Developing Labour Market Information System for Informal Sector in Pakistan

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1. INTRODUCTION

The informal sector (IFS) is seen as having the potential to adequately respond to the growing unemployment problem in Pakistan. Easy access, and low skill and investment requirements of a variety of activities in this sector correspond well with the stock and annual additions to the labour force and the available financial resources. This sector is still absorbing a large proportion of the labour force in rural and urban areas. It is also contributing significantly towards developing the skill base of the labour force.[1] (see Annex Tables I–III.)

But the fact remains that its development is rather haphazard with the result that the potential which this sector offers remains poorly utilised. Firstly, adequate disaggregated information on this sector is still lacking. This often results in the undertaking of activities, but, without taking cognisance of market conditions and availability of adequate consumer demand. A number of such activities, hence, face the risk of failure at the outset. Secondly, there is a lack of disaggregated information on the stock of the labour force and annual additions to it, and also on employment patterns. This affects support activities, if any, as adequate feedback is not forthcoming on market conditions, new entrants into the labour market and the unemployed. Availability of disaggregated information is necessary for undertaking support and development activities for this sector. The credit

[1]There is a wide body of literature dealing with the employment potential of the informal sector. For a review of the literature and additional information, in particular that related to Pakistan, see [Chaudhry *et al.* (1989), pp. 1–9; Burki and Ghayur (1992), pp. 6–35; Ghayur (ed) (1993) and Kemal and Mahmood (1993), pp. 5–15].

disbursement of the concerned development financial institutions (DFIs), for instance, can be made activity-, loanee- and region-specific.

This market imperfection affects the formulation of support policy (ies) and the optimal choice of the participants of this sector. The situation is further aggravated when it is noticed that activities are initiated without proper training and/or knowledge about them and even without knowing the basics of management, marketing and accounting.

The non-responsiveness of the existing labour market information system (LMIS) is seen as a key hindrance to the proper use of the employment potential of this sector [Ghayur (1991a)]. We in this paper, without going into the methodological issues concerning the informal sector,[2] would define the main purpose of this exercise to see as how an LMIS can be developed for the IFS. The scheme of presentation of this paper is such that the LMIS is briefly discussed in Section 2. Existing LMIS for the IFS and its inadequacies are discussed in Section 3. The target groups and their requirements appear in Section 4, while suggestions for the development of an LMIS for the IFS are presented in Section 5. The concluding remarks appear in Section 6.

2. WHAT IS THE LABOUR MARKET INFORMATION SYSTEM?

The labour market information system is defined as an institutional mechanism which facilitates the proper development and effective utilisation of human resources. It helps in minimising imbalances in the demand for and supply of labour across regions, occupations and sectors of an economy. The operational objectives of an LMIS emerging from such a definition are: (i) generation of disaggregated information on employment patterns, and the nature and extent of unemployment and underemployment, (ii) provision of services, such as employment counselling, vocational guidance and employment intermediation, (iii) monitoring and analysing changes occurring in the labour market at macro-, meso- and micro-levels, (iv) identifying target and vulnerable groups, areas and sectors, and (v) providing a feed-back to education and training institutions as well as to support organisations.

The deliveries of LMIS thus can be broadly grouped under three inde-pendent but partly overlapping functions, namely: (i) labour market information, i.e. the collection, compilation and dissemination of data, (ii) labour market

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[2]The author is of the view that an unduly over-emphasised discussion on pros and cons of the informal sector, instead of going for a detailed understanding of the functioning of this sector, is also responsible for the present lower level of information on it, see for instance [Haan (1989), pp. 6–12].

diagnosis, i.e. a continuous monitoring of changes occurring in the labour market(s) through field surveys and enquiries, and (iii) labour market intermedia-tion, i.e. (a) registration and placement of unemployed/job seekers, (b) notification of vacancies, and (c) undertaking employment counselling and vocational guidance.

3. THE EXISTING LABOUR MARKET INFORMATION SYSTEM FOR THE INFORMAL SECTOR AND ITS INADEQUACIES

A fairly elaborate Labour Market Information System has been evolved in Pakistan which caters to varying degrees of effectiveness to the three functions mentioned above of the LMIS. But the fact remains that deliveries of the system are far from the desired level.[3] One of the weakest areas of this system relates to the IFS. This section makes a brief discussion of the existing LMIS for IFS.

