

**Poverty reduction in Pakistan:  
The strategic impact of macro and  
employment policies**

**Working Paper No. 46**

**Moazam Mahmood**

**Policy Integration Department  
National Policy Group  
International Labour Office  
Geneva**

November 2005

Working papers are preliminary documents circulated  
to stimulate discussion and obtain comments

Copyright © International Labour Organization 2006

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to the Publications Bureau (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered in the United Kingdom with the Copyright Licensing Agency, 90 Tottenham Court Road, London W1T 4LP [Fax: (+44) (0)20 7631 5500; email: [cla@cla.co.uk](mailto:cla@cla.co.uk)], in the United States with the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923 [Fax: (+1) (978) 750 4470; email: [info@copyright.com](mailto:info@copyright.com)] or in other countries with associated Reproduction Rights Organizations, may make photocopies in accordance with the licences issued to them for this purpose.

---

ISBN 92-2-118084-0 (print)  
92-2-118085-9 (web pdf)

*First published 2006*

---

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: [pubvente@ilo.org](mailto:pubvente@ilo.org)  
Visit our website: [www.ilo.org/publns](http://www.ilo.org/publns)

---

Printed by the International Labour Office, Geneva, Switzerland

---

## Contents

	<i>Page</i>
Preface.....	iii
<b>1. Introduction.....</b>	<b>1</b>
<b>2. A consistent series of poverty estimates for Pakistan .....</b>	<b>2</b>
2.1 Caloric poverty .....	2
2.2 Basic needs poverty .....	3
<b>3. A comparison of alternative estimates for basic needs poverty .....</b>	<b>3</b>
<b>4. What has caused poverty to increase in Pakistan: The impact of growth .....</b>	<b>4</b>
4.1 Growth correlates.....	4
4.2 The reasons for the slowdown of growth.....	5
<b>5. The impact of macro-policies .....</b>	<b>7</b>
5.1 Who are the poor and why are they poor: The role of food subsidies .....	7
5.2 The impact of the loss of public goods .....	8
<b>6. The impact of employment.....</b>	<b>9</b>
<b>7. Strategic employment policies.....</b>	<b>10</b>
7.1 Strategic sectors .....	10
7.1.1 Exports: Conditions for a successful external leading sector .....	12
7.1.2 Policies to improve incentives for external leading sectors.....	13
(i) <i>Getting prices right</i> .....	13
(ii) <i>Getting the public sector right</i> .....	13
(iii) <i>Institutional reform and deregulation</i> .....	14
7.1.3 Training for higher productivity .....	15
7.1.4 Housing: Boosting an internal leading sector .....	16
7.2 Labour-intensive technology: Changing the composition of government expenditure .....	18
7.2.1 Choosing labour-intensive techniques in the Public Investment Programme .....	18

---

<b>8.</b>	<b>An emergency social protection programme: Employing the poor to help the poor.....</b>	<b>18</b>
<b>9.</b>	<b>Reducing poverty of opportunity.....</b>	<b>20</b>
9.1	Strengthening action on bonded labour in Pakistan.....	20
9.2	Child labour .....	22
	Appendix 1. Monitoring the labour market.....	24
	Appendix 2. Tables .....	29

---

## Preface

This paper represents ILO's contribution towards the PRSP prepared by the Government of Pakistan. ILO's work on Pakistan along with six other countries began as a second round of participation in PRSPs, after a good review in the Governing Body of our participation in the five pilot countries. If participation in the five pilots put the ILO on a fast learning curve, the work on the second round has allowed greater reflection and choice of focus. The paper on Pakistan shows this. Invited by the Ministries of Finance and the Planning Division which are jointly responsible for the PRSP, the ILO chose to focus its contribution on two areas, analysis of poverty, and an employment generation strategy. The focus allowed more analytical and policy reflection. Other aspects of Decent Work were addressed, rights, social protection and dialogue, but the focus paid off, with the Government of Pakistan basing its poverty and employment chapters of the PRSP on ILO's contribution.

This paper is divided broadly into these two parts. It begins with an analysis of poverty and goes on to review employment and policy to address it. The significance of the analytical work on poverty lies in the estimates made jointly by the ILO and the Planning Division, which have been adopted by the Government of Pakistan. The significance of the employment policy review lies in the ILO recommendation of employment generation through niche sectors like housing, which has been adopted by the PRSP and reviewed by the Cabinet of the Government.

The paper also has more controversial results to report. The analysis of the characteristics of poverty has an important implication for macro policy in the country. Poverty estimates show not only increasing poverty over time, but a correlation with falling average caloric levels and a rising share in food budgets. The population is spending a higher share of its household budget on food, but a growing proportion of this population is still unable to meet required nutritional norms. There is a similar rise in the share of the household budget going towards social expenditures like education and health. These findings have an unsettling coincidence with the phasing out of price based food subsidies and reduction in education and health subsidies. While the ILO does not recommend macro policy based on fiscally unsustainable deficits, this paper does argue for a more thorough review and prioritization of all consumption and production subsidies, and a more transparent linking of budgetary frameworks to the poverty reduction strategy.

The review of poverty of opportunity, of two of its principal forms, bonded labour and child labour, also calls for a broader perspective and a policy rethink. Bonded labour in Pakistan is seen to be badly defined, based on economic rather than extra-economic criteria, giving inflated estimates of its incidence that risk credibility. The grave nature of the problem calls for an analytical and empirical revisit, to base more appropriate policy on.

---

Child labour has good empirical estimates, but policy on it may require re-direction. Policy in Pakistan is laudable, based on monitoring and sanitisation of hot spots of child labour, like soccer balls, carpets and garments, but seventy per cent of child labour is based on home work and out work, rather than these hot spots of more organized production. A policy refocus is called for towards where the major problem of child labour lies, in home work and out work, not least because sanitization of the hot spots will drive out child labour further into this larger non monitored sector.

**Azita Berar Awad**  
**Director**  
**National Policy Group**  
**Policy Integration Department**  
**International Labour Office**

---

# Poverty reduction in Pakistan: The strategic impact of macro and employment policies

## 1. Introduction

The Government of Pakistan, through the Ministries of Finance and Planning, has prepared a robust Interim Poverty Reduction Strategy Paper (IPRSP). The International Labour Organization (ILO) is privileged to be invited by both of these august Ministries to contribute to the preparation of the full Poverty Reduction Strategy Paper (PRSP) in the area of its expertise, namely work. The ILO holds the firm belief that the only sustainable route out of poverty has to be based strongly on employment. And, because the poor largely work, since they are too poor to be able not to work, the working poor are poor because their conditions of work make them poor. They work long hours in onerous and often hazardous conditions. They work infrequently, with low levels of employment stability and income. They are under-remunerated and have low productivity, because they lack skills and work with low levels of capital. They lack social protection, both in work (such as occupational safety and health) and outside work (in the form of unemployment insurance and, at the end of their working lives, pensions). And they lack the voice and right to organize themselves in the vast informal economy, which is not covered by legislation or representation, as well as in the formal economy, where monitoring and implementation can be weak. There are also grosser deficits in relation to rights, such as child labour, the unremunerated labour of women and, in extreme circumstances, coerced labour, bonded labour and trafficking. Poverty reduction therefore implies generating not just work, but decent work, and at the same time protecting the vulnerable and strengthening their capacity to work.

The ILO's experience of working on PRSPs in the Asian and Pacific region has led to its contribution being based on the three elements of decent work, namely: (1) generating work; (2) improving conditions of work, and (3) protection and the strengthening of capacity. This contribution to the PRSP in Pakistan is based on prioritizing some of these elements for the development of a decent work strategy for poverty reduction, guided by close consultations with the ILO's constituents, namely workers, employers and the Government. In so doing, the ILO is endeavouring to bring greater inclusion and voice to the PRSP process in Pakistan.

A first word on PRSPs and poverty. In three of the five countries in which the ILO is involved in the PRSP process in the Asia and Pacific region, that is in Cambodia, Nepal and Pakistan, poverty has increased. All three have seen some growth, but this has not resulted in a decline in poverty. Indeed, the opposite has occurred. So research has to be directed at answering the question of what the relationship is between growth and poverty. Why is the correlation between growth and a fall in poverty at best so weak, if not negative, with the result that low growth leads to a rise in poverty, and high growth makes a minimal impact on poverty? What are the mechanisms that generate growth and poverty simultaneously, and why are these mechanisms so powerful?

---

The fundamental answer for Pakistan is the existence of two policy weaknesses. The first is the failure of macro-policies to provide public goods to the population that is vulnerable to poverty. Increased private expenditure, because of reduced public goods, and increased food expenditure, because of reduced food subsidies, are correlated with the rise in poverty. This also implies that an examination of real wages and income must therefore be seen not just in terms of arithmetic inflation adjustment, but as a social concept incorporating an element of the provisioning of public goods.

A second weakness in Pakistan is the pattern of growth, which has failed to provide sufficient employment and income opportunities over the past decade. The PRSP therefore requires not only a strong anti-cyclical macro-policy, especially in relation to public goods, but also the generation of greater demand for employment. It also requires a strategic sectoral policy for employment generation, social protection through emergency employment generation schemes and the strengthening of the capacity of workers through human resource development and improvements in rights. Deficits in children's rights are important manifestations of poverty *per se*, constituting as they do a gross deficit in terms of poverty of opportunity, as well as being a critical mechanism for the intergenerational transfer of poverty. This deficit must therefore be reduced on both counts.

## **2. A consistent series of poverty estimates for Pakistan**

The first problem encountered in the case of Pakistan in analysing the long-term trend of poverty is that there has not been a single series of estimates using a consistent methodology. There has been a patchwork of different estimates, on which trends have had to be based.

The long-term trend in poverty up to the mid-1980s is fairly clear (Mahmood, 1998). In the 1960s, a majority of estimates appear to show a rise in poverty, especially rural poverty. But income inequality declined. This pattern was reversed in the 1970s, with poverty falling and income inequality increasing. This trend continued in the 1980s, with poverty continuing to fall and income inequality continuing to increase. The worry at the turn of the decade was that there appeared to be warning signs that the twenty-year decline in poverty was about to be halted, and possibly reversed. More recent estimates have borne this out dramatically.

### **2.1 Caloric poverty**

Table 1 attempts to overcome the paucity of long-term series by providing a series of caloric poverty estimates from 1986-87 to 1998-99, based on a consistent methodology and the large Household Integrated Economics Survey (HIES) databases. To the ILO's knowledge, this is the only such series of estimates for caloric poverty covering this fifteen-year period.

Table 1 and figure 1 show that the numbers below the caloric poverty line continued to decline between 1986-87 and 1992-93, falling to 20 per cent of the population (the

---

poverty line is given in table A1). But this long decline in poverty was then reversed. The poverty level of 20 per cent increased slightly (by 1 per cent) from 1992-93 to 1993-94. But between 1993-94 and 1996-97, the poverty level shot up by nearly 7 per cent. And between 1996-97 and 1989-90, it again rose steeply by 5 per cent. Caloric poverty in Pakistan, at the turn of the millennium, stood at 32 per cent of the population.

Two decades of gains in poverty reduction were therefore reversed in the 1990s, with caloric poverty increasing by 12 per cent over the course of the decade, bringing one-third of the population under the poverty line. And caloric poverty is arguably the indicator that should be used for the purposes of international and regional comparisons, especially for PRSPs.

In 1998-99, rural caloric poverty stood even higher, at 33 per cent, compared to 30 per cent for urban poverty.

## **2.2 Basic needs poverty**

As more recent estimates of poverty in Pakistan appear to concern basic needs poverty, rather than caloric poverty, table 2 and figure 2 give a parallel series of estimates for basic needs poverty (the poverty line is given in table A2). Figure 3 shows that basic needs poverty, for which a higher consumption bundle is used in comparison to caloric poverty, moves consistently above and in trend with caloric poverty. Basic needs poverty fell from a headcount of 29 per cent in 1986-87 to 26 per cent by 1990-91. Thereafter, the decline in basic needs poverty was reversed. Basic needs poverty therefore started to rise earlier than caloric poverty, after 1990-91 rather than after 1992-93. Basic needs poverty rose gradually, by 1 per cent between 1990-91 and 1992-93, and then by another 2 per cent by 1996-97. Basic needs poverty then shot up by almost 4 per cent by 1998-99. In 1998-99, basic needs poverty stood at 33 per cent, compared to 32 per cent for caloric poverty.

