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**Employment Strategy and Equitable
Growth: A Social Capital
Perspective for KPK**

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ABSTRACT

Unemployment is one of the major factors in low Economic development of Pakistan and especially KPK, due to a number of factors and gaps on demand and supply side. Unemployment is on the rise, which needs to be minimised. Large part of the working community is involved in unrelated jobs meaning thereby that their skills do no match with the techniques required. Major sectors of employment in Pakistan are agriculture, Industries, Mines, construction etc. Large numbers of employment opportunities are available; however, employment remains below its potential level due to structural problems in the labour market system. Main supply side gaps are; lack of certification, lack of appropriate skills and knowledge, area related gaps, inputs related gaps, communication gaps, lack of marketing skills, technological backwardness etc. Demand side gaps are employer related gaps, lack of formal system of knowledge, public-private disconnect, public-private credibility gaps, etc. By utilising existing potential of social capital of organisation vs. organisation, organisation vs. groups, groups vs. groups a large number of employment opportunities may be provided to the skilled, semi-skilled workers, thereby, a large pool of unemployed labour force would be put in the economy for economic growth. By introducing reforms, like inter provincial job portal, intra provincial job network and establishment of central databank at the federal level may accommodate higher level of labour force and appropriate skilled force into job market, which may boost the economy and quality of production may also increase.

Keywords: Employment Strategy, Social Capital, Labour Markets, Employment Exchanges

1. INTRODUCTION

Employment is an opportunity to a labourer to work for income with an employer or self-employed in any economic activity. Employment has a number of dimensions with respect to its nature, type, quality, income slabs etc. Millennium Development Goals targets poverty reduction and income enhancement through provision of employment and quality job that brings a worker and his family out of poverty. Although labour force participation has improved from 50.33 percent in 2006-07 to 57.24 percent in 2010-11¹ as well as employment has increased from 47.65 million to 53.84 million, however employment to population ratio hasn't gone up which points towards availability of low quality jobs.

2. EMPLOYMENT IN PAKISTAN

Unemployment in an economy not only reflects slow economic activity but also complements prevalence of social evils. Various socio-economic, and psychological issues of the country; terrorism, street crime, corruption etc. are directly and indirectly related to low employment opportunities.

Population in Pakistan is increasing over time at a steady rate, thereby; labour force is also increasing in the pool. As per statistics of Government of Pakistan, Ministry of Finance, major chunk of population resides in rural areas of Pakistan, which is migrating to urban centres of the country. In 2008 urban population was 58.74 million which has increased to 67.5 million

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within four years. There is comparatively low growth rate of population in rural areas, e.g. in 2008 rural population of 107.67 million has increased to 113.16 million in 4 years. It may be linked with rural-urban migration, leaving fewer individuals in rural areas.

Table 1
Rural and Urban Population (Million)

Year	Urban Population	Rural Population
2008	58.74	107.67
2009	60.87	109.07
2010	63.05	110.46
2011	65.28	111.82
2012	67.55	113.16

Source: Pakistan Economic Survey 2012-13.

Unemployment is increasing in Pakistan over the time. Within two years i.e. from 2008-09 to 2010-11 around 0.5 million unemployed workers were added in the previous stock of 2.93 million.

Table 2
Province-wise Unemployment (Million)

	2008-09	2009-10	2010-11
Pakistan	2.93	3.12	3.40
Punjab	1.87	1.94	2.10
Khyber Pakhtunkhwa	0.56	0.55	0.53
Sindh	0.44	0.57	0.70
Balochistan	0.06	0.06	0.07

Source: Pakistan Economic Survey 2012-13.

3. SECTOR WISE EMPLOYMENT IN PAKISTAN

Employment sectors of Pakistan include private, public, philanthropic organisations, agriculture, mining, trading, forests, mines, formal and informal sector etc. At times employment opportunities are available but even then unemployment is higher than the actual number of employment opportunities. Unemployment's one reason is the mismatch between skills required and skills acquired. Sometimes, when a new technology is introduced then everyone acquires required skill in order to get good money out of that specific field neglecting other possible opportunities. This results in a large number of applicants for few vacancies. For example the labour market is containing large number of computer graduates and MBAs. At the same time many of the individuals are hesitant to get new technological skills. There are a number of gaps in supply and demand side in labour market of Pakistan which need to be minimised.