Some broad aggregates on the employment pattern, at the one-digit level of classification, are made available separately for rural and urban areas and for provinces by Labour Force Surveys (LFSs) and Population Censuses.[4] This infor-mation, however, does not go beyond giving overall numbers for the informal sector participants and their occupational and industrial classifications. A detailed infor-mation by rural and urban areas is available for the small-scale and household manufacturing activities. This is provided by the Survey of Small and Household Manufacturing Industries (SSH and MI) conducted once in five years. Even this source does not give regional (District) profiles. The census of establishments conducted for the first time in Pakistan in 1988 does provide information at the regional level, but is confined only to number of units and employment size. These sources fail to give adequate information on labour supply and demand flows even in the aggregative form. Details and disaggregations, obviously, are not forthcoming.

It is puzzling to observe that in addition to those institutions which are directly responsible for the generation of data, a number of other institutions are also generating/possessing data. They are, by and large, not only unknown to the users but to some producers of data as well, hence are "invisibles".[5] In certain cases the data are found to be lying unprocessed. For instance, detailed information on the type of activities by areas and localities in a city/urban area is collected regularly

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[3]For a detailed count of LMIS, its evolution over time and prevailing inadequacies, see [NMC (1989), Chapter 12 and Ghayur (1990a)].

[4]The sectorial and occupational composition and employment status of the employed can readily bifurcate the employed working in the formal and informal sectors of the economy and in the provinces by rural/urban areas.

[5]For a further information on the "invisibles", the institutions and data, see [Ghayur (1991), pp. 881–887].

by local offices of the Provincial Labour Welfare Directorates. But it is lying almost unnoticed to a user in the registers of their local offices. Further, the information is neither gathered nor processed scientifically.

The labour market diagnostic and monitoring activities, are only confined to a few *ad hoc* surveys.[6] The irregular nature of these surveys as well as their inadequate coverage of the universe, i.e. of the informal sector, also makes such exercises of little use.

An inadequate attention to data generation and labour market monitoring has clearly led to a situation where desired services from a LMIS such as employment counselling, vocational guidance and employment service are not forthcoming. In fact, the basic data needed for undertaking such an exercise is almost non-existent. The employment exchanges, however, are undertaking such exercises but these are confined to a few activities of an insignificant nature.[7] Even such activities would not be available in the Punjab Province as these Employment Exchanges are being wound up.

4. THE TARGET GROUPS AND THEIR REQUIREMENTS

Notwithstanding the presently low and ineffective level of integration of the IFS with LMIS, the potential for evolving an effective mechanism does exist. The discussion on as how such a mechanism can be evolved, however, needs to be preceded by a look at the different target groups and their requirements. This section essentially deals with these aspects.

The Target Groups

The identifiable target groups are: (i) new entrants into the labour market, in particular in the local labour market(s), further disaggregated by gender, education and skills, (ii) home-based enterprises, (iii) women workers especially the piece-raters, (iv) returning migrants, (v) micro- and small-scale potential entrepreneurs, and (vi) unemployed.

Some other groups needing assistance from LMIS are: (i) education and training institutions, (ii) DFIs, and (iii) support programme makers and managers.

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[6]For a further information on such exercises and other data collecting agencies, see [Ghayur (1990b), pp. 44–46.]
[7]The bi-annual *Pakistan Manpower Review* contains statistics on the activities of the Employment Exchanges concerning registration, notifications and placements, for details see [NMC (1989), p. 226] or a latest issue of the Review.

The Requirements

The nature of deliveries required by these different set of target groups are quite obvious–some significant ones, nonetheless, are listed in the following:

(i)   Detailed information on new entrants into the labour market including also the returning migrants by their main characteristics such as: education and training, gender and skill composition;

(ii)   detailed disaggregated information on the existing pattern of employment in the IFS;

(iii)   identification of location-specific work/job opportunities for different types of the labour force in all sub-sectors of IFS, such as: (a) services, (b) trades; both whole-sale and retail, (c) manufacturing, (d) repairing, (e) home-based activities, (f) piece-rate work, especially for women, (g) transport, and (h) hawkers and vendors;

(iv)   details about the unemployed;

(v)   feed-back to the: (a) education and training institutions about the changing labour market needs, (b) DFIs about the location- and trade-specific activities having employment potential, and (c) support programme makers and managers about the changing labour market conditions; and

(vi)   based on i–v above, establishment of an institutional mechanism having a meaningful collaboration with all the concerned institutions and also undertaking matching operations, placements, employment counselling and vocational guidance.