Figure 3 also shows that the gap between basic needs poverty and caloric poverty increased over time. This implies that the basic needs poverty line trapped a higher proportion of the population over time than the caloric poverty line, meaning that expenditure on basic needs rose faster than expenditure on caloric needs.

## **3. A comparison of alternative estimates for basic needs poverty**

The series of estimates for basic needs poverty made for this study varies somewhat from two other shorter series. The World Bank (2002) developed a series of estimates for basic needs poverty from 1987-88 to 1998-99. Carraro (2001) prepared a series on basic needs poverty for the Federal Bureau of Statistics from 1992 to 1998-99. These are reproduced in table 4 and figure 4.

In relation to long-term trends, figure 4 shows that the World Bank and the ILO series disagree fundamentally. The present study finds that basic needs poverty increased over the 1990s from 26 to 33 per cent. The World Bank series holds that basic needs poverty dropped slightly over the same period from 34 to 33 per cent.

---

The Carraro series agrees with that of the World Bank over the shorter period between 1992-93 and 1998-99. The present study agrees with both of these series for the initial years of 1992-93 and 1993-94. For all three studies, basic needs poverty accordingly rises from a band range of between 25 and 26 per cent in 1992-93 to between 28 and 29 per cent in 1993-94, which is a rise of 3 per cent in one year. Subsequently, the present study shows a continued rise in basic needs poverty to 29 per cent in 1996-97 and to 33 per cent in 1998-99. The World Bank and Carraro studies diverge here by showing a decline in basic needs poverty from 28 to 29 per cent in 1993-94 to between 24 and 26 per cent in 1996-97. They then show a subsequent rise to 33 per cent in 1998-99.

There are therefore fundamentally two points of discrepancy between the three studies. Firstly, the present study and the World Bank study disagree on the period between 1990-91 and 1992-93. This study shows a marginal increase in basic needs poverty from 26 to 27 per cent, while the World Bank study shows a massive drop of 9 per cent from 34 to 25 per cent. Secondly, the present study disagrees with the World Bank and Carraro studies for the period between 1993-94 and 1996-97, for which this study shows an increase in basic needs poverty from 29 to 33 per cent. Over the same period, the World Bank and Carraro studies show a decline in basic needs poverty from 29 to 25 per cent.

So the main questions are: whether there was a decline in poverty, or a small rise, during the period 1990-91 to 1992-93; and whether there was a decrease in poverty or a rise during the period 1993-94 to 1996-97. Which leads to the basic question of what accounts for the massive rise in poverty from 1992-93 onwards, on which all three studies broadly agree, with this study placing the rise at 7 per cent and the World Bank and Carraro studies at 8 per cent.

## **4. What has caused poverty to increase in Pakistan: The impact of growth**

### **4.1 Growth correlates**

Turning to the basic issue of the long-term trend, the first question to be addressed is what accounts for the rise in poverty, both caloric and basic needs poverty, from 1992-93 onwards? The secondary question is related to shorter trends, namely whether there was a decline in poverty in 1992-93 and another in 1996-97?

Figure 5 plots certain growth correlates onto caloric and basic needs poverty. The first point to note is that, as from 1992-93, a general reduction in the band range of gross domestic product (GDP) growth was correlated with the rise in poverty, both caloric and basic needs poverty. GDP growth fell from its band range of between 5 and 6 per cent in the 1980s to between 2 and 4 per cent in the 1990s. Figure 5 shows that this decrease in GDP growth began with the fall in GDP growth from 7 to 2 per cent in 1992-93. GDP growth slowly climbed back to 6 per cent over the next three years, only to fall once again to 2 per cent in 1996-97. After 1996-97, GDP growth remained suppressed in the low band range of between 3 and 4 per cent.

The second question is whether there was a decline in poverty in 1992-93, as indicated by the World Bank study. The steep fall in GDP growth from 7 to 2 per cent certainly does not support a decline in poverty.

---

The third question is whether there was a fall in poverty in 1996-97, as indicated by both the World Bank and the Carraro studies. Once again, the steep fall in GDP growth from 6 to 2 per cent does not support this decline in poverty.

In defence of the World Bank and Carraro studies, some lags from the highs in previous years have evidently found their way into their poverty estimates for 1992-93 and 1996-97. However, it is curious that these lags are not reflected in the present study. A difference in methodologies may account for these variations in short-term trends.

Nevertheless, our working conclusion remains that the declining trend in GDP growth from 1992-93 onwards supports the trend for increased caloric and basic needs poverty found by the present study. There were two major GDP shocks, which both lowered growth to 2 per cent, in 1992-93 and 1996-97. GDP growth recovered from the first shock, but not from the second. Per capita income declined with each shock, with recovery to even pre-shock levels taking several years.

Finally, we do not believe that the quantum difference in estimates for basic needs poverty of some 7 per cent between this study and the World Bank and Carraro studies should be overemphasized. The trend for all three studies after 1992-93 is clearly for an increase in poverty. And it is this rising trend in poverty over the 1990s, after two decades of a reduction in poverty levels, which is the most important issue to be addressed by policy measures. Quantum differentials in estimates are more easily reconciled by agreement on poverty lines. The point is to address the causality of the upward trend in poverty, and not to be distracted by the reasons for the differences in estimates.

## **4.2 The reasons for the slowdown of growth**

In Pakistan, the reasons for the GDP growth shocks and the slowdown in growth are the usual suspects, namely agriculture, and in particular the cotton dependency in both agriculture and manufacturing.

Figure 5 shows that GDP growth can be explained very well by trends in agricultural growth, especially of the major crops. The last peak in GDP growth of 7.7 per cent in 1991-92 can be explained by high agricultural growth of nearly 10 per cent, in turn due to the very high growth of major crops of close to 16 per cent. The 1992 fall in GDP growth to 2 per cent can be explained by a contraction of 5 per cent in agricultural growth, and in major crops by nearly 16 per cent. Agricultural growth recovered over the next few years, reaching 12 per cent by 1995-96, thereby allowing GDP growth to recover to nearly 7 per cent. But the fall in GDP growth in 1996-97 was again caused by a slump in agricultural growth to zero, which was in turn due to a contraction of 4 per cent in the growth of major crops. GDP growth subsequently remained at between 3 and 4 per cent because agricultural growth was limited to between 2 and 5 per cent, and because major crop growth was low and sporadic in comparison with past trends.

Figure 6 further reinforces the reliance of GDP growth on agricultural growth, and particularly that of the major crops, by showing that the major contributors to GDP growth also follow crop growth. The growth of large-scale manufacturing is seen to follow major crop growth in all its peaks and troughs, except for one moderate year, 1994-95. Similarly, growth in trade is correlated to major crop growth. Construction growth also appears to be closely correlated to crop growth. The growth of major crops in large part explains growth in GDP, while growth in other major sectors, such as large-scale manufacturing, trade and construction, all appear well correlated with growth in major crops.

---

The influence of growth in major crops on the growth of both agriculture and large-scale manufacturing can be further narrowed down to what appears to be a chronic dependency on cotton. Table 4 shows that, of the major crops, neither wheat, rice or sugarcane display extreme shocks in 1992-93 and 1996-97, or a trend for a reduction in growth. Wheat output rose in 1992-93, while rice and sugarcane remained constant. In 1996-97, wheat output remained constant, rice output rose and sugarcane output fell marginally. In terms of trends, wheat output rose over the 1990s from 14 to 19 million tonnes, rice output rose from 3 to 5 million tonnes and sugarcane output rose from 36 to 46 million tonnes.

Cotton therefore explains the shocks in major crops and the trend for growth to fall during the 1990s. In 1992-93, cotton output fell from 2.2 to 1.5 million tonnes. By 1995-96, it had barely recovered to 1.8 million tonnes, and then fell once again in 1996-97 to 1.6 million tonnes. Cotton output has subsequently remained stagnant. Moreover, the long-term trend in cotton output has been downwards over the 1990s, falling from 2.2 to 1.5 million tonnes.

So the causality is that the rise in poverty since 1992-93 can be explained by the GDP growth shocks in 1992-93 and 1996-97 and the trend for the reduction in the band range of growth. This GDP growth pattern correlates well with agricultural growth, which is in turn based on the major crops, and particularly cotton. Figure 1 further corroborates this explanation of the increase in poverty by showing that the rise in caloric poverty after 1992-93, especially the sharp increase after 1993-94, has been led by rural poverty.

But to complete the story of cotton dependence, it can be seen to run from agriculture to large-scale manufacturing. Growth in large-scale manufacturing can be seen to be closely correlated with the behaviour of the major crops, including the shocks of 1992-93 and 1996-97, with a trend for a reduction in growth over time. The behaviour of large-scale manufacturing can also be traced to the cotton industry. Table 4 shows that the cotton yarn industry suffered a growth shock in output in 1992-93, falling from 12 to 4 per cent. Over the next few years, yarn growth recovered to reach 9 per cent by 1995-96, before falling to under 2 per cent once again. Yarn growth did not subsequently recover, staying at under 1 per cent. Cotton cloth growth followed the behaviour of yarn growth, but with the expected lag. Following the fall in yarn growth in 1993-94, cotton cloth growth halved from nearly 6 per cent a year. But, unlike yarn, cloth growth never recovered from this first fall, and stayed low at 2 per cent over the subsequent years.

In summary, caloric poverty and basic needs poverty are observed to have increased between 1992-93 and 1998-99, reversing a two-decade declining trend. This increase in poverty appears well correlated with the trend for GDP growth to fall during the 1990s, especially based on the two shocks in 1992-93 and 1996-97. This behaviour of GDP growth can be explained convincingly by the growth rates of major crops, which in turn are closely correlated with the growth in large-scale manufacturing, trade and construction. Poverty and GDP growth therefore appear to be dependent on cotton, with major crops being influenced by cotton growth, and large-scale manufacturing being influenced by the growth in cotton yarn and cloth.

---

## 5. The impact of macro-policies

### 5.1 Who are the poor and why are they poor: The role of food subsidies

The explanation that emerges for the rise in poverty is therefore that the economy is structurally dependent on cotton, which makes it vulnerable to natural conditions. Two cotton shocks in the 1990s, with a 20 per cent fall in cotton yields, resulted in a reversal in the two-decade trend for the reduction of poverty. But this, of course, begs the question, *ceteris paribus*, of what else is different in the 1990s compared to the 1970s and 1980s. And the answer is that the cotton dependency has been the only constant over time and that all else is probably different. You do not step into the same river twice. Then how can the macro policy measures required for poverty reduction be identified, beyond the obvious broad brush of GDP growth.

To focus policy more sharply, it is necessary to examine who the poor are in Pakistan, and what makes them poor. Figures 7 and 8 disaggregate the poor by sectors and occupations.

Figure 7 shows that there is a higher incidence of heads of households among the urban poor who are in the construction sector, followed by manufacturing, and then transport and communications. The rural poor are, of course, concentrated in agriculture. In terms of occupational structure, figure 8 shows that the poor have a higher incidence of having a head of household who is self-employed, followed by those who are employees. But the highest incidence of poverty arises where the head of household is an unpaid family worker, which is most often the case for women.

This leads to the question of what makes these people poor. Table 5 disaggregates the poor in terms of their socio-economic characteristics and is a particularly clear whistle-blower.

The first point to note is that the poor are working poor. They have more earners per household than the non-poor. Poor earners just earn less than the non-poor. And with the rise in poverty over the 1990s, the poor have had to increase the number of earners per household.

The second point is that while, during the 1980s, the poor increased their average caloric consumption to 2,503 Kcals, in the 1990s their average caloric consumption fell to 2,196 Kcals.

What is particularly damning is that during the 1990s the food share in the consumption bundle of the poor rose significantly from 53 per cent to 62 per cent, from around one-half to two-thirds, but this still did not prevent a slide in their caloric consumption. The role of the phasing out of food subsidies was particularly to blame in this respect.

