



International
Labour
Organization

Pakistan Labour Market Update

ILO Country Office for Pakistan | September 2013

Key economic and labour market indicators, 2009-10 – 2012-13

	2009 -10	2010 -11	2011 -12	2012 -13 ^a
Real GDP (% change y-o-y)	2.6	3.7	4.4	3.6
Investment (% of GDP)	15.8	14.1	14.9	14.2
Consumer prices (% change y-o-y) ^b	10.1	13.7	11.0	7.8 ^c
Labour force (million) ^d	52.2	54.5	-	-
Employment (million)	49.4	51.4	-	-
Unemployment (million)	2.8	3.1	-	-
Labour force participation rate (%)	53.5	53.4	-	-
Male	81.7	81.9	-	-
Female	24.1	24.4	-	-
Unemployment rate (%)	5.3	5.7	-	-
Male	4.1	4.8	-	-
Female	9.2	9.0	-	-
Share of employment in industry (%)	21.4	21.8	-	-
Male	24.1	24.6	-	-
Female	11.6	11.5	-	-
Share of employment as wage and salaried workers (%)	36.5	36.9	-	-
Male	40.7	41.2	-	-
Female	20.8	21.6	-	-
Average monthly wages (Rupees)	8623	9715	-	-
Male	9017	10211	-	-
Female	5821	6422	-	-

Note: a) Provisional figure; b) Change based on annual average, base year 2007-08; c) Change based on averages July-April; d) Labour market figures based on population aged 15+.

Source: Ministry of Finance: *Pakistan Economic Survey 2012-13* (Islamabad, 2013); Pakistan Bureau of Statistics: *Pakistan Employment Trends 2011: Progress towards achieving MDG Target 1B "Full and productive employment and decent work for all"* (Islamabad, 2012); authors' estimates based on the Pakistan Labour Force Survey 2010-11.

Overview

A range of economic and political factors have negatively impacted the Pakistan economy in recent years, including persistent inflation driven by high oil prices, unreliable supply of energy, low levels of investment and a deteriorating security situation in parts of the country. In addition, Pakistan has been buffeted by a series of natural disasters, such as the flooding of 2010 and 2011.¹

Consequently, employment growth has not been strong, with the majority of workers still in informal

¹ This update was prepared by Sher Verick of the ILO Decent Work Technical Support Team for South Asia and Phu Huynh of the ILO Regional Office for Asia and the Pacific, with contributions from Suktia Dasgupta, Saad Gilani and Theodoor Sparreboom. It provides a snapshot of economic and labour market trends in Pakistan based on official data available as of 27 August 2013.

employment. Structural transformation in terms of an increasing share of workers in industry and services has stalled, with a higher proportion of workers in the agricultural sector than a decade earlier. Specific challenges persist for women, who face considerable disparities in accessing the labour market, though the gender gap in employment is slowly decreasing.

Despite the continuing challenges, the political situation has improved in the aftermath of the federal and provincial elections held in May 2013, which has led to a more stable outcome than expected. Indeed, the election marked the first democratic handover in Pakistan's history and may stimulate more effective governance and policy-making in the coming years, which, in turn, should encourage investment and job creation.

Growth remains below potential

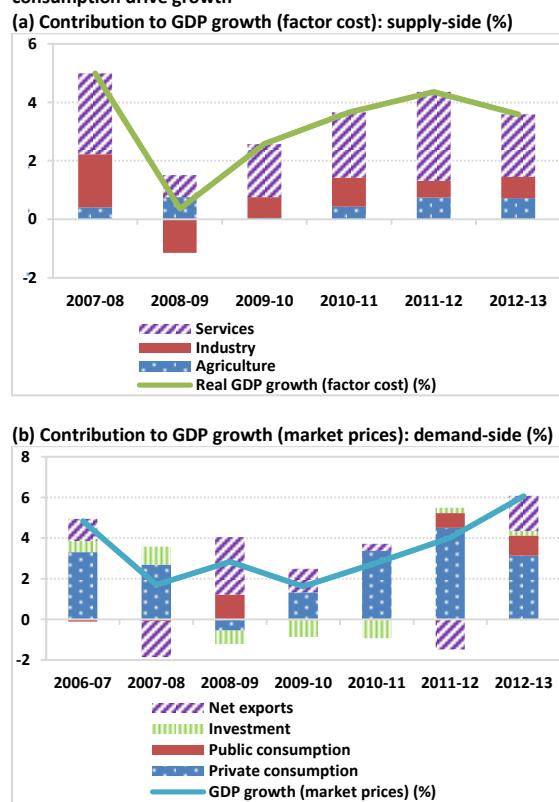
Pakistan has experienced a number of natural and economic shocks that have buffeted the economy in recent years, including the floods of 2010 and 2011, which damaged infrastructure and agricultural output. At the same time, poor and erratic supply of energy, along with the high costs of oil imports, has crippled the manufacturing sector in Pakistan and fuelled high rates of inflation. On top of this challenging macroeconomic environment, the security situation, notably in the provinces of Baluchistan and Khyber Pakhtunkhwa (and in the city of Karachi), has further hampered investment and job creation.