5. DEVELOPING A LABOUR MARKET INFORMATION SYSTEM FOR THE INFORMAL SECTOR

The utilisation of the vast employment potential of the IFS requires the establishment of an institutional mechanism having a focal point with meaningful integration, both horizontal and vertical, with all those concerned with this sector. This then requires the building of a fairly elaborate but well co-ordinated consultative and collaborative mechanism having built-in flexibility and autonomy. For an early and adequate response of this system to different IFS target groups, one immediately realises the need for a facilitator–a focal point. The Directorates of Manpower and Training of the provinces have field offices in almost each district in Pakistan. They are essentially required to address the three functions of LMIS. A number of LMIS-related functions such as employment service/counselling,

vocational guidance/training and labour market intermediation, qualitative aspects setting aside, are presently undertaken by different wings/units of these directorates. The Employment Exchanges have a history of established contacts with the employers and possess the capability to establish new contacts with others concerned. The Employment Exchanges then need to be made focal points for LMIS-related activities. They, Employment Exchanges, however, would need to be greatly strengthened in terms of finances, infrastructure and manpower. Even additional administrative support by the government would be needed. For instance, DFIs need to be asked to consult them before undertaking their loan operations in a District. Even education and training institutions need to be asked to consult their respective Employment Exchanges for designing/revising curicula and also prior to the introduction of new subjects/courses. Such administrative changes and support, obviously, would be in addition to bringing different units/cells of the DM and Ts such as vocational guidance, manpower survey and vocational training at one place at each District. Similarly, they need to be greatly strengthened. There is a need to make these Employment Exchanges rather autonomous institutions. Such an arrangement should then lead to the establishment of contacts and working relations of these Employment Exchanges with NGOs, councillors of local bodies, officials of Labour Departments, DFIs, education and training institutions, and trade bodies and associations. This horizontal integration of the focal points–Employment Exchanges–does not mean that the labour market information system revolves around them only. In fact they then need to be integrated in the overall framework of the LMIS. An important step in this regard is the establishment of similar collaborative mechanism at the provincial and national levels as well as integration of Union Councils at the grass root level. Some of the institutions which need to be integrated with the focal points are identified below.

Local Bodies and Departments of Labour

The Directorates of Labour Welfare are responsible for the registration of all enterprises/activities/shops. This is mainly done for the purpose of enforcing legislations related to weekly holiday, daily hours of work and minimum wages. In this process, however, they possess detailed information on the type of activities underway in the informal sector in different areas and localities in urban areas. Similarly, the local bodies register the hawkers and vendors by type of activities for different localities. A scientific compilation and processing of this information can serve as bench-mark data on IFS activities in urban areas. Necessary improve-

ments in this regard can be effected by providing technical assistance and training to the functionaries of the Directorates and local bodies. The DM and Ts and Pakistan Manpower Institute can help in the upgradation of skills. The information, thus, gathered and compiled can also be sent to the Employment Exchanges for their further processing and use for LMIS related activities.

Councillors of the Local Bodies

The councillors of local bodies are presently undertaking welfare activities only, serving as attesting authority(ies) and attending also to the family/matrimonial matters. They, however, can also be used for: (i) giving detailed count for informal sector activities, (ii) identification of activities by different types and categories having employment potential, (iii) identification of the prospective loanees to the DFIs, obviously through the Employment Exchange(s), (iv) ensuring timely repayment of loans, (v) informing about the unemployed, and (v) giving information on the nature of existing skills development programmes, in particular, those in the informal sector for their respective areas. Most of this information can be gathered by the councillors of the local bodies on a prescribed simple form and sent by them to their respective Employment Exchanges on regular basis. The Employment Exchanges then can process this information and use it for their activities.

Trade Bodies and Associations

The trade bodies and associations are formed for most IFS activities and have their own elected representatives. Each one of them registers activities/establishments in the areas of their concern and accordingly possess information. In fact, they are in a better position to indicate their problems and prospects, hence, need to be integrated with LMIS, obviously, through the respective Employment Exchanges. They can be integrated for the purpose of: (i) giving information on the nature and type of activities, presently underway in their spheres, (ii) indicating scope of further gainful activities by locations, (iii) existing skills development programmes, (iv) likely skills requirements, (v) adequacy of formal skills development programmes and suggestions for improvements, and (vi) identifying loanees and even also serving as collateral.

Non-governmental Organisations (NGOs)

Some of the functions of LMIS can be adequately addressed by NGOs, in particular for providing information on changes occurring in the different labour

market(s) as well as on the nature and type of activities to be supported. Similarly, they can be used not only to identify trade-specific training and credit requirements but for undertaking their own short-term training programmes as well. In addition, they can facilitate access to credit to the prospective IFS participant(s).