The argument in relation to food subsidies needs to be put into the specific context of Pakistan. The generic argument for phasing out price subsidies for essential foodstuffs, such as wheat flour, is that they suffer from larger leakages than more targeted subsidies. This argument is premised on the existence of a good targeting mechanism for the subsidies. However, in the case of Pakistan, the targeting mechanism is demonstrably

---

weaker than the self-targeting nature of price subsidies. It is not objectively based on need, and is instead more arbitrary and subject to bias. In comparison, price subsidies at least comprehensively target all the poor.

This raises an interesting cost-benefit argument in relation to food subsidies. The first point is that the objective function of food subsidies has to be made explicit. Is the objective of food subsidies to cover the poor comprehensively, or is it to cover the poor while minimizing coverage of the non-poor. If the objective is comprehensive coverage of the poor, this can be achieved by price subsidies, as every Kcal of wheat consumed by the poor is subsidized. Of course, the same applies to every Kcal of wheat consumed by the non-poor. In this case, even if the poor are predominant, accounting for example for 30 per cent of the population, with another 30 per cent who are vulnerable to poverty, there is a leakage of 40 per cent. Price subsidies therefore offer the benefit of comprehensive coverage of the poor, but with an approximate 40 per cent leakage.

If, on the other hand, the objective of food subsidies is to minimize leakages, then targeted subsidies should be considered according to the same criteria. If targeted subsidies are to function better than price subsidies, their leakage must at least be lower than 40 per cent to make the two options comparable. Targeted subsidies are therefore equal to price subsidies in cost terms if both have a leakage of 40 per cent. But the benefit of price subsidies is 100 per cent coverage of the poor, while the benefit of the targeted subsidies is still 60 per cent coverage of the poor. There is therefore a trade-off in the cost of the two types of subsidies, but not in coverage. Price subsidies are always comprehensive, while targeted subsidies, in realistic terms, are always less than comprehensive.

The decisive factor in this macro policy debate concerning comprehensive versus less comprehensive coverage has to be the indicator noted above of the poor raising the food share of their budgets, but still being unable to meet the required dietary allowance (RDA) of 2,250 calories. The divergence between food shares going up and the Kcals consumed going down over time calls for comprehensive coverage of the poor through price subsidies.

## **5.2 The impact of the loss of public goods**

The fact that the poor increased the share of food in their consumption bundle so significantly over the 1990s to buy a dwindling number of calories means that this manifestation of poverty is correlated with the erosion of food subsidies. Table 5 shows that, over this period, the poor also increased their share of expenditure on utilities, education and health by an average of approximately 5 per cent. These are all public goods, or goods with a significant level of public subsidy for the poor. The increased share of private expenditure on these goods again betokens the dwindling public provisioning of such goods. This in turn puts pressure on the maintenance of caloric consumption, increasing the incidence of caloric poverty, and raises the basic needs poverty line, thereby augmenting the incidence of basic needs poverty. So increased poverty is once again correlated with the loss of access to public goods and with reductions in the subsidies on these goods.

Poverty therefore adds an interesting perspective to wages and incomes. To counter inflation, nominal wages and incomes are usually indexed to benchmark real wages and welfare. However, as observed here, the real wage contains a significant element of the

---

provisioning of public goods, neither the inclusion nor loss of which is normally taken into account when examining welfare.

## 6. The impact of employment

One policy feature that is correlated with the increase in poverty over the 1990s is a macro policy weakness, namely the reduction in food subsidies and the provisioning of public goods, which affect the part of the population that is susceptible to poverty. An aggressive counter-cyclical macro policy correction is therefore needed to reverse this negative impact on poverty. A second weakness that emerges is a pattern of growth that has not generated sufficient access to jobs and incomes, particularly during the 1990s.

One important indicator of declining access to wage and non-wage income is the increasing concentration of the distribution of income. Table 6 shows that the distribution of income decreased somewhat in concentration over the 1970s and the 1980s, when poverty was observed to be falling. However, the Gini coefficient increased dramatically over the 1990s, from 0.35 to 0.41, along with the dramatic rise in poverty. Table 7 shows that much of this rise was rural.

It is difficult to establish a direct correlation between the rates of open unemployment and access to jobs and incomes. Figure 9 shows that the rate of open unemployment rose from an earlier long-term level of 6 per cent up to 8 per cent during the 1990s. This was a consequence of a number of factors, including the restrictive definition of unemployment, low incentives to register unemployment and the existence of the working poor, who cannot afford to be unemployed. Most labour force participants have no alternative but to be employed. Employment therefore becomes a variable that is determined mainly by supply and grows at approximately the same rate as the labour force, as shown in figure 10 (see also figures A1-A3).

Changes in underemployment over time are less helpful. Underemployment, defined as working fewer than 35 hours a week, stood at 13 per cent in 1990 and barely varied over the rest of the decade from a small band range of between 11 and 13 per cent (ILO, 2002).

Variations in access to jobs and incomes are seen more clearly in sectoral employment elasticities. Table 8 shows that the employment elasticity in agriculture declined over successive decades, from 0.8 in the 1970s to 0.35 in the 1980s, falling to 0.31 in the 1990s. In manufacturing, the elasticity of employment fell from 0.76 in the 1970s to 0.12 in the 1980s, and remained low at 0.19 in the 1990s. The main employment engines in Pakistan, namely agriculture and manufacturing, have therefore wound down, and the substitute sector that has emerged, as a refuge or sponge sector absorbing increases in the labour force, is trade. In times of high growth, as in the 1980s, its employment elasticity shrank to 0.3, while in times of low growth, such as the 1970s and 1990s, its employment elasticity was high (0.79 in the 1970s and 1.29 in the 1990s).

However, it is noteworthy that employment elasticity has also tended to increase over time in the construction sector, from 0.81 in the 1970s to 1.06 in the 1980s and 1.56 in the 1990s. The construction sector therefore offers considerable potential for the development of an employment strategy.

---

## 7. Strategic employment policies

The employment problem in Pakistan is therefore related to the working poor and has its roots in the weak demand for labour in relation to supply. The “slack” in the labour market is reflected only partly in unemployment and underemployment, but more substantially in the high proportion of workers in distress who have abnormally low incomes or whose skills are underutilized and who are working normal or near normal hours, but merely to survive, while remaining alert for the possibility of a “real job” which would more fully utilize their capacities and provide an adequate income. The low labour force participation rate, particularly among women, may also be a sign of slack, as is the large number of Pakistani nationals working overseas. Employment policy should focus mainly on the problem of weak demand for labour (and its many dimensions, including gender, age, sector, public/private, region and urban/rural), although attention also needs to be paid to the special question of the educated unemployment.

The PRSP includes many policies relevant to increasing the demand for labour and improving its supply, such as the restoration of economic growth, the Khushal Pakistan programme, land for poor small farmers, education, health, nutrition and population programmes, and social safety nets. The approach suggested in this section should be seen as supplementing the PRSP, not replacing it. In particular, the lack of discussion in the present study of measures to revitalize agriculture and address child labour and the many gender-related issues does not imply that they are thought to be unimportant, but that they are already well covered by the PRSP.

### 7.1 Strategic sectors

The question underlying the strategy developed in the present study is where the increase in demand for labour can be found. The answer, embodied in an incentives-oriented strategy based on leading sectors, is threefold: (i) externally in foreign markets; (ii) internally in house-building; and (iii) by changing the composition of government expenditure towards the use of labour-based technology, especially in infrastructure.

The Three-Year Development Programme posits a (revised) annual average growth rate for real GDP of 4.2 per cent over the 2001-04 period, with consumption growing at 3.7 per cent and investment at 7.2 per cent. The main engine of growth is the export market (the direct and indirect source of incentives for investors and markets for domestic producers).

Whether or not the projected growth rate is realistic, when seeking potential leading sectors for the generation of demand for labour, there is no alternative but to look first at exports. This is a virtually logical implication of the definition of a leading sector which, in the words of the originator of the term (Currie, 1974: 6), is a sector that has an “unexploited or latent demand that can be actualized and a sufficiently large demand as to cause its satisfaction to have a significant impact on the whole economy”. A leading sector must also (unlike a “following” sector) be capable of an exogenous increase in its growth rate, independent of the current overall rate of growth of the economy.

In trying to identify potential leading sectors, it is useful to begin by going back to basics, namely to a country’s aggregate factor endowment. Accordingly, table 9 compares Pakistan’s labour/land ratio with those of a number of other South-East Asian countries. As can be seen, Pakistan has one of the highest ratios of active population to land area,

---

second only to Viet Nam among the countries covered by the table. If cultivable land alone is taken into account, Pakistan shows a lower density than three countries: Indonesia, Philippines and Viet Nam. However, it still belongs to the category of presumably “labour surplus” economies, with the above three countries and Thailand, rather than the less “crowded” economies, such as Cambodia and Malaysia. As would be expected, Pakistan’s comparative advantage is likely to lie in labour-based rather than resource-based activities.

Another element of an economy’s factor endowment is the level of skills of its population. Only an approximate measure of this is available, namely the average years of schooling of the active population, and it is only available on a comparative basis for the early 1990s. Nevertheless, the comparison shown in table 10 provides useful insight into Pakistan’s relative situation. One of the main obstacles to achieving high productivity growth is revealed in column 3, which shows the country’s low average years of schooling compared with those of most South-East Asian countries. In relation to the criterion of the number of years of schooling per square kilometre, shown in column 4 (adapted from the criterion of relative endowments of skill and land suggested by Wood, 1994), Pakistan did not have a comparative advantage in 1992 in non-agricultural activities making intensive use of skilled labour in comparison with the Philippines and Viet Nam. However, a specific comparative advantage is not permanent and the rapid expansion of education would move Pakistan in a skill-intensive direction.

Another indicator of emerging comparative advantage is the differential in the earnings between those with higher and lower educational levels. As the supply of qualified people increases in any economy, this differential tends to be compressed. To judge from the data from the 1993-94 *Labour Force Survey*, Pakistan has already moved some way along this path. As is shown in table 11, although the categories are different, the differentials between the best and least educated were considerably more compressed in Pakistan than in Indonesia for the same year. This is apparently inconsistent with table 10, but may merely mean that Pakistan’s emerging comparative advantage (based on its high tertiary education enrolment rates relative to those at lower educational levels) is in activities requiring higher levels of skills, rather than those for which middle skill levels are needed.

In this respect, estimates of existing revealed comparative advantage (RCA) are not encouraging. For instance, according to estimates for 1995 (reported in ILO, 2001: appendix 1, table 1), the only subsectors to be rated as “competitive” (with an RCA greater than one and rising) were rice milling and sugar and confectionery. Four more subsectors, namely cement and cement products, fertilizers, leather articles and musical instruments, were rated as “improving” (with an RCA of less than one, but rising). The Perspective Plan (reported in ILO, 2001: 147) nevertheless envisages a transformation of the structure of key exporting industries by 2010. Interestingly, agriculture is expected to play a role in this respect through the export of such “advanced” primary products as fruit, vegetables and flowers, as well as the provision of inputs to agro-industry. Exports of surgical instruments have grown steadily over the years: in 1999-2000 they earned US\$120 million, or 1.4 per cent of total export earnings, or about double the level of drugs and chemicals, which have also performed well.

Crucial to any transformation plans are developments in the giant of Pakistani industry (accounting for three-quarters of export earnings and around 38 per cent of the manufacturing workforce), namely textile yarn, fabrics and clothing. As outlined in the recent International Monetary Fund (IMF) country study (IMF, 2001: particularly box III-2), the textile boom of the 1980s was founded on wide-ranging government

---

intervention, including artificially low cotton prices, subsidized loans, tax holidays and non-tariff barriers. Since the mid-1990s, the sector has been hit by a series of negative productivity shocks and growth has been sluggish. It is currently struggling in the face of increasing competition, higher cotton costs, its low technological level and uncertainty concerning government tax and exchange rate policies. However, if there is an improvement in the export environment (see below) and a successful outcome to current negotiations concerning international market access, a transformed textiles and garments sector has to be one of the main components of an external leading sector.