In the country major employment sectors include agriculture, production, trading and construction etc. Around 75 percent of total employment is provided by these sectors. Agriculture sector including, agriculture, horticulture, livestock, fisheries, forestry, hunting and other allied activities leads all the sectors with around 45 percent employment opportunities. Employment growth in this sector is flat in nominal term which means declining in real term with the increase in population. Production sector accommodation to unemployed labour force is increasing over the time as within two years raised from 13 percent to 13.7 percent. This is a healthy sign for overall economy and the government revenues, which are mainly contributed by this sector. Construction sector employment is also increasing over the time i.e. from 6.6 percent to 7 percent in two years.

Real growth is observed in production sector and construction sector. Employability and demand is increasing in this sector but supply side may be responding appropriately. Unemployment exists and it is increasing due to a number of gaps on supply side and demand side.

Table 3

Employment Shares by Industry (%)

Industry Division	2008-09	2009-10	2010-11
Agriculture/Forestry/Hunting and Fishing	45.1	45.0	45.1
Manufacturing	13.0	13.2	13.7
Construction	6.6	6.7	7.0
Wholesale and Retail Trade	16.5	16.3	16.2
Transport/Storage and Communication	5.2	5.2	5.1
Community/Social and Personal Service	11.2	11.2	10.8
Others	2.4	2.4	2.1

Source: Pakistan Economic Survey 2012-13.

Being a major sector of employment in Pakistan the agriculture sector is performing below its potential level and is being adversely affected due to water and power shortages, climate change and technological backwardness is affecting availability of jobs.¹ Similar is the case with industrial sector. In addition, poor governance is also one of the reasons for high unemployment level in Pakistan.² In such circumstances schemes like Rozgar scheme, BISP, loans to the people by the Government etc. can work with different degrees. For example straight financial assistance on one hand supports the beneficiaries income level but its untidiness is creating debate on the long run implications for such a scheme. It is evident that social security and welfare expenditure has been increased by the Government of Pakistan from Rs 29,129 million to almost Rs 70,290 million from 2008 to 2013, however poverty is still prevalent in the country. In order to bring economic

¹Ahmed, Imtiaz, Shah Syed Akhtar Hussain and Sarwar Zahid (2004) Why the Green Revolution was a Short Run Phenomena in the Development Process of Pakistan: A Lesson for Future.

²Shah Tariq, Shah Syed Akhtar Hussain, Ali Bakhtiar and Eatnaz Ahmad (2011) Top-Down Approach for the Social Capital Development: A Policy Framework for the Government.

prosperity through enhanced economic growth which is hovering around 3 percent to 5 percent employment generation may be increased by giving priority. A comprehensive employment strategy based on the available potential and resources in the form of natural resources, population dividend, larger consumer market, Social Capital of society etc. needs to be devised. The potential of Social Capital may be utilised by creating inter-linkages with all the Provinces through Federal Government, and laying of appropriate mechanism. The present study documents the gaps identified from the various focused group discussions held with the relevant stake holders such as the producers, labour unions, ministerial staff at provinces and international organisations such as ILO etc. and the relevant strategies to cope with these problems.

4. GAPS IN EMPLOYMENT SECTOR

Unemployment in Pakistan is one of very debated issue. It is existing and increasing due to a number of supply and demand gaps in the economy including; lack of certification lack of appropriate skill and knowledge, technological backwardness, area related gaps, input related gaps, communication gap, lack of marketing skills, etc. Similarly demand side gaps are; employer related gaps, lack of formal system of knowledge, Public-Private disconnects, and Public-Private credibility gaps etc.

4.1. Supply Side Gaps

The supply side labour force may include, individual labour force, labour supply agents, groups, institutions of government and private sector and allied bodies related to skill development, training, education etc. The labour market is providing a platform for matching labourers as per demand, the market mechanism, labour mobility, regulators roles, wage setting, social protection services etc. The supply side has certain number of gaps; lack of acquired skills, certification, lack of technological skills, lack of communication, lack of marketing skills, area related gaps, input related gaps etc.

4.1.1. *Lack of Certification*

In Pakistan sufficient system for certification is not available which makes the workers to have limited access to suitable jobs, at national and international market. Many of the labourers, get skill through informal channels such as “chota system”, but are unable to capitalise their skills in national market and remain confined to local market which normally pays relatively low wages. Certification of informally trained individuals would increase employability and raise wages of the skilled labourer.

