYMENT SITUATION IN PAKISTAN

About IPR

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The Pakistan Bureau of Statistics has released the findings of the latest Labor Force Survey of 2014-15 recently. The Bureau must be complimented for undertaking this Survey, more or less, annually and publishing the findings quickly. This enables timely monitoring of the employment situation in the country.

Thirty three such surveys have been carried out by PBS. The coverage is nationwide. The sample size was 42,108 households in the 2014-15 survey. Information is provided on the level and characteristics of the labor force and employment, the level of unemployed, the number of hours worked, the occupational distribution and wages. This IPR fact sheet focuses on developments in the labor market of Pakistan.

Between 2012-13 and 2014-15 only 1.3 million workers apparently entered the labor market. Historically, the number entering used to be 1.5 million workers per annum. Therefore, given the conditions in the labor market, almost 1.7 million potential workers have either opted not to join the labor force or there has been an understatement of the labor force size by PBS.

Between 2012-13 and 2014-15 the number of jobs created is 1.4 million. Accordingly, decrease in the number of unemployed workers is 100,000. As such, by the end of 2014-15, the number of unemployed workers is 3.6 million. However, if the number of discouraged workers is included and the normal increase in labor force allowed for, the total number of unemployed rises to 5.3 million.

The reported unemployment rate is just under 6%. Apparently, it has fallen slightly from the level in 2012-13. However, if appropriate adjustment is made the unemployment rate rises to 8.5%, this is the highest rate of unemployment in the last thirteen years.

An extremely worrying feature of the current unemployment situation is that the rate among literate workers is more than twice that among illiterate workers. In fact, the highest rate of unemployment, three times above the national average, is observed in the case of highly educated workers with either degree or post-graduate qualifications.

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Similarly, the unemployment rate among young workers is also relatively high. There is little difference in the unemployment rate between urban and rural areas of the country. After 2012-13 the reported unemployment rate has improved the most in Khyber-Pakhtunkhwa. However, employment growth has been the fastest in Punjab.

Significant changes have occurred in the sectoral distribution of employment. Employment has fallen somewhat in agriculture. The positive finding is that almost two-thirds of the new jobs created during the last two years have been in the manufacturing sector. Only one-third of the additional jobs are in the services sectors, which largely fall in the informal economy. The prospect of finding `decent work` is much higher in the formal sector. Currently, about 27% of the workers are engaged in the formal sector.

An important development is the trend towards increased labor force participation rate of women in Pakistan, which is currently one of the lowest in the world. It has risen significantly after 2008-09 by almost three percentage points, to reach 22%. Meanwhile, the labor force participation rate for males has actually fallen by 1.5 percentage points.

What is the trend in real wages? Between 2008-09 and 2013-14 real wages have increased for technicians and professionals, while that for unskilled workers have fallen. The skill premium is rising in the economy. Beyond a point, this could become a source of greater inequality. There has also unfortunately been some increase in the gender wage differential for similar skills in the last five years.

In the context of the employment situation, one disturbing feature is the number of `idle` males aged between 15 to 29 years. These individuals are neither undergoing education nor searching for a job. There are over one million such `idle` young males. They are perhaps more vulnerable to crime or militancy. It is unfortunate that the Youth Employment Programs launched by the Government have not been so successful in inducing productive engagement in the labor force.

A significant positive trend is the decline in the number of child workers by over 14% since 2012-13. Focus on this problem has increased following the granting of GSP plus status to Pakistan by the EU, conditional on adherence to 27 international conventions. Eight of these conventions relate directly to labor. The Government of Punjab, in particular, is making efforts to reduce child and bonded labor in brick kilns. A special incentive is being offered for instead sending the child to school.

The overall message is that both positive and negative developments are observed in the labor market of Pakistan. For sustainable and an unemployment reducing situation to develop, the growth rate of the GDP will have to rise to over 6%. Simultaneously, the state and the private sector will both have to invest more in improving the skill endowment of labor force.