### **7.1.1 Exports: Conditions for a successful external leading sector**

Whatever their detailed composition, exports are suited to the role of an external leading sector, but only if the necessary conditions are established. These conditions can be analysed within the framework of the components of unit labour cost, namely productivity, labour costs, product prices and the exchange rate. Competitiveness rises when the relationship between the changes in these four variables is right: for example, when productivity rises faster than labour costs per worker, product prices are restrained and the real effective exchange rate does not tend to rise.

The record of Pakistan's manufacturing industry in these respects can be examined on the basis of data from the *Census of Manufacturing Industries* (covering registered establishments, assumed to be large-scale) and the *Survey of Small and Household Manufacturing Industries* (covering unregistered establishments) carried out during the 1980s and early 1990s (see figures 11 and 12). As can be seen from figure 11, real labour costs per employee in large-scale manufacturing rose by 80 per cent between 1985-86 and 1995-96, but real value added per employee more than doubled, growing particularly rapidly during the first half of the 1990s. This reflects some shedding of labour in the 1990s, with the workforce being cut by 9 per cent between 1990-91 and 1995-96, after growing by 23 per cent in the first half of the 1980s.

Small and household industry, in contrast, had to cope with a doubling of its workforce between 1987-88 and 1996-97. This was reflected (figure 12) in a relatively modest rise of 50 per cent in real labour costs per worker (including unpaid family workers and proprietors) over the period, and an even smaller (16 per cent) rise in real productivity. The challenge for manufacturing industry as a whole, if it is to compete on world markets, is to combine the expansion of its workforce with a more rapid growth of productivity than of labour costs.

Other elements of unit labour costs which affect competitiveness are price inflation and exchange rates. The manufacturing producer price index rose by 72 per cent in the decade up to 1995-96, but this was partially offset by a 53 per cent devaluation of the rupee. Inflation in trading partner countries was higher than in Pakistan, with the result that the real exchange rate fell by 40 per cent. The combined impact of these changes, together with the changes in productivity and labour costs, can be measured in real unit labour costs in foreign currencies. Over the whole period between 1985-86 and 1995-96, this measure fell by 47 per cent in Pakistan. Table 12 shows how Pakistan's record in this respect compares with that of some of its competitor countries and trading partners. Over the period as a whole, Pakistan, along with China, Indonesia and the United States, was one of the countries that enjoyed the greatest improvement in competitiveness. Most of this rise occurred between 1988 and 1995, when Pakistan's improvement was only matched by China. What has happened since 1995 is not fully known, but industry in

---

Pakistani has at least demonstrated its capacity to become more competitive over a sustained period, a process that will need to continue over the next few years.

### **7.1.2 Policies to improve incentives for external leading sectors**

While export promotion measures and the encouragement of foreign investment in and contacts with specific leading sectors will be useful for the strategy, this section of the study focuses on more general measures to improve incentives and remove anti-export biases in the policy regime.

#### *(i) Getting prices right*

Economic activity cannot reflect a country's comparative advantage, and therefore increase demand for labour, unless factor price distortions (particularly in exchange rates, interest rates and wage rates) are eliminated. Overvaluation of the exchange rate encourages imports of capital goods and discourages the use of domestic labour-intensive inputs. Low interest rates mean that credit is rationed rather than allocated by price, and a capital-intensive bias is imparted to the choice of technology or output. Private savings are also discouraged. And wages that are higher than the market level (reflecting trade union pressure or minimum wage legislation) limit the extent of labour absorption.

Time and space do not allow for a full investigation of these issues, but it is clear that the situation improved during the 1980s and 1990s. The labour market is certainly segmented by type of employer: there is a significant wage differential between the formal and informal sectors and between large and small firms (Nasir, 1998: 267), and figure 11 shows that there was an 80 per cent increase in the real producer wage between the mid-1980s and the mid-1990s. However, the relationship between wages and productivity may make it rational for larger employers to pay higher wages. Figure 11 also shows a doubling of real productivity over the same period.

As for other factor prices, table 13 shows that the nominal and real effective devaluation of the rupee, already discussed above, continued in the second half of the 1990s (although effectively there is still an anti-export bias in the differential rates of exchange offered to exporters and importers by the State Bank) and that the days of negative real interest rates are long over. However, loans have been provided at lower than market rates by state institutions, with the loans at low interest rates for tractors and mechanization being particularly damaging for the demand for labour (Husain, 1999: 347). In general, trends are in the right direction, but employment policy will be best served by the elimination of the remaining subsidies to capital.

#### *(ii) Getting the public sector right*

Fiscal discipline is not necessarily harmful to demand for labour in a leading sector strategy. Budget deficits should not be so large as to "crowd out" potential private investment and threaten price stability, and hence international competitiveness (through unit labour costs). In any case, there is not much room for manoeuvre in this respect. The Three-Year Development Programme, under IMF tutelage, is aimed at reducing the overall fiscal deficit from 5.3 to 3.1 per cent of GDP between 2000-01 and 2003-04, while increasing revenue from 16.6 to 18.2 per cent of GDP.

---

What should be addressed is the weight of the public sector in relation to the labour market. It is difficult to move towards an incentives-oriented strategy in an economy in which a large amount of revenue has to be raised to pay public sector salaries and where a high proportion of the most educated and experienced people work in the public sector.

Expenditure on personnel represented about 56 per cent of non-defence, non-interest current public expenditure in 1996-97. The public sector accounts for around 8 per cent of the labour force and as many as 23 per cent of wage employees. Moreover, 21 per cent of government employees are in grades 11 to 22, which require the equivalent of graduate level entry qualifications (possessed by only about 4 per cent of the adult population). In the 1996-97 *Labour Force Survey* sample, 31 per cent of public sector employees had degree qualifications, compared with 22 per cent of formal private sector employees (Nasir, 2000). In short, the better educated are over-represented in the public sector.

Comparison of public and private sector remuneration is made more difficult by the broad range of non-monetary benefits enjoyed by civil servants. For instance, a Secretary at the top of the Government employee pay scale received basic pay of only Rs. 17,000 a month in 1998 (about 14 times the lowest pay on the scale). However, when cost-of-living and other allowances, as well as the value of accommodation, a personal secretary, transport and pension benefits are added, the total monthly package reaches Rs. 100,200 (World Bank, 1998a: table 4.1). This is thought to be less than half the package provided to top executives in the private sector. However, the virtually total security of employment and generous pension benefits enjoyed by public employees have to be taken into account. A comparison of workers of all grades in the public and formal private sectors, based on the 1996-97 *Labour Force Survey* (Nasir, 2000), finds that average monthly earnings are Rs. 3,902. When controlled for employees' endowments (such as age and education), employees in the public sector are paid 6.4 per cent less than comparable employees in the private formal sector.

However, it is clear that the remuneration, fringe benefits and other perceived advantages of employment in the public service are sufficient to attract a disproportionate number of educated persons. This has a debilitating effect on the economy and the labour market, weakening the private sector and making it more difficult to pursue a skill-intensive leading sector employment strategy.

### *(iii) Institutional reform and deregulation*

One policy lesson from around the developing world is that the greater the level of institutional reform, the lower the painful real wage and exchange rate adjustment that is needed to boost demand for labour.

The scope for deregulation in Pakistan remains broad. Husain (1999: 366) summarizes the range of controls that have distorted incentives over the years, including: industrial licensing, which regulates the scale, technology and location of any investment project above a relatively small size; exchange controls; capital issue controls, which require potential investors to obtain permission to gain access to domestic equity markets and debt finance; price controls on some consumption goods and inputs; discretionary protection from import competition for selected domestic industries; the enforced sale of agricultural produce to the State at lower than world market prices, combined with subsidies for irrigation, fertilizers and electricity; controls on state commercial banks in relation to credit, deposit and lending rates; and enforced loans to the Government at

---

below market interest rates. Many of these controls have now been relaxed. For example, there are now only a few industries on the negative licensing list; formal exchange controls have been lifted; control over capital issues is no greater than that exercised in most countries; and procurement prices for agricultural commodities have increased considerably in recent years. However, informal procedural constraints still operate in some cases, and provincial and municipal governments have taken over as controllers in others.

The World Bank's private sector assessment (World Bank, 1996: Chapter 5) recommended a comprehensive review of laws and regulations governing private sector activity (particularly foreign exchange, the companies' ordinance, mortgages, patents and trade marks). Other recommendations included the strengthening of judicial procedures relating to debt recovery and dispute settlement, and (in Chapter 6) the streamlining of labour laws and welfare schemes to reduce discriminatory treatment between large and small enterprises. Labour levies and protection laws, although not regarded as a major concern by enterprises, raise the cost of entering the formal sector, resulting in the fragmentation of production and sub-optimal plant sizes.

One area of regulation that is particularly important for an external leading sector is trade. In the view of the IMF (2001: box III.1), Pakistan's trade regime has been liberalized over the past 15 years. Tariffs have been cut, non-tariff restrictions have been relaxed and the role of special exemptions has been reduced. Nevertheless, as shown in table 14, import tariffs remain higher than in most countries in the region, restrictions are still in place on the import and export of a number of items and Pakistan's export to GDP ratio is lower than the other countries covered, except for India and Bangladesh.

Other barriers, which particularly affect the productivity of small- and medium-sized enterprises (SMEs) and their capacity to contribute to exports, are the "import" and "export" taxes, varying between 1.5 and 6.5 per cent, that are imposed throughout Pakistan by local urban and rural bodies, respectively. These are payable to all jurisdictions through which goods pass and, while formally refundable at intermediate jurisdictions, are in practice not refunded. There are also a broad range of zoning and other regulations imposed by federal, provincial and local governments, and by public sector utilities, which affect the functioning of SMEs (ILO, 2001: 88). Legislation similar to the United States Small Business Regulatory Enforcement Fairness Act (1996) in the United States, which includes the Regional Small Business Ombudsmen, would help to ensure the fair and efficient functioning of SMEs. The relaxation of restrictions on (and of the taxation and harassment of) the urban self-employed, particularly in the trade, transport and services sectors, would also improve their income opportunities.

In principle, the expansion of demand for labour is favoured by the lowest possible level of regulation and licensing consistent with the protection of the most vulnerable. Regulations at all levels of government and public sector institutions should be reviewed with this principle in mind, with a view to making a bonfire of as many controls as possible, along the lines of those already lit in Brazil, Japan and Turkey (World Bank, 1996: vii).

### **7.1.3 *Training for higher productivity***

In general, thinking on training around the world favours a move away from government provision of fully subsidized training for school leavers, which tends to be largely ignored by employers, towards a national system in which employers provide structured

---

in-plant training for their workers and design and finance supplementary off-plant training, and in which private training institutions provide skills that yield a high rate of return in the private sector (Gill et al., 2000). In an era of rapid technological and structural change, there may be a tendency to overestimate what governments can do through the anticipation of detailed skill needs and the provision of training in new skill areas (such as those required in leading sectors). The introduction of new industrial and information technology (IT) skills is likely to be demand-driven rather than supply-driven (in contrast, for example, to the skills required in small-scale agriculture). Training can therefore be mainly left to employers and trainers, with planners playing only a coordinating role and providing the necessary framework of incentives. In addition to such changes in the philosophy of training, measures to improve the quality of education (and hence the capacity for innovation and adaptation) are likely to be more important for the introduction of new types of skills and information capital formation than the prior existence of particular occupational categories. The transfer of new skills and information capital from abroad is also a crucial element in the whole process, and therefore needs to be nurtured rather than discouraged by planners.

Pakistan's public sector technical education and vocational training (TEVT) system, fully reviewed in the ILO's Country Employment Policy Review (CEPR) report (2001: Chapter 6), is still predominantly supply-driven. Some efforts have been made to involve the private sector in the system, including the establishment of centre management committees, skill development councils and the recently constituted Punjab Vocational Training Council, although the results are as yet uncertain. Most workers still acquire their skills in the private sector, both formal and informal, in the latter case through the traditional *ustad/shagird* system, and in private training institutions, particularly in the case of IT skills. In assessing the system (which it calls "inadequate, irrelevant, qualitatively poor and administratively fragmented"), the ILO (2001: 181) makes the important point that training should be seen not as a vehicle for employment promotion, but as a means of developing the skills that the economy demands. It suggests that a "comprehensive study to review and analyse the role of the various agencies involved" is needed. The terms of reference for such a study could usefully include a justification of the existence of every training programme currently provided by the Government ("Why should this programme not be closed down?"). Government provision would be justified in each case only if market failure could be demonstrated. For example, in the case of information technology there seems to be little justification in spending public money on training (which often lags behind the latest developments) if the private sector is active in this field. The role of the Government in this case would be primarily one of standard-setting and certification, which is very necessary to protect students and inform employers. In general, a shift from government provision to the coordination of training seems to be needed.