The growth story of the first half of the 2000s was much more positive: real GDP grew by 5.3 per cent per annum on average from 2001-02 to 2005-06, reaching a peak of 9.0 per cent in 2004-05. Subsequently, growth decelerated rapidly and hit a low of 0.4 per cent in 2008-09, at the height of the global financial crisis.

Taking a supply-side view, growth in Pakistan has been driven mostly by the services sector, which grew by 2.1 per cent in 2012-13, representing 59.6 per cent of total growth in that year (see Figure 1a). Industry, especially the manufacturing component, has been severely affected in recent years. In terms of demand-side components, growth in Pakistan has relied almost entirely on rising consumption (see Figure 1b). In fact, investment has fallen in recent years and has acted as a drag on output. Total investment is estimated to represent just 14.2 per cent of GDP in 2012-2013, which is much lower than the rate required to propel the economy and create more jobs.

Reflecting the slower rates of economic growth, the Government's fiscal deficit deteriorated to 6.8 per cent of GDP in 2011-12.² A major challenge in this regard is the low level of tax revenue, which represented just 10.3 per cent of GDP in 2011-12. On the external front, Pakistan's low level of foreign reserves (just \$5.2 billion at the end of July 2013) threatens a balance-of-payment crisis if external funding sources would decline.³

Figure 1: Two views of Pakistan's economic challenges: services and consumption drive growth



Source: Ministry of Finance, op. cit.

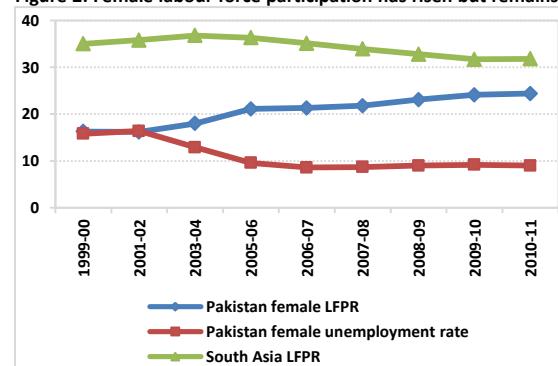
Female labour force participation is rising but remains low

Growing at around 2 per cent, the Pakistan population is estimated to have reached 184.35 million in 2012-13.⁴ The fertility rate in Pakistan is 3.3 children per woman, which is one of the highest rates in Asia. As a consequence, Pakistan has a very young population: 21.4 per cent of the population is aged 15 to 24, while 71.8 per cent are aged less than 35 (estimates for 2013). The median age in Pakistan in 2010 was just 22 years.⁵ This is also reflected in the dependency ratio, which fell to 66 in 2010 and is projected to fall further until it bottoms out at 44 in 2045.⁶ However, whether Pakistan

is able to take advantage of this 'demographic dividend' depends on the extent to which the economy can return to more robust rates of growth that, in turn, translate into the creation of more decent employment opportunities.

Reflecting various complex economic and social dimensions, the labour force participation rate in Pakistan, notably for women, is low (see Box 1). Though the female labour force participation rate has increased in recent years, converging with the South Asian average, it ranked tenth lowest out of 189 countries in the world.⁷ The recent rise in the rate for women has been driven by increasing employment, while unemployment (also a component of the labour force) has actually fallen (see Figure 2). During this period, the labour force participation rate for men decreased slightly, mostly driven by an increase in education enrolment, while the male unemployment rate fell from 6.2 per cent in 2003-04 to 4.0 per cent in 2007-8 before rising to 4.8 per cent in 2010-11.

Figure 2: Female labour force participation has risen but remains low



Note: Aged 15+.

Source: Pakistan Bureau of Statistics, op. cit.; ILO: *Key Indicators of the Labour Market*, 7th Edition (Geneva, 2011).

In addition, unemployment for young people remains a prominent concern despite some recent progress. The youth unemployment rate has fluctuated from 11.7 per cent in 2003-04 to 7.7 per cent in 2007-08 to 10.3 in 2010-11. The rate for young women was 4.0 percentage points higher than for young men. Youth in Pakistan face various disadvantages including limited job search expertise, a mismatch between education, aspirations and employers' requirements and a lack of mobility, among other factors.⁸

² Ministry of Finance: *Pakistan Economic Survey 2012-13* (Islamabad, 2013).