4.1.2. *Lack of Appropriate Skill and Knowledge*

One of the reasons for low employment in our country is the lack of appropriate skills and knowledge based on vast market available within the country and abroad. Over the time labour demand in different sectors require variety of skills and knowledge, which is not forecasted and acquired by the labour force leading low match of demand and supply of labour. An overview of employment with respect to skills and age group across sectors and rural-urban areas are given in Table 4.

Table 4

Employed Persons (10 Years of Age and Above) in Informal Sector by Major Occupation Group and Area, 2012-13

Occupation Group	All Areas	Rural	Urban
Managers	3.29	1.21	2.08
Professionals	3.57	1.79	1.78
Technicians and Associate Professionals	2.82	1.13	1.70
Clerical Support Workers	0.36	0.10	0.26
Service and Sales Workers	33.33	15.39	17.93
Skilled Agricultural, Forestry and Fishery Workers	0.08	0.07	0.01
Craft and Related Trade Workers	29.50	14.93	14.57
Plant and Machine Operators and Assemblers	7.94	4.48	3.46
Elementary Occupations	19.11	13.19	5.91

Source: Pakistan Bureau of Statistics—Labour Force Statistics (2012-13).

4.1.3. *Technological Backwardness*

Technology is one of the significant factors of production and growth of the economy. It plays a vital role in the development of the country. Labour force who acquires those technological skills which are available in the market either through formal arrangements or on the job training. Technology is developing over time and investment in specialised technology by the labourers for enhancing their capacity is very low. They prefer to acquire generalised technological skills even that pertain to old and conventional technology. Labourers' decision may be related to expected returns and expected job opportunities of the specific technological skills. This role of specified technological skill development may be made by the public sector, employers or overseas demand etc. But Pakistan is facing technological backwardness. In Khyber Pakhtunkhwa, where investment is very low due to law and order situation, technological backwardness is prevailing largely.

4.1.4. *Area Related Gaps*

Socio cultural and geographic constraints are also responsible for the mismatch between the available jobs and skills acquired. In a particular geographical area of economy appropriate labour force may not be available, despite available employment opportunities. Such area related/geographical barriers create the gap in supply and demand. Thus labour force from other part of the country would be needed who are skilled in that particular field which reduces supply to that particular area and increases cost of shifting to other area.

4.1.5. *Input Related Gaps*

In each specific area such as Chitral where mining is the major sector of employment certain skills are required but the inhabitants do not have those required skills. This results into import of those skills. Same is the case with marble and granite

sector and wood industry of Khyber Pakhtunkhwa where skilled workers are insufficient therefore skills are imported from other parts of the country which results into high costs of production.

4.1.6. *In Appropriate Combination of Inputs*

Availability of inputs required for production, including labour, financial capital, machinery, technology, building, land and others are not utilised or are not available in most of the cases. As per Ricardian theory of Distribution the capital shifts with respect to economic rents.

4.1.7. *Communication Gap*

Lack of communication and networking is affecting the job market of Pakistan in general and Khyber Pakhtunkhwa in particular. People are unaware of the job opportunities available in other provinces due to communication gap. They do not have the skills of communication and means of communication regarding their appropriate employers.

4.1.8. *Lack of Marketing Skills*

In Pakistan generally and KPK particularly Labourers have very low skills of marketing themselves. People are unaware of their strengths due to lack of education and therefore do not know how to capitalise on their strengths. System of marketing labour skills, search for appropriate employer, employment place and labour market is very weak in the country. This is keeping match of demand and supply of labourers below its potential level. The training and education of labour force along with technical skills is also required in marketing of their skills etc. Training in adoptability and working in heterogeneous working socio-economic and physical environment is also needed for labourers.

4.2. Demand Side Gaps

Unemployment is related to a number of demand side gaps also mainly related to employers and labour market. These gaps

create market distortions, reduce employability of potential labourers, keep the employers with low number of labourers and with lower human capital level, low production level and slow economic growth. These gaps keep at low equilibrium level to the production of sectors, industries and the economy. Main Demand side gaps are explained below:

4.2.1. *Employer Related Gaps*

Bridge between prospective employers and available labour force is lacking in the economy. There is lack of information and lack of data which negatively affects the job market. Although skilled, semi-skilled and highly skilled labour force is available in the province and the country, but due to lack of information and data, both job seekers and employers are unaware about each other.