#### **7.1.4 Housing: Boosting an internal leading sector**

The expansion of external leading sectors (by definition those in which latent demand is most easily found) could be accompanied by the growth of a complementary internal leading sector, namely house building. The income generated by external leading sectors would be spent on housing, thereby benefiting demand for labour. With its low import component and relatively high level of unskilled labour, house building is ideally suited to this role. The existing but latent demand for more and better housing is so great in many countries that its satisfaction can lead to very high growth rates for an extended period without depressing the market. Demand is income-elastic and sufficiently

---

price-elastic for additions to the housing stock to have little effect on prices. And the effect on the demand for products from other sectors is likely to be relatively large.

These general characteristics of the house-building sector seem to apply in Pakistan. There are strong linkages with other sectors. Purchases from other sectors amount to about 70 per cent of the value of the output of the building sector, and import content is low, at around 15 per cent. The industries that would benefit from the first round effects of an increase in house building include cement, steel, ironmongery, lumber, wood and plywood, sand, stone/bricks, pipes, paint, electrical fittings, sanitary fittings and glass and plastic materials, many of which currently have excess capacity.

There is also evidence of a latent private demand for housing in Pakistan, which is currently held back by lack of finance, administrative procedures, insecurity of property rights and excessive construction codes.

The housing finance system is extremely underdeveloped. As shown in table 15, banks provide little finance for this purpose and most house purchases are financed from individual savings or informal borrowing. Banks prefer less risky loans for shorter periods. Their procedures for loan recovery have been ineffective. The State House Building Finance Corporation is also experiencing great difficulties in recovering loans. Foreclosure laws may be a factor hindering debt recovery. Moreover, institutional finance tends to be limited to high- and middle-income earners.

Administrative procedures for the acquisition of land and housing are complex. They include inspections by local authorities, the involvement of multiple agencies and high transfer fees. Property rights are weak and do not provide long-term security of land tenure/ownership. And developers and households face a complex set of construction codes, setting high standards which, although they may be needed in commercial buildings, are often excessive for private self-built and single story houses.

Housing policy seems to be moving in the right direction. The Three-Year Development Programme (paragraph 17.2(i)) recognizes the need to encourage the construction of houses by the private sector for middle- and high-income groups. It envisages the mobilization of additional financial resources to ensure the availability of sufficient credit for this purpose from the banking system. But the possibility of fully realizing the huge latent private demand for housing (among low- as well as middle- and high-income groups) without subsidies has not been explored. Rather than merely allocating more resources to the House Building Finance Corporation, there is a need for a study on the reasons why private financial institutions are holding back from financing the purchase of housing, with a view to removing the institutional obstacles to the development of a substantial commercial system providing long-term mortgage loans to people who already have adequate income to repay them.

The impact on the demand for labour could be huge. For example, Jammal (1987) explored, with the aid of an input-output model, the implications of satisfying the latent demand for new houses in Indonesia (which he estimated at between 3 and 6 million houses) over a five-year period. He estimated the first round and indirect effects alone at between 1 and 2 million additional jobs. If the income multiplier effect were also taken into account, this would add another million or so jobs.

---

## **7.2 Labour-intensive technology: Changing the composition of government expenditure**

The leading sector strategy outlined above could usefully be supplemented by changes in the composition of government expenditure. This would partly be a matter of changing the balance between categories of expenditure, for example from running enterprises to managing the economy, from current expenditure to investment in development, from defence to non-defence, from salaries to non-salary costs and from non-social to social current expenditure. This subject is too broad to be discussed adequately here. The present section accordingly focuses on the issue of increasing the impact on the demand for labour of a given volume of development expenditure.

### **7.2.1 *Choosing labour-intensive techniques in the Public Investment Programme***

The Public Investment Programme for 2001-04 amounts to Rs. 492,000 million, of which 172,354 million is provided through foreign aid. The whole programme would need to be reviewed if demand for labour were to be boosted, with emphasis being placed on increasing the labour-intensive component of expenditure wherever possible. In formal terms, what is needed is a change in public sector project appraisal criteria, particularly in road construction, to include shadow pricing of labour and capital to reflect their social cost rather than their market price. In less formal terms, labour costs could be excluded from total costs when comparing tenders or different implementation techniques, which would have the effect of favouring more labour-intensive techniques. At an even more basic level, the question could simply be raised for each project as to whether there is a way of employing more labour and less capital for the implementation of the project, even if this means accepting a different quality specification. This would amount to handing the decisions concerning the techniques used in the construction of infrastructure to economists rather than engineers, to the benefit of demand for labour.

## **8. An emergency social protection programme: Employing the poor to help the poor**

The impact of the PRSP on raising the demand for labour could also be substantially increased by placing greater emphasis on three of its key components, namely building up the physical asset base of the poor, the creation of social assets for the poor and a social safety net. This could be done by creating employment through public works/guaranteed employment schemes offering work to all who want it. Such schemes create employment directly during the construction process, indirectly through linkages to supply industries, through their multiplier effect when workers spend their earnings and, in dynamic terms, when the assets that have been created help to raise productivity in the area and when increased demand raises incentives to invest. A simple slogan for such an approach could be “Employ the poor to help the poor”. There are examples within the PRSP of programmes that are consistent with this slogan. For example, the Rs. 20,000 million Khushal Pakistan Programme combines the aims of increasing employment opportunities and providing essential infrastructure in rural and low-income urban areas. However, there appears to be scope for placing greater emphasis on employment creation in other programmes.

---

For example, in the chapter on building up the physical asset base of the poor, the section on the development of Katchi Abadis, urban renewal and slum upgrading, which contains an excellent package of legal and regulatory changes, is otherwise couched mainly in terms of the delivery of infrastructure facilities and services. No reference is made to the possibility of employing those living in such low-income areas to deliver these facilities. Moreover, unless accompanied by a package of services to borrowers (as in the case of successful schemes run by a number of NGOs), microcredit schemes for the poor are not an efficient means of reducing poverty. The ILO CEPR report (ILO, 2001: 120) considers the Government's self-employment scheme to be: "at best [...] primarily a one-time handout to the poor". In practice, many of the loans may be misappropriated by the relatively affluent and, even where loans reach the poor, they may end up losing any savings that they invested together with the loans in unsuccessful projects. The same problems may in theory arise with the Zakat rehabilitation grants described in the PRSP. If the same amount of money were to be spent on employing the poor in building up physical assets, a more lasting effect might be achieved. One example of a perfect project of this kind that was suggested to the authors is the lining of water courses and water channels in saline areas, which would generate employment both directly and indirectly, as well as saving water!

The chapter of the PRSP on social asset creation for the poor pays particular attention to the Social Action Programme, which is oriented towards primary education, basic health care, welfare and rural water supply and sanitation. The programme is mainly concerned with the delivery of services to these sectors, but about one-third of its budget consists of development expenditure (World Bank, 1998a: table 1.2). The scope for employment creation in this budget could be explored further. For instance, the water supply and sanitation sector within the Social Action Programme continues to use capital-intensive technology (PRSP, section 5.5, paragraph 68). If low-cost technology, such as deep hand pumps and gravity channels were used instead, projects would emerge that would be suitable for a guaranteed employment scheme. The adult literacy programme (PRSP, section 5.1, paragraphs 22-25) would also lend itself to this approach. In this case, the poor would be the students, but the teachers could be recruited from among the unemployed. A voluntary service or peace corps scheme for unemployed graduates could make use of them (once they had been provided with a short training course) as teachers in a campaign to eradicate illiteracy.

The social safety nets described in Chapter 6 of the PRSP consist of handouts (in the form of subsistence allowances, cash for food, marriage grants), stipends for education and training, free medical treatment, pension and health-care schemes and the social security system. The pension, health-care and social security schemes, which are confined to Government employees and those of larger firms, are not directly relevant to poverty reduction. Of the other programmes, only the stipends for education and training, and possibly the free medical treatment, are developmental. Of course, there are categories of the poor for whom handouts are the only answer. But many of the poor would benefit from a different approach to social safety nets, based on a guaranteed employment scheme, as outlined above, offering work to all who want it.

A well-designed guaranteed employment scheme plays a counter-cyclical and self-liquidating role as a safety net. This means, as Sen (1975) has pointed out, that decisions on wage rates in the scheme should be decentralized and that such rates should be low in relation to local market rates for the type of labour concerned. If the wage rates of the programme are higher than market wage rates, the numbers wanting to work on the guaranteed employment schemes will exceed the numbers that can be hired. This means that employment may have to be "rationed" by local managers, thereby increasing the

---

temptation for corruption and making it more likely that those who work on the project will not only consist of persons in the most desperate circumstances. If wage rates are realistically low in relation to market rates, a guaranteed employment scheme is self-targeting (employing only the poorest) and becomes a means of monitoring the labour market situation. The number enrolled rises or falls as the labour situation deteriorates or improves.

A scheme designed along these lines is obviously management intensive. This raises the question of the Government's capacity for field-level management which, according to the author's informants, is weak. It is too early to tell whether the current devolution programme, which aims to transfer budgets and responsibility to communities and local governments (section 7.5 of the PRSP), will help in this respect. Another possibility that has been suggested (and which has been tried in other countries) would be to use members of the military as managers, for instance in the literacy campaign. Nevertheless, this raises issues of political feasibility and acceptability.

## **9. Reducing poverty of opportunity**

### **9.1 Strengthening action on bonded labour in Pakistan**

The term "bonded labour" is defined in the 1992 Bonded Labour System (Abolition) Act (BLSA). The definition is broad and embraces situations in which a debtor who has received an advance (or *peshgi*) in cash and/or kind has to work for the creditor for no or nominal wages, or forfeits freedom of employment, movement or the right to sell labour at the market rate.

Indebtedness is widespread in rural Pakistan. The 1990 *Census of Agriculture* showed that 2.2 million rural households were indebted, while the 1985 *Rural Credit Survey* set the figure at 2.9 million households. The great majority of rural credit is non-institutional or, in other words, the creditor is a landlord, commission agent, moneylender, relative or friend. Rural indebtedness varies by region and farm size and tenure. The 1985 *Rural Credit Survey*, for example, showed that 68 per cent of tenant farmers in Sindh were indebted (the figure was 45-50 per cent in other provinces). More detailed case studies show an even higher proportion of indebtedness among tenant farmers in certain parts of the country, with many casual labourers also reported to be indebted to their employers. Even less is known about the indebtedness of workers in urban areas.

A subset of the large pool of debtors is reported to be in some form of bonded labour, which means that they meet the definition set out in the BLSA. Bonded labour has been observed in many areas of the country and in a wide range of industries, including among: sharecropping tenants; casual labour in agriculture, brick kilns, fisheries, mining and quarrying; domestic service; construction; transportation services; and carpet-weaving. Some of the child labour used in parts of Pakistan's informal sector is also said to be bonded, in the sense that parents put children to work to pay off the debts they have incurred.

The scale and scope of bonded labour in Pakistan (including its gender dimension) is currently unknown. Indeed, it is the subject of enormous debate and polarized views. At one end of the spectrum, one study estimates that there are 1.8 million people in the families of debt-bonded sharecroppers alone, based on an indebtedness rate of 30 per

---

cent; in contrast, certain observers even claim that there is effectively no bonded labour in Pakistan. While there are no accurate figures at the national level, the Federal Government is sufficiently concerned about the bonded labour issue that the Cabinet approved a National Policy and Plan of Action on 5 September 2001. Case studies, using various research approaches, have been undertaken by the Human Rights Commission of Pakistan, Human Rights Watch, the Sustainable Development Policy Institute, Action Aid, Anti-Slavery International, the All-Pakistan Federation of Labour, the Pakistan Institute of Labour Education and Research, consultants for the Asian Development Bank (ADB) and the ILO. They all indicate that the Federal Government is justified in its concern.