6. CONCLUDING REMARKS

The Informal Sector is being advocated as having the potential to address the growing unemployment problem in Pakistan. Despite this realisation, however, adequate information on the size, structure and nature of activities underway in this sector is not forthcoming. This information lag is also found for the unemployed and annual flows to different regional and local labour markets. The non-responsiveness of LMIS is considered as the main contributing factor. This also acts as a hindrance towards the realisation of this potential.

The main purpose of this exercise, therefore, was to study as how LMIS can be developed for the IFS. After briefly discussing what is needed from an LMIS, existing deliveries of this system for the IFS in Pakistan were identified and found to be minimal. It was noted that there are some institutions which possess important information on this sector, especially on the nature of activities by different urban localities, but presently such information remains unnoticed and/ or unprocessed.

In the process of developing an LMIS for the IFS, target groups needing services are identified as: (i) unemployed and new entrants into the labour market, (ii) home-based enterprises, (iii) women workers, (iv) returning migrants, (v) micro- and small-scale entrepreneurs, (vi) DFIs, (vii) policy-makers, (viii) development support programme makers and managers, and (ix) education and training institutions.

The potential for providing necessary services to these target groups such as: (i) employment counselling, (ii) vocational guidance, (iii) employment service, (iv) labour market diagnosis, and (v) identification of location- and trade-specific activities, exists but needs an integrated mechanism and a focal point at the District level. These focal points need to develop meaningful collaboration with: (i) Directorates of Labour Welfare, (ii) local bodies and their councillors, (iii) trade bodies and associations, (iv) NGOs, (v) education and training institutions, and (vi) DFIs. Similarly, they need to establish vertical integration with all concerned. An autonomy to the focal points is a necessary condition in enabling them to respond to these services, thereby facilitating an optimal utilisation of employment potential of the informal sector in Pakistan.

Annexures

Annex Table I

Growth Rate of Employment by Occupation during 1981–91 and
Share of Different Occupations and Wage Employment in 1991

Occupational Classification	Employment in 1991 No. (000)	Share in Total Employment %	Growth Rate of Employment in the Occupation 1981–91 %	Wage Employment in 1991 %
Professional Workers	1,222	3.8	4.5	79.8
Administrative Workers	233	0.7	2.2	80.8
Clerical Workers	1,215	3.7	4.9	97.6
Service Workers	1,385	4.3	1.6	59.9
Sales Workers	3,496	10.9	3.0	13.4
Agricultural Workers	16,188	50.7	1.8	10.6
Production Workers	8,211	25.7	2.1	40.7
Overall Economy	31,985	100.0	2.2	27.3

Source: [Pak-Netherlands (1991), pp. 25 and 133.]

Notes: As is indicated by this table, about three-fourths of the employed work force are non-wage earners, i.e. they essentially operate in the informal sector. Work performed by a significant number of wage earners in the informal sector also cannot be over-ruled.

Annex Table II

Employment Status by Level of Education (Percentage)
1982-83 and 1986-87

Employment Status	Illiterate	Below Matric	Matric	Inter	Graduate and Above
1982-83					
Employer	1.8	2.6	2.6	6.3	4.1
Self-employed	42.9	40.8	27.9	21.0	17.9
Employee	23.0	28.9	52.4	62.4	73.2
Unpaid Family Member	32.3	27.0	16.7	10.1	4.8
	100	100	100	100	100
1986-87					
Employer	1.0	2.6	4.4	6.8	4.5
Self-employed	46.9	47.1	29.2	16.2	24.3
Employee	21.4	26.3	52.9	66.5	70.0
Unpaid Family Member	30.7	23.9	13.4	10.5	1.1
	100	100	100	100	100

Source: [NMC (1989), p. 59.]

Annex Table III

Annual Requirement of Skilled Workers and Output of Training Institutions in 1984

Trades	Six Plan Requirements	Output of Training Institutions	Approximate Gap*
Blacksmiths	5,050	5	5,045
Auto Mechanics	918	530	388
Electrician	6,249	3,732	2,517
Machinist	1,595	1,006	590
Plumber	744	129	615
Painter	2,552	102	2,450
Mason	16,791	125	16,666
Carpenter	14,510	568	13,942
Welder	3,729	1,007	2,722
Fitter and Mechanic	14,965	4,923	10,042
Driver	22,344	71	22,263
Moulder	337	21	316
Total	89,775	12,219	77,556

Source: ILO/ARTEP (1987).