4.2.2. *Lack of Formal System of Knowledge*

In Pakistan there is lack of a formal system of getting information about available labourers to fill the vacancies. Very limited data set and institution or system of information regarding labour force, types of skills, types of labour market etc. is established at public or private sector, which keeps both supply and demand side at low equilibrium level.

4.2.3. *Public-Private Disconnect*

There is lack of information sharing system regarding available skilled, semi-skilled and unskilled labour force. There are very weak inter linkages between private and public sector regarding labour force and the work environment. The government agencies detail their representative in different industrial areas who either have limited information or abstain from getting more information of production unit and industries.

4.2.4. *Public-Private Credibility Gaps*

Private sector is apprehensive about government's actions and policies. They avoid sharing actual information, regarding total

number of employees, categories of employed labourers, budgets and activities of the employers. The employers are apprehensive the actions of locally deployed agents of the government departments who may use the information to strictly regulate and or rent seeking etc.³

Besides, above mentioned major gaps a number of other areas are also creating distortions in the labour market keeping overall employment and the economy at low equilibrium level, which needs appropriate management through consideration of cost benefit of service delivery agents.⁴

5. STRATEGY TO FILL THESE GAPS

The above gaps in the labour market need to be filled in and bridged through various measures related to supply side and demand side. This may help increase employment in the country, province, district, urban, rural and remote areas etc. It may also help raise income level of the labourers, it will bring the industries, thereby the economy at higher equilibrium level.

5.1. Social Capital based Employment

Pakistan is a country bestowed with human capital in the form of skilled, semi-skilled and un-skilled labour force. Similarly, Pakistan and specifically KPK has higher level of social capital amongst; individual versus individual, individual versus organisation, organisation versus organisation, organisation versus community, organisation versus state, group versus group, Community versus community and group versus group.⁵ There are a number of formal groups in the form of chamber of commerce and industries, association of industrialists, association of agriculturists, association of labourers, association of traders,

³Shah, Syed Akhtar Hussain (2009) Out of Box Strategy of Revenue Expansion Govt. of KPK.

⁴Shah, Syed Akhtar Hussain, Mahmood Khalid, and Tariq Shah (2006) Convergence Model of Governance: An Application for Local Government System of Pakistan.

⁵Shah, Tariq, Shah Syed Akhtar Hussain and Eatnaz Ahmad (2011) Equilibrium in Economic Development: A Perspective of Social Capital.

labour unions etc., who represent such classifications. The gaps in supply and demand in the employment opportunities and available venues need bridging for which some strategy need to be devised.

The Government of Khyber Pakhtunkhwa Labour Department can play a lead role in this respect by involving these associations in helping employment of distant labour force in the national employment pool. As renewal and continuation of these chambers, associations and unions is made by the Government through fulfilment of certain responsibilities during their respective tenure. Bridging prospective employers with matching labour may be added as an additional parameter for continuation of that body. Approximately one thousand bodies/groups of this type exist in the province which if given the task of 50 to 100 persons recommendation for employment in their similar bodies then around 50,000 to 100,000 employment may be provided by these groups. The Social Capital existing amongst groups versus groups, individual versus group, group versus organisation may help cover up gaps; communication gap, area related gap, employer related gaps and supply side gaps. Khyber Pakhtunkhwa has been bestowed with resources like mineral, water, green land and human capital.⁶ Appropriate planning would give it leverage over other provinces at national and international level.

5.1.1. Improved Certification System

Social capital in the form of organisation vs. organisation may be capitalised and improve social capital of individual vs. organisation for employment enhancement. Improvement in certification system is need of the time. Proper certification may help the workforce to get jobs according to their skills. Certification of the skills through credible organisations has positive signals in the labour market which helps prospective employer to search and decide required labourer.

⁶Shah, Syed Akhter Hussain (2009) Out of Box Strategy of Revenue Expansion (OBSRE) Government of KPK.

5.1.2. *Reduce Communication Gap*

In the province social capital in the form of individuals vs. individuals, individual vs. organisation, group vs. organisation are available which may be capitalised for employment promotion, through improvement of communication system and network. The communication gap can be reduced by development of databank at district level. Booths can be developed in collaboration with private sector in different parts of the province, district offices, tehsil offices and other outlets. Information may be shared with prospective employer and with the existing stock of labour force. This will also help the public sector employers to devise policies regarding temporary and permanent employment through launching time and activity bounded projects in public sector offices.