As poverty has increased in Pakistan over the past decade, the numbers and proportion of those living below the poverty line have grown significantly. While the data are again poor, it seems plausible that the most serious instances of poverty exist among bonded labourers. An ADB project in Sindh province concluded that 66 per cent of the households surveyed survive on less than Rs. 2,000 (US\$34) a month, and that almost all of the workers concerned are bonded sharecroppers or labourers. Their indebtedness means that bonded families carry a heavy burden of repayment. In some cases, the bond can be handed down for generations. In brick kilns, piece rates are set at PKR 100-125 (US\$2) per 1,000 bricks, but it normally takes two people a whole day to make 1,000 bricks, and the entire family often has to work in the kiln for survival.

Beyond the reality of pervasive and inescapable poverty, bonded labour is also a profound problem of human rights. Bonded labourers and their family members often cannot exercise the basic freedoms of employment and movement enshrined in the ILO Conventions ratified by Pakistan. Bonded labourers and their family members, including women and children, often have to provide additional labour free to the creditor (the *begar* system). In the worst cases, forced detention, sexual exploitation, physical violence and the transmission of the accumulated debt to succeeding generations have all been alleged or reported.

Many of the most severe problems of bonded labour are rooted in the pervasive poverty that exists in much of Pakistan, with its associated levels of illiteracy and poor health status. This, in turn, has its roots in the large excess supply of unskilled labour at the current levels of national income and growth and in the drought and water shortages that have beset much of the country over the past few years. In these circumstances, even effective implementation of the BLSA, if this occurs in the absence of other major efforts to improve labour markets, runs the risk of aggravating the situation of the poorest and most vulnerable sections of society, including poverty-stricken women and children. Putting a large number of bonded labourers onto the labour market in these circumstances might expose them to other forms of exploitation, such as wage levels that are substantially below the minimum wage, exploitative piece rates or an increase in the large pool of migratory and seasonal labour. Numerous examples of such incidents have been reported. There are also instances in which released bonded labourers have returned to their former employers or landlords because of the difficulties they have faced in finding sufficient casual work to provide an adequate income for the survival of their family. Several studies indicate that the preference of many *haris* (a term that usually refers to sharecropping tenants, although it can also apply to others who work the land) is to work for a good *zamindar* (landlord) rather than to be exposed to the vagaries of the casual labour market in rural Sindh. The same may also apply in other subsectors of the informal economy.

---

It has to be emphasized that bonded labour in Pakistan is an immensely complicated phenomenon, the dimensions of which have varied over time under the pressures of technological, economic, social and environmental change. There is an urgent need to understand more fully the nature and extent of bonded labour, especially the different employer-employee and landlord-tenant relationships involved, and the elements of exploitation associated with the *peshgi* system, as a basis for effective action to address the problem.

### Legal and policy framework

- Pakistan has ratified ILO Conventions Nos. 29 and 105 prohibiting bonded labour and the United Nations 1956 Supplementary Convention on the Abolition of Slavery.
- The Constitution affirms that slavery is forbidden and that all forms of forced labour and traffic in human beings are prohibited.
- In 1989, the Supreme Court confirmed that bonded labour practices were unconstitutional in a landmark case on brick kiln work.
- In 1992, the Bonded Labour System (Abolition) Act passed into law. In 1995, rules were issued for the implementation of the Act.
- In April 2000, the Chief Executive (now President) announced a crackdown under the Bonded Labour System (Abolition) Act, together with a government contribution of Rs. 100 million (approximately US\$1.6 million) to a Fund for Education of Working Children and Rehabilitation of Bonded Labour.
- In September 2001, the Cabinet approved the National Policy and Plan of Action for the Abolition of Bonded Labour and Rehabilitation of Freed Bonded Labourers.

### The ILO programme in Pakistan

The ILO's Social Finance Programme is undertaking a project entitled Prevention of Family Indebtedness with Microfinance and Related Services, aimed at preventing freed *haris* and other vulnerable families in three districts of Sindh Province from falling back into bondage. It does so by reducing their economic and social vulnerability, principally through enabling the provision of micro-finance services, but also through group formation, education and health services, as well as awareness-raising. The project also provides support to the Government of Pakistan (Federal Bureau of Statistics) to undertake surveys of *hari* bonded labour in Sindh and bonded labour in brick kilns in Punjab.

## 9.2 Child labour

The 1996 *Child Labour Survey* indicated that there were 3.3 million economically active children in Pakistan:

As for distribution of economically active children with respect to [monthly] income groups, the data reveal that a higher proportion belongs to income category of Rs 2501 to Rs 4000

---

(39.3 per cent), followed by income groups of Rs 1501 to Rs 2500 (31.2 per cent), Rs 4001 or more (20.8 per cent) and less than Rs 1501 (8.7 per cent).

It is therefore clear that 79.2 per cent of all economically active children belong to households with a monthly income of Rs. 4,000 or less.

***Household size and child labour:*** The 1996 Child Labour Survey also showed that the bigger the household the higher the likelihood of children participating in economic activity. Interestingly, the average household size shown by the 1996 *Child Labour Survey* was 7.7 persons, which is higher than the figure given in the 1993-94 *Labour Force Survey*, which was 6.3 persons. “At the national level, about 67 per cent of economically active children belong to 7 plus member households. Insignificant child labour has been observed in households having less than 3 members”.

***The parental reasons for child labour:*** In the 1996 *Child Labour Survey*, the reasons given by parents/guardians for letting their child work show that economic constraints were the motivating factors. The reasons given included assisting in household enterprises (69 per cent) and supplementing household income (28 per cent). The inference can therefore be made that the choice by parents not to send their children to school, but to ask them to join the family enterprise, is again due to the pressure to generate more income. While there could be other causes, given the level of household income and household size, it may be extrapolated that the major cause is poverty.

---

## Appendix 1. Monitoring the labour market

Where macro-policies and strategic sectoral employment policies are intended to generate demand for employment, thereby improving the conditions of employment, labour market policies are intended to improve the matching of labour supply and demand, by monitoring both labour supply and demand more effectively.

For the reasons indicated in this paper, changes in unemployment and levels and rates of total employment are not particularly useful in monitoring the labour market situation in an economy such as that of Pakistan. In a situation in which few can afford to be unemployed, unemployment rates lose their meaning as overall indicators, while total employment is determined by the supply rather than the demand for labour. It is also unlikely that much can be learned from monitoring the underemployment rate (strictly defined as those who are working short hours and are available for additional work), which would appear to be relatively insensitive to changes in the labour market.

### (a) Wage employment

The only relatively robust series of labour force data in such circumstances is wage employment. It is worthwhile analysing information on wage employment even where, as in Pakistan, it represents a relatively small proportion of total employment. The focus on wage-earners is not intended to imply that the majority of the labour force who are self-employed or unpaid family workers are unimportant: on the contrary, they are the ones who suffer much of the pain related to the labour market. The contention is merely that wage employment is a better indicator of overall changes in the labour market. Further disaggregation of wage employment data series, ideally not only by gender, sector and education, but also by age, location (urban/rural) and enterprise ownership, is useful for the purposes of policy monitoring. One indicator that needs to be monitored in an economy such as that of Pakistan is the relative weight of the private and public sectors as employers during the process of privatization and civil service reform.

### (b) Wages

Monitoring of changes in wage employment needs to be supplemented by analysis of changes in wages. In parts of the labour market to which entry is relatively easy, because little is demanded in the way of capital and skills, as well as being competitive, wages should be sensitive to changes in most of the forms of the under-utilization of labour. One indicator can therefore, in principle, encapsulate the impact of a number of changes in the labour market which are complex and otherwise difficult to measure.

A starting point for a wage-based analysis of labour market trends is a disaggregated series of data on real consumer wages (nominal wages deflated by the consumer price index). An index of real consumer wages measures changes in wages in relation to changes in consumer prices, and therefore acts as a guide to changes in the economic welfare of employees over time, as well as indicating changes in incentives relating to the supply of labour. And, as argued above, the role of public goods must be factored into the real wage in view of their considerable impact on welfare.

---

While information on changes in real consumer wages alone can give a broad indication of changes in labour welfare and in incentives relating to the supply of labour, it is more effective when supplemented by information on changes in wage employment, as indicated above. These indices can be used purely for monitoring purposes, in the same way that the unemployment rate is used in industrialized countries. They provide a much better measure of whether a labour market is improving or deteriorating, from the point of view of labour, than any of the usual indicators of the under-utilization of labour. They can therefore be used as a type of early warning system of the need for policy action. For example, a fall in the real consumer wage of unskilled workers, combined with stagnant or falling wage employment, would signal the need for measures to boost the demand for labour, either in the form of national policy measures or a localized programme. They can also be used to measure the impact of such policy measures or programmes.

Pakistan's Labour Force Survey is once again the main current source of information about wages. For paid employees only, information is collected on the periodicity of payment, the money earned from the main work for the past week and past month, and money received the previous year in bonuses. This could form the basis of an analysis of trends in real wages disaggregated along similar lines.

Another source of data that could be useful for monitoring purposes is the series on the daily wages of construction workers in five cities (Islamabad, Karachi, Lahore, Peshawar and Quetta) collected in November each year by the Federal Bureau of Statistics.

### **(c) Earnings of the self-employed**

Although problems arise in monitoring the earnings of the self-employed (particularly in isolating returns from labour and in ensuring a comparable and representative sample over time), a carefully designed rapid appraisal of some categories can be useful.

For example, in Cambodia, regular surveys of four categories of vulnerable workers (small traders, scavengers, cyclo or bicycle-rickshaw drivers and porters) have been carried out in Phnom Penh in recent years to assess the labour market impact of the July 1997 crisis (when fighting occurred on the streets of the city) and of the Asian financial crisis (Pon et al., forthcoming). As few as 30 workers in each group were sampled and asked at regular intervals about their net daily earnings. The survey provided by far the most sensitive indicator of the devastating impact of the crises at the bottom end of the labour market.

If similar surveys were undertaken in Pakistan, not confined to urban areas, they would add an extra dimension to the tools for monitoring changes in the labour market.

### **(d) Real producer compensation cost and value added per employee**

A useful indicator of employers' views of the labour market is provided by a disaggregated series of data on the real producer compensation cost per employee (the nominal compensation cost per employee deflated by the producer price index). An index

---

of the real producer compensation cost per employee measures changes in labour costs in relation to changes in producer prices and is therefore a guide to changes in the situation with regard to demand and supply in the labour market. Information on the real producer compensation cost per employee needs to be supplemented by information on wage employment and on real value added per employee. If real producer wages rise in a particular sector at the same time as an increase in wage employment, this is not necessarily a sign of an emerging labour shortage. It may reflect labour market segmentation, for example due to the power of trade unions in the sector. However, an increase at the same time in real value added per employee is generally a sign that the wage increase is due to market forces. Information on these three variables can also be used to check the impact of policy measures (such as the proposed leading sector strategy intended to boost demand for labour in export manufacturing) and to identify the need for new policy measures (for example, if the real producer compensation cost per employee is rising, but wage employment is rising only slowly and productivity is falling).

In Pakistan the main (unfortunately intermittent) sources of data on these variables are the Census of Manufacturing Industries (covering registered, and therefore presumably large-scale establishments) and the Survey of Small and Household Manufacturing Industries (covering unregistered establishments). Figures 10 and 11 show how trends in real value added and compensation cost per employee can be compared. Another type of chart could show how these two variables change as the number of employees changes.

#### **(e) Unit labour costs**

The same variables can also be used to monitor international competitiveness. If the real producer compensation cost per employee is divided by the real value added per employee (also deflated by producer prices), the result is the nominal unit labour cost in the domestic currency. Competitiveness is not only affected by relative changes in wages and productivity, but also by changes in the exchange rate. If the nominal unit cost in the domestic currency is multiplied by the nominal exchange rate (that is, the number of units of foreign currency per unit of domestic currency), it yields the nominal unit labour cost in foreign currency. Finally, competitiveness is affected not only by relative rates of change in wages and productivity and by changes in the exchange rate, but also by price changes in trading partner and competitor countries and by changes in their exchange rates vis-à-vis other countries. If the nominal unit cost in the domestic currency is multiplied, not by the nominal exchange rate, but by the real effective exchange rate (as defined in footnote 7), the result is the real unit labour cost in foreign currency.