³ State Bank of Pakistan (SBP); Net reserves with SBP.

⁴ Ministry of Finance, op. cit.

⁵ Ministry of Finance, op. cit.

⁶ United Nations Department of Economic and Social Affairs: *World Population Prospects: The 2010 Revision*. The total

dependency ratio is the ratio of the sum of the population aged 0-14 and that aged 65+ to the population aged 15-64.

⁷ ILO: *Economically Active Population, Estimates and Projections Database* (6th edition, October 2011).

⁸ Ministry of Labour, Manpower & Overseas Pakistanis: *Pakistan Employment Trends 2008: Youth*, No. 3 (Islamabad, 2008); authors' estimates based on the Pakistan Labour Force Survey 2010-11.

Box I: Low female labour force participation driven by economic and social factors

The decision of and ability for women to participate in the labour force is the outcome of various economic and social factors that interact in a complex fashion at both the household and macro-level. Based on global evidence, some of the most important drivers include educational attainment, fertility rates and the age of marriage, economic growth/cyclical effects, and urbanization. In addition to these issues, social norms determining the role of women in the public domain continue to affect outcomes across South Asia.

As highlighted above, growth in Pakistan has not been supportive of job creation. For women, however, the situation has been even less favourable in terms of being able to access better jobs in growing sectors. This is most evident in the sectoral distribution of workers. In 2010-11, 74.2 per cent of working women aged 15 and above were located in the agricultural sector, up from 73.9 per cent in 2009-10. In comparison, the share of men in agriculture stood at a much lower 34.9 per cent.

In Pakistan, access to education and attainment for girls has improved over recent decades, though it remains low. The Labour Force Survey 2010-11 reveals that the literacy rate for women reached just 46.3 per cent, up from 45.2 per cent in the previous year. At the same time, the fertility rate remained high, at 3.3 children per women, which reduces the options for women to participate in work.

Considering these insights, policy-makers in Pakistan should take a comprehensive approach to improving labour market outcomes for women through skills development, access to child care, maternity protection, and provision of safe and accessible transport, along with the promotion of a pattern of growth that creates job opportunities.

Quality of employment remains a challenge, especially for women

Beyond looking at trends in labour force participation rates, there are different indicators of the quality of employment in Pakistan, which all reveal the persistence of major decent work deficits, notably for women. Firstly, agriculture accounted for 3 in 4 jobs for women, but only around 1 in 3 jobs for men in 2010-11. Working conditions in agriculture often lag behind other sectors partly due to lower productivity levels. Agricultural productivity in 2010-11, for example, was 28 times lower than levels in the mining sector, around 8 times lower than the electricity and gas sector and 5 times lower than the finance sector.⁹ Greater investments in agriculture could help boost aggregate labour productivity in Pakistan, which was fifth lowest in a comparable sample of 19 Asia-Pacific economies in 2012, and improve job quality overall.¹⁰

Secondly, the share of women in vulnerable employment (own-account workers plus unpaid family workers) increased from 66.7 per cent in 1999-00 to 78.3 per cent in 2010-11, while the comparable rate for men declined from 62.5 per cent to 57.0 per cent during the same period.¹¹ Many of these vulnerable workers are informally employed

with low earnings and limited protection. Overall, around 4 in 5 non-agricultural workers were in informal jobs, with informal employment rates as high as 96.7 per cent and 96.1 per cent in construction and trade, respectively.¹² Moreover, for women who were able to secure a salaried job, their monthly earnings on average were three-fifths that for men.¹³

Thirdly, rather than a problem of time-related underemployment, many men in Pakistan toil in jobs involving excessive hours of work. In 2010-11, 47.2 per cent of men worked 50 hours or more per week. In comparison, women were more likely to be underemployed. In the same year, 31.1 per cent of women worked 29 hours or less, though this includes individuals who did not seek to work more hours.

Some provinces are making greater progress

Economic and labour market outcomes vary greatly across the four provinces (Baluchistan, Khyber Pakhtunkhwa, Punjab and Sindh) and administrative territories, reflecting differences in the size of the population, development paths and, more recently, the security situation. Punjab is the largest province with more than half of the total Pakistan population (96.6 million out of a total of 177.1 million according to 2011 estimates), followed by Sindh (42.2 million),

⁹ Pakistan Bureau of Statistics: *Pakistan Employment Trends 2011: Progress towards achieving MDG Target 1B “Full and productive employment and decent work for all”* (Islamabad, 2012), p. 30.