5.1.3. *Inter Provincial Job Portal Development*

Social Capital of organisation vs. organisation, groups vs. organisation exists amongst provincial government which can be utilised for promotion of employment in the country. Development of inter provincial job portal will help to bridge the gap between jobs availability and acquired skills across the country. The existing data of labour force (supply side) containing information of skills and availability of labourers in various parts of the province would be shared with other provinces. Similarly, the other provinces who are in the process of developing of job portal will give access to KPK. In this regard a number of consultations have been made with Government of Punjab (Human Resource Department). In principle the Punjab Government has agreed to give access of Job portal to the Khyber Pakhtunkhwa, province.

5.1.4. *Intra Provincial Job Network*

In the province social capital in the form of individuals vs. individuals, individual vs. organisation, group vs. organisation is available which may be capitalised for employment promotion.

Intra Provincial job network would be developed which will also be helpful in minimising the gaps in supply and demand for labour force. The provincial government is working on Establishment of job portal at district level and provincial level. In this regard Data Bank would be established at above levels. The Labour Department will coordinate with all the other offices, outlets of government department and organisations at district and provincial level for obtaining information of available jobs and newly created jobs. The government department would be allowed to access and upload job related information on the district job portal and provincial job portal. Similarly, the private sector employers would also be given access to display their jobs and associated information on the district and provincial job portal.

5.1.5. Establishment of Central Databank at the Federal Level

Social Capital exists at states, provinces and the world over in the form of state vs. state, State vs. organisation, organisation vs. organisation, which may be capitalised. A central databank at the Federal level of Ministry of Overseas Pakistanis and Human Resource Development with inter-linkages to all provinces may be developed regarding labour force, skills, types of skills, areas of labourers, labour market etc. This data bank may help planning, implementation of labour policies. Reforms and initiatives of the Provincial Government can be uploaded on in the system through dynamic programming of central databank. The Federal Government may capitalise, revise and improve national rating at global level through dynamic programming allowing presentation of the Provincial and Federal Government.

5.2. Appropriate Combination of Inputs

Production, Performance, and efficiency depend on combination of various inputs. Human capital labour, financial capital, technology, land, building, and machinery etc. Many a time people possess high level of human capital, technical skills, through self-learning formal and informal training but are unable

to capitalise those skills due to lack of other necessary inputs for production latterly with low human capital labourer may get higher production and returns with appropriate combination of financial capital technology's machinery.

The government may promote self-employment, private sector employment through facilitation with respect to financial capital machinery, technology, building etc.

All the financial institution, banking institutions, microcredit lending organisation may be assigned priority task of financial facilitation to entrepreneur's development and labour intensive production sectors. In view of available data set regional district and sectoral tasks may be given to the relevant government organisation.

5.3. Marketing Network

Social capital of organisation vs. organ groups, group's vs. groups, existing in KPK, other provinces and international market may be capitalised to share information of the local products including handicrafts of KPK origin in marginalised, people. This will also help in promotion of trading activities, bridging demand supply gap and acceleration of demand for local products in national and international market. This will encourage and increase local employment of people from distant parts through continuous and increased demand of their products, this will also led in raising their income level and prevent all mentioned.

5.4. Forward Market Development for Labourers

Social capital of organisation vs. organisation, groups vs. organisation, organisation vs. state exists amongst provincial government which can be utilised for promotion of employment in the country. Lack of future demand statistics and planning at private and public level, handicap investment in advance skills and technological skill development of labour force. A body jointly constituted and managed by private and public sector may collect data pertaining to future labour demand changing variables,

determinants of labour market, future trends in labour demand at national and international level, may plan and develop forward labour market. This may carry out planning, implementation and monitoring activities for supply side and introduce non distortionary policy instruments for labour market. Labour force may be prepared and mechanism may be devised to supply labour force in future time period for which commitments may be got on current time period.

6. CONCLUSION

The present strategy would contribute to increase employment reduce market frictions, accumulation of human capital level, enhance productivity of labourers, raise income level of labourers leading to increase consumption and economic growth of the country, equilibrium level in production of firms, industries, sectors and economy would be raised.

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