#### **(f) Overseas employment**

Information on trends in the flows and stocks of nationals working abroad is useful to planners, both when they are considering prospects for increasing the export of workers or contemplating the possibility of attracting some of them back. However, the information available in Pakistan in this respect appears to be rather limited. The Bureau of Emigration and Overseas Employment (Ministry of Labour, Manpower and Overseas Pakistanis) has data on the outflow of the persons whom it administers and who are administered by the Overseas Employment Corporation (Three-Year Development Programme, Annex 8.3). These data can be disaggregated by skill level (ILO, 2001: table A5). The State Bank of Pakistan is a source of data on workers' remittances (*Economic Survey 1999-2000*, Statistical Supplement, table 8.13). However, there is less

---

information on return flows and stocks. In the case of contract workers, such information could in principle be obtained by Pakistani embassies from the visa authorities in receiving countries and forwarded to the Federal Bureau of Statistics. Intermittent information could also be obtained from the censuses of host countries.

**(g) Timely processing**

To be useful for monitoring, labour market data have to be made available quickly, that is within two or three months at the most. Unfortunately, this is not the case with the main sources of data discussed above. The most recent published *Labour Force Survey* is for 1997-98 (although more recent electronic versions are available). The *Census of Manufacturing Industries* was not held for 1991-92 to 1994-95, and the most recent publication covers 1995-96. There was a nine-year gap between *Surveys of Small and Household Manufacturing Industries*, and the most recently published is for 1996-97. With lags as long as this, these surveys are more relevant for students of economic history than for employment policy-makers.

There are two ways of dealing with this problem. One is to regard the large surveys as mainly providing benchmarks, and to rely on smaller and simpler rapid appraisal surveys (of the kind described above in the case of wages and non-wage earnings) for the purposes of monitoring. The processing of the large surveys would still need to be accelerated, but they could be carried out less frequently. However, the preferable alternative would be to provide the Federal Bureau of Statistics with the resources required to produce more regular and more speedily processed labour force and establishment surveys, with rapid appraisal surveys playing only a supplementary role.



---

## **Appendix 2. Tables**

Table 1.

Measure (%)	Years						
	1986/87	1987/88	1990/91	1992/93	1993/94	1996/87	1998/99
<b>Head count</b>							
<i>Pakistan</i>	26.9	26.4	23.3	20.3	20.8	27.8	32.0
Urban	24.5	22.7	18.0	16.8	15.2	25.6	29.6
Rural	29.4	29.9	26.2	22.5	24.4	29.7	33.4
<i>Provinces</i>							
Punjab	31.4	32.8	27.0	20.4	21.8	28.1	38.4
Sindh	30.9	25.7	26.6	19.3	19.2	27.6	31.9
NWFP	18.8	21.8	19.7	17.2	17.7	26.4	29.3
Balochistan	27.5	24.8	16.4	19.3	19.6	35.8	24.3
<b>Income gap</b>							
<i>Pakistan</i>	17.4	17.6	16.8	16.7	16.7	18.2	21.5
Urban	17.4	17.2	15.4	16.5	14.3	17.5	24.5
Rural	17.4	17.9	18.2	16.8	17.7	18.5	21.9
<i>Provinces</i>							
Punjab	17.9	18.9	18.1	18.4	17.5	18.8	24.5
Sindh	17.3	15.6	16.9	14.8	16.2	16.3	19.4
NWFP	15.0	14.6	13.3	14.1	13.6	15.7	17.4
Balochistan	16.2	15.7	16.8	14.7	14.8	18.7	15.6
<b>FGT index*</b>							
<i>Pakistan</i>	1.2	1.3	1.0	0.9	0.9	1.4	2.2
Urban	1.1	1.0	0.6	0.7	0.5	1.2	1.9
Rural	1.4	1.4	1.3	1.0	1.2	1.5	2.4
<i>Provinces</i>							
Punjab	1.5	1.7	1.3	1.0	1.0	1.5	3.2
Sindh	1.4	1.0	1.2	0.7	0.8	1.6	1.7
NWFP	0.7	0.8	0.6	0.6	0.5	0.9	1.3
Balochistan	1.2	1.0	0.7	0.7	0.7	0.9	1.0

Source: Mahmood and Jafri (2001) and this study.

Note: \* = Foster-Greer-Thorbecke index.

Table 2. Poverty indicators under basic needs approach (based on expenditure data)

Measure (%)	Years						
	1986/87	1987/88	1990/91	1992/93	1993/94	1996/97	1998/99
<b>Head count</b>							
<i>Pakistan</i>	29.1	29.2	26.1	26.8	28.7	29.8	33.7
Urban	29.8	30.3	26.6	28.3	26.9	22.6	26.8
Rural	28.2	29.3	25.2	24.6	25.4	33.1	37.2
<i>Provinces</i>							
Punjab	30.5	32.0	27.2	27.2	29.1	27.5	34.5
Sindh	30.5	32.7	28.2	28.3	30.3	33.6	30.8
NWFP	28.1	26.3	20.8	22.8	23.2	30.9	33.8
Balochistan	31.1	28.8	21.3	26.4	24.4	39.8	22.8
<b>Income gap</b>							
<i>Pakistan</i>	19.7	19.8	19.7	18.5	19.3	18.3	21.4
Urban	20.9	20.6	20.3	19.3	20.0	18.4	24.0
Rural	18.7	18.7	19.0	17.2	17.7	18.7	21.0
<i>Provinces</i>							
Punjab	20.5	21.0	20.6	19.5	22.0	18.7	23.4
Sindh	19.3	18.3	19.4	19.5	19.7	17.6	20.6
NWFP	17.3	17.6	16.2	15.5	14.4	17.0	18.6
Balochistan	17.4	18.0	22.0	17.5	16.8	19.5	15.3
<b>FGT* index</b>							
<i>Pakistan</i>	1.7	1.7	1.5	1.4	1.6	1.7	2.3
Urban	1.9	1.9	1.6	1.6	1.6	1.6	2.9
Rural	1.5	1.6	1.4	1.2	1.2	1.8	2.4
<i>Provinces</i>							
Punjab	1.9	2.0	1.7	1.5	2.0	1.5	2.6
Sindh	1.7	1.6	1.6	1.6	1.8	1.6	1.9
NWFP	1.3	1.2	0.8	0.9	0.8	1.3	1.8
Balochistan	1.3	1.5	1.5	1.2	1.0	2.1	1.0

Source: Mahmood and Jafri (2001) and this study.

Note: \* = Foster-Greer-Thorbecke index.

**Table 3. Alternative estimates of basic needs based poverty indicators**

	1986-87		1987-88		1990-91		1992-93		1993-94		1996-97		1998-99		
	P <sub>L</sub> (Rs)	P <sub>o</sub>	P <sub>L</sub> (Rs)	P <sub>o</sub>	P <sub>L</sub> (Rs)	P <sub>o</sub>	P <sub>L</sub> (Rs)	P <sub>o</sub>	P <sub>L</sub> (Rs)	P <sub>o</sub>	P <sub>L</sub> (Rs)	P <sub>o</sub>	P <sub>L</sub> (Rs)	P <sub>o</sub>	
ILO	Urban	228	29.8	244	30.3	308	26.6	392	28.3	450	26.9	683	22.6	759	26.8
	Rural	186	28.2	200	29.3	258	25.2	321	24.6	343	25.2	602	33.1	672	37.2
	Pakistan	202	29.1	217	29.2	277	26.1	348	26.8	383	28.7	628	29.8	700	33.7
Carraro*	Urban							376	20.7	419	16.3	586	16.1	682	22.4
	Rural							376	28.9	419	34.7	586	30.7	682	36.3
	Pakistan							376	26.6	419	29.3	586	26.3	682	32.2
World Bank	Urban				30.7	346	28.0	424	26.6	472	23.0	655	20.4	676	29.7
	Rural				40.2	307	36.9	376	24.8	418	30.4	581	25.7	680	33.7
	Pakistan				37.4		34.0		25.3		28.2		24.1		32.8
Arif	Urban										23.1		27.4		31.7+
	Rural										29.9		31.6		39.8+
	<i>Pakistan</i>										27.4		29.6		35.2+

Notes: P<sub>L</sub> = Poverty line, P<sub>o</sub> = Head count ratio.

\* Carraro applied the 1998-99 poverty line to the previous years adjusted for inflation (CPI).

+ Non-HIES data

**Table 4 Growth**

	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000
Wheat output (M. tonnes)	14.6	15.7	16.2	15.2	17.0	16.9	16.7	18.7	17.9	19.3
Rice output (M. tonnes)	3.3	3.2	3.1	4.0	3.4	4.0	4.3	4.3	4.7	5.2
Sugarcane output (M. tonnes)	36.0	38.9	38.1	44.4	47.2	45.2	42.0	53.1	55.2	46.4
Cotton output (M. tonnes)	1.6	2.2	1.5	1.4	1.5	1.8	1.6	1.6	1.5	1.9
Cotton yield (Kg./ha)	615	769	543	488	557	601	506	528	512	641
Manufacturing & mining Index 1980 = 100	203	219	228	237	241	248	243	262	271	-
Cotton yarn growth (%)	14.2	12.4	4.1	7.4	4.6	9.2	1.7	0.8	0.5	-
Cotton cloth growth (%)	0.7	5.1	5.7	3.2	2.2	1.6	2.0	2.0	13.0	-

Source: Pakistan Economic Surveys.

Table 5. Socio-economic characteristics of the poor, by area (1986/87, 1993/94 and 1998/99)

Characteristics (Nos. on average)	1986/87						1993/94						1998/99					
	Pakistan		Urban		Rural		Pakistan		Urban		Rural		Pakistan		Urban		Rural	
	Poor	Non Poor	Poor	Non Poor	Poor	Non Poor	Poor	Non Poor	Poor	Non Poor	Poor	Non Poor	Poor	Non Poor	Poor	Non Poor	Poor	Non Poor
Household size	7.8	6.2	8.3	6.4	7.7	5.9	7.7	6.1	8.1	6.2	7.7	5.9	8.4	6.5	8.7	6.4	8.3	6.6
Adults	3.4	3.4	3.6	3.6	3.3	3.3	3.2	3.4	3.5	3.6	3.2	3.2	4.0	3.6	4.3	3.8	3.9	3.5
Adult equivalent	6.3	5.3	6.7	5.5	6.2	5.0	6.1	5.2	6.6	5.4	6.1	5.0	7.0	5.6	7.4	5.6	6.9	5.5
Children	4.4	2.7	4.7	2.8	4.4	2.7	4.4	2.7	4.6	2.6	4.5	2.7	4.7	3.5	4.8	3.3	4.7	3.7
Earners	1.7	1.7	1.7	1.7	1.8	1.7	1.7	1.6	1.5	1.5	1.7	1.7	2.5	2.2	2.2	2.0	2.6	2.3
Age of household head (Yrs)	42	43	42	43	42	43	45	45	44	45	45	45	46	45	46	46	46	45
Household income (Rs)	1,257	2,512	1,485	3,146	1,147	1,962	2119	4,983	2,781	6,503	1,905	3,768	3617	8,908	4,291	1,125	3,414	7,318
Per capita income (Rs)	161	407	188	491	149	331	277	821	342	1,046	249	636	427	1,395	492	1,709	406	1,105
Calories per person/day	1,843	2,333	1,734	2,225	1,883	2,443	2006	2,408	1,847	2,327	2,027	2,490	1825	2,244	1,624	2,094	1,881	2,360
Calories per adult eq./day	2,294	2736	2,149	2,594	2,348	2,885	2503	2,822	2,271	2,686	2,545	2,965	2196	2,637	1,920	2,415	2274	2815
Household expenditure (Rs)	1,331	2344	1,543	2,928	1,245	1,833	2786	4,602	3,239	6,016	2,677	3,500	4342	6,938	4,764	8,792	4,236	5,588
Per capita expenditure (Rs)	170	380	187	458	161	309	364	758	398	969	350	590	517	1,067	547	1,373	510	847
<b>% expenditure on major items</b>																		
Food	54.4	43.6	52.1	39.5	55.2	48.9	53.7	42.8	50.0	38.9	54.6	49.2	61.7	49.8	56.5	42.6	63.4	59.4
Housing (rent, etc.)	10.1	15.2	13.7	19.3	8.4	9.6	10.0	17.8	14.1	22.0	8.8	12.2	8.7	16.7	4.9	25.3	7.4	10.4
Clothing and footwear	8.9	7.0	8.3	6.7	9.2	7.7	8.7	7.4	8.3	6.9	8.9	8.1	7.4	7.4	7.3	6.1	7.4	7.9
Gas/electricity/water, etc.	6.7	5.4	6.7	4.9	6.7	5.9	7.2	6.0	7.3	5.6	7.1	6.5	8.5	7.7	8.9	7.1	8.2	8.3
Transport	1.9	2.8	1.7	3.0	1.9	2.6	2.1	2.2	1.8	2.2	2.1	2.3	1.8	3.6	1.9	4.5	1.6	3.3
Household/personal cleaning	4.3	3.5	4.3	3.3	4.3	3.7	3.2	2.9	3.4	2.7	3.2	3.0	3.8	3.7	4.0	3.9	3.7	3.5
Recreation/socialization	3.5	5.7	3.3	5.3	3.9	6.3	2.9	3.8	5.0	3.3	3.0	4.4	0.02	0.25	0.03	0.4	0.02	0.2
Education	1.0	1.6	1.2	2.2	1.0	1.0	1.2	1.9	1.6	2.7	1.2	1.3	2.1	3.6	3.1	3.9	1.9	2.7
Health	2.6	2.4	2.6	2.3	2.6	2.5	3.2	3.1	3.5	3.9	3.1	3.2	3.9	4.7	4.7	4.5	3.7	3.1
Misc.	6.8	12.8	6.1	13.5	6.8	11.8	8.0	12.1	5.0	11.8	7.8	9.8	2.1	2.5	1.7	1.7	2.5	2.1