* This gap is essentially met by the skills development process underway in the "Ustad-Shagird" system. For further details see [Chaudary *et al.* (1989), Chapter II].

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Comments on
"Developing Labour Market Information System
for Informal Sector in Pakistan"

The entire pyramid of the argument for greater governmental and non-governmental support to the informal sector, particularly in building up a Labour Market Information System to serve the sector has been most assiduously built up on a highly tenuous premise that the informal sector has been "adequately responding to the growing unemployment problem". The informal sector has been conceptualised as a sector with "easy access", low skill and investment requirements "corresponding well with the stock and annual addition to the labour force and the availability of available resources and as such this sector is seen as absorbing a large proportion of the labour force in the rural and the urban areas as well as developing the skill base of the labour force". The main purpose of the paper, as the author has put it, is to study the feasibility of developing a Labour Market Information System well integrated into the working of the informal sector.

The author, in a recent study on the informal sector by the Friedrich Ebert Stiftung (FES) namely study No. 3, however conceptualised this sector significantly differently by including into its perimeter, usage of local raw material, indigenous production processes and self-operated units, mostly catering to local demands. The reason why the author chose to drop these by no means insignificant features of the sector in his present study is not clear and these conceptual variations in approaching the informal sector beg a number of questions which remain unanswered throughout the present study.

A major and comprehensive study even more recently done by A. R. Kemal and Zafar Mahmood in 1993, again under the auspicies of the FES has steered clear of the conceptual and the definitional problem in dealing with the economic characteristics of the informal sector in that it takes a very non-conventional and sweeping view of this sector by completely including into it all the cases of self-employment and all the small enterprises operated by individuals, alone or with the help of the family members, or with a small contingent of formal wage employees. Much of the activities reserved for self-employment or small-scale enterprise in the study do involve registration and are encumbered with the

regulatory provisions of the various departments of the Government. Most of the units, according to a study by A. R. Kemal are found to be paying income tax. An income tax assessee has to be registered with the Income Tax department and their business transactions have to be regulated, according to the Rules and the Accounts maintained by these units are subject to inspection both annually and by surprise by the Income Tax department. According to this study 79 percent of all the manufacturers, 77 percent of all the traders, 56 percent of the enterprises in services and 12 percent of all the transporters in the informal sector have been reported to be paying income tax and therefore no longer enjoy the conventional "immunity" or "escape" from registration or regulation. In times to come Labour and other departments too will be spreading their net into the informal sector.

Unless the conceptual and definitional problems are overcome, it would not be possible to bring within the purview of economic analysis, the nature, the scope and the extent of the economic activities falling within the operational zone of the informal sector. And until the area of economic activities falling within the operational zone of the informal sector is clearly and comprehensively set out the employment generation potential of this sector would largely remain conjectural or hypothetical.

Most of the studies including those of A. R. Kemal and the present exercise under comment takes the informal sector with its high inbuilt employment potential as a *manna* from heaven, as an independent variable with a very high capacity to respond to the unemployment situation particularly where the skill and investment requirements are low. But a more careful study of the informal sector would bring out its dependence on the size of the national income, the rate of economic growth and above all the pattern and level of consumption and production. The informal sector, therefore, derives its employment and income generating potential from the level and the pattern of the overall system of production and consumption. This is amply illustrated by the fact that the engineering and manufacturing activities in the informal sector is mostly engaged in doing the subcontracting work for the engineering and manufacturing firms in the formal sector. Similarly, the repair and maintenance work in the informal sector is dependant on the engineering and construction activities in the formal sector. Hence the size of the manufacturing activities in the informal sector is directly dependent upon and derived from the engineering and manufacturing activities in the formal sector. Similarly most of the goods and services produced in the informal sector are those which cater to the individual's taste which again is the function of the pattern of consumption and the level of income

Hence any study of the informal sector for its capacity to generate income and employment must originate in the overall size, behaviour, and pattern of the economy. In one word the variables determining the size and volume of productive activities in the informal sector must be looked for in the formal sector. What is therefore required is an integrated formal and informal sector approach even in determining the employment generating potentials of the informal sector.

The whole question of designing a Labour Market Information System both for the formal and informal sector has therefore to be viewed in this changed perspective. Any well designed LMIS will serve equally well both the formal and informal sector.

Much of the arguments so assiduously built up in the present study for a special kind of Labour Market Information System for the informal sector would therefore appear to be redundant.

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