¹⁰ Labour productivity ranking from ILO: *Key Indicators of the Labour Market, 7th Edition* (Geneva, 2011), table 17.

¹¹ Pakistan Bureau of Statistics, op. cit.

¹² ILO: *Statistical update on employment in the informal economy* (Geneva, June 2012).

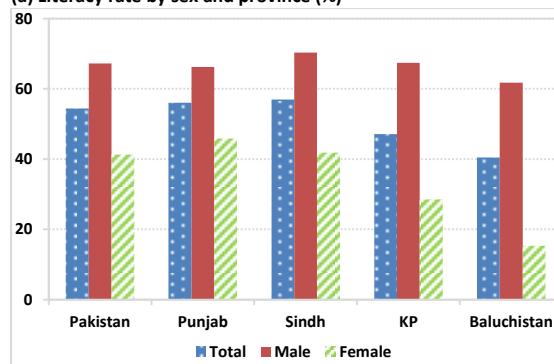
¹³ Authors' estimates based on the Pakistan Labour Force Survey 2010-11.

Khyber Pakhtunkhwa (KP) (23.8 million), and Baluchistan (9.1 million).¹⁴ This heterogeneity has been accelerated through the fiscal and policy decentralization that followed the 18th Constitutional Amendment of 2010.

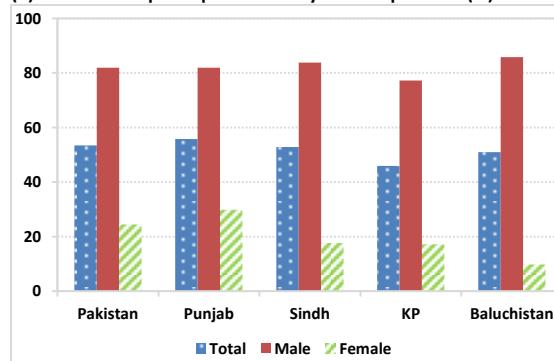
Turning to the labour market, there are considerable provincial differences in the participation in the labour force, especially among women (see Figure 3). The female labour force participation rate varies from just 9.8 per cent in Baluchistan to 29.8 per cent in Punjab, while the male rate is found in a much narrower band (77.1 per cent in KP to 85.7 per cent in Baluchistan). An important driver of participation is education and, in this respect, the literacy rate for women ranges from just 15.3 per cent in Baluchistan to 45.8 per cent in Punjab. Likewise, education is also linked to access to better quality jobs. The share of women in wage employment was highest in Punjab at 23.1 per cent, or 15.8 percentage points higher than in Baluchistan.¹⁵

Figure 3: Provincial variation in literacy and participation is greatest for women

(a) Literacy rate by sex and province (%)



(b) Labour force participation rate by sex and province (%)



Note: Aged 15+; KP = Khyber Pakhtunkhwa.

Source: Authors' estimates based on the Pakistan Labour Force Survey 2010-11.

Fragile outlook although the political situation likely to improve

Pakistan continues to face a set of complex economic, social and political challenges, namely low levels of investment, high inflation, energy shortages, and the damaging effect of conflict in certain provinces. Consequently, the outlook for the labour market continues to be negative, especially in the context of creating jobs of higher quality. Women, in particular, are more likely to experience poor outcomes as reflected by their over-representation in slow growing sectors (agriculture) and vulnerable employment. The IMF projects that GDP growth rates in Pakistan will continue to stagnate at around 3 per cent in the coming years.¹⁶ This is insufficient to stimulate adequate jobs and generate significant improvements in living standards with the population growing at approximately 2 per cent.

However, the recent provincial and federal elections in May, which represent the first successful democratic transition in Pakistan's history, provide an opportunity for political stability and better governance. The newly-elected Government needs to further strengthen economic fundamentals and prioritize the creation of more decent employment opportunities in policy-making at both the provincial and federal levels.

For further information please contact

ILO Country Office for Pakistan
 ILO Building, Sector G-5/2
 Near State Bank of Pakistan
 Islamabad 44000, Pakistan
 Email: ISLAMABAD@ilo.org
 Tel: +92 51 227 6456-8

Mr. Syed Saad Hussain Gilani
 Senior Programme Officer
 Email: saad@ilo.org
 Tel: +92 51 227 6456-8

¹⁴ Ministry of Finance, op. cit.

¹⁵ Authors' estimates based on the Pakistan Labour Force Survey 2010-11.

¹⁶ International Monetary Fund: *World Economic Outlook* (Washington, D.C., Apr. 2013).