Note: Income and expenditure indicators are on monthly basis.

Source: Estimated from HIES.

**Table 6. Household income distribution in Pakistan (1963-64 to 1998-99)**

Year	Gini coefficient	Household income share		Ratio of highest 20% to lowest 20%
		Lowest 20%	Highest 20%	
1963-64	0.36	6.4	45.3	7.1
1966-67	0.35	7.6	43.4	5.7
1968-69	0.33	8.2	42.0	5.1
1969-70	0.33	8.0	41.8	5.2
1970-71	0.33	8.4	41.5	4.9
1971-72	0.34	7.9	43.0	5.4
1979	0.38	7.4	45.0	6.1
1984-85	0.37	7.3	45.0	6.2
1985-86	0.36	7.6	44.0	5.8
1986-87	0.35	7.9	43.6	5.5
1987-88	0.35	8.0	43.7	5.5
1990-91	0.41	5.7	49.3	8.6
1992-93	0.41	6.2	48.2	7.8
1993-94	0.40	6.5	47.2	7.3
1996-97	0.40	7.0	49.4	7.1
1998-99	0.41	6.2	49.7	8.0

Source: Estimated from HIES.

**Table 7. Gini coefficient and income shares by urban and rural areas of Pakistan (1979-1998-99)**

Year	Area	Gini coefficient	Households income share		Ratio of highest 20% to lowest 20%
			Lowest 20%	Highest 20%	
1979	Urban	0.41	6.9	48.0	6.9
	Rural	0.33	8.3	41.3	5.0
1984-85	Urban	0.39	7.0	47.7	6.8
	Rural	0.34	7.9	42.8	5.4
1985-86	Urban	0.37	7.5	45.0	6.0
	Rural	0.33	7.9	40.0	5.1
1986-87	Urban	0.37	7.9	44.0	5.6
	Rural	0.32	8.0	39.0	4.9
1987-88	Urban	0.37	7.9	48.1	7.5
	Rural	0.32	8.0	40.0	4.5
1990-91	Urban	0.39	5.7	50.5	8.8
	Rural	0.41	6.0	47.4	7.9
1992-93	Urban	0.42	6.1	48.9	8.0
	Rural	0.37	7.0	44.8	6.4
1993-94	Urban	0.35	6.7	47.1	7.0
	Rural	0.40	7.4	43.1	5.8
1996-97	Urban	0.38	7.6	47.0	6.2
	Rural	0.41	7.3	49.3	6.7
1998-99	Urban	0.33	6.0	50.0	8.3
	Rural	0.41	6.9	46.8	6.8

Source: Estimated from HIES

**Table 8. Output growth and employment elasticities, by sector, 1970s, 1980s and 1990s**

	1970s Output growth % p.a.	Employment elasticity	1980s Output growth % p.a.	Employment elasticity	1990s Output growth % p.a.	Employment elasticity
GDP, whole economy	4.8	0.65	6.1	0.31	4.7	0.64
Agriculture	2.4	0.80	4.1	0.35	4.1	0.31
Mining	5.0	}	9.5	}	1.9	}
Manufacturing	5.5	}0.76	8.2	}0.12	5.2	}0.19
Large	4.8	}	8.2	}	3.8	}
Small	7.6	}	8.4	}	8.4	}
Utilities	9.5	1.75	10.1	0.52	8.2	0.83
Construction	7.4	0.81	6.7	1.06	3.3	1.56
Trade	5.3	0.79	7.2	0.30	4.1	1.29
Transport	5.7	0.43	6.2	0.44	5.2	0.74

Source: ILO (2001), table 1.

**Table 9. Labour/land and labour/cultivable land ratios in Pakistan and selected Asian countries**

	Land area (‘000 sq km)	Cultivable land area (‘000 sq. km)	Active population (15-64) (million)	Active population per sq. km total land	Active population per sq. km cultivable land
Pakistan	804	423	85	105	200
Cambodia	177	54	6	32	105
Laos	231	17	3	11	151
Viet Nam	325	73	40	124	511
Indonesia	1,812	457	98	54	233
Philippines	298	105	30	102	270
Thailand	511	221	36	71	170
Malaysia	329	79	9	27	114

Sources: Pakistan: *Economic Survey 1999-2000*, Statistical Supplement; other countries: FAOSTAT database.

Note: Cultivable land includes cropland and permanent pasture, but excludes forest, wetlands, residential and industrial sites and roads. Data are for 1998.

**Table 10. Average years of schooling per square kilometre of cultivable land, Pakistan and selected Asian countries**

	(1) Cultivable land area (‘000 sq. km)	(2) Active population age 15 – 64 (million)	(3) Average years of schooling	(4) Years of schooling per sq. km of cultivable land (2)x(3) ÷ (1)
Pakistan	423	85	1.9	380
Cambodia	54	6	2.0	222
Laos	17	3	2.9	512
Viet Nam	73	40	4.9	2,685
Indonesia	457	98	4.1	879
Philippines	105	30	7.6	2,171
Thailand	221	36	3.9	635
Malaysia	79	9	5.6	638

Source: Average years of schooling (per adult population member) UNDP (1994), *Human Development Indicators*, table 5 (data for 1992).

**Table 11. Wage differentials by level of education, Pakistan 1993/4 and Indonesia (ratio of each category to bottom category)**

Pakistan 1993-94	Male	Female	Total	Indonesia 1994	Male	Female	Total
Professional degree	3.0	3.5	3.0	University	4.4	5.9	5.5
Degree	2.2	2.0	2.1	Upper secondary	2.2	3.4	2.8
Matric	1.4	1.4	1.4	Lower secondary	1.7	2.0	2.0
Below matric	1.1	1.1	1.1	Complete primary	1.3	1.4	1.6
Below primary	1.0	1.0	1.0	Incomplete primary	1.1	1.2	1.3
				No schooling	1.0	1.0	1.0

Sources: for Pakistan, Nasir (1998); for Indonesia, Godfrey (1996).

**Table 12. Real unit labour cost index (1986 = 100), Pakistan and selected countries, 1986/1995**

	1986	1987	1988	1990	1995
Pakistan	100	89	97	86	66
Thailand	100	100	83	86	87 <sup>a</sup>
China	100	91	103	84	48 <sup>a</sup>
Hong Kong, China	100	87	93	102	91
Indonesia	100	74	76	67	68 <sup>a</sup>
Korea, Rep. of	100	110	126	177	170
Philippines	100	111	119	132	139 <sup>b</sup>
Singapore	100	88	86	110	95
Sri Lanka	100	89	71	112	133 <sup>a</sup>
Taiwan, China	100	112	128	159	163
Japan	100	100	106	93	170
US	100	84	76	71	58

a 1994 b 1993.

Sources: For Pakistan, *Economic Survey 1999-2000*, Statistical Supplement; for other countries, Godfrey (1997).

**Table 13. Interest rate and exchange rate trends, 1980-2000**

	1980	1985	1995	2000
Discount rate (%)	10	10	17	13
CPI rate of increase (%)	12	5	12	4
Real discount rate (%)	-2	5	5	9
Nominal effective exchange rate index (1980=100)	100	97	47	34
Real effective exchange rate index (1980=100)	100	96	56	53

**Table 14. Trade regimes in Pakistan and selected Asian countries, 2000 or latest (unless otherwise noted)**

	Simple average tariff (%)	Weighted average tariff (%)	Trade restrictiveness index	Index of non-tariff barriers	Exports (% GDP)		Trade (% GDP)	
					1980/89	1990/99	1980/89	1990/99
Pakistan	23.8	19.3	7	2	11.5	15.6	30.5	32.9
Bangladesh	19.2	-	7	2	6.3	10.0	22.8	29.6
China	14.4	-	5	2	9.3	18.8	20.0	35.6
India	32.9	27.6	10	3	4.7	7.6	12.0	17.1
Indonesia	6.8	3.3	4	2	11.5	18.7	38.4	48.4
Korea, Rep.	13.8	10.6	4	2	31.2	27.8	60.0	54.1
Malaysia	9.5	3.3	4	2	51.9	80.3	94.8	149.3
Philippines	8.2	8.7	4	2	16.3	26.8	37.2	61.4
Sri Lanka	11.4	7.4	5	2	22.3	27.5	58.6	65.1
Thailand	17.1	-	6	2	20.9	34.5	44.8	68.0

Source: IMF (2001: table III-2).

**Table 15. Housing finance from scheduled banks**

	1997/98	1998/99	1999/2000
Advances against residential buildings (Rs. '000 million)	29.7	45.9	46.6
Total advances (Rs '000 million)	669.0	720.9	797.5
Housing finance as a % of the total	4.4%	6.4%	5.8%

Source: State Bank of Pakistan, *Annual Report 1999-2000*.

---

## References

- Ali, S.S. and Tahir, S. (1999). "Dynamics of growth, poverty and inequality in Pakistan", in *Pakistan Development Review*. 38(4).
- Amjad, R. and Kemal, A.R. (1997). "Macroeconomic policies and their impact on poverty alleviation in Pakistan", in *Pakistan Development Review*. 36(1).
- Arif, G.M., Nazli, H. and Haq, R (2001). "Rural non-agriculture employment and poverty in Pakistan", in *Pakistan Development Review*. 39(4): 1089-1110.
- Carraro, L. (2001). *Poverty in Pakistan in the 1990s*. Islamabad, Federal Bureau of Statistics.
- Chunkath, S.R. (1996). "Gender impact of a mass literacy program in India", Chapter 4 in United Nations Department for Policy Coordination and Sustainable Development, Division for the Advancement of Women, Gender, education and development. Report and Technical Papers Presented at the Expert Group Meeting on Gender, Education and Training, International Training Centre of the ILO, Turin.
- Currie, L. (1974). "The leading sector model of growth in developing countries", in *Journal of Economic Studies*. (New Series), 1(1): 1-16.
- Ercelawn, A. (1992). *Absolute poverty in the 80s: Rural and urban trends in Pakistan*. Discussion Paper No. 161. Karachi, Applied Economics Research Centre.
- Federal Bureau of Statistics. (1996) *Child labour survey, 1996. Main report* (Volume 1). Islamabad, Federal Bureau of Statistics.
- \_\_\_\_\_. (2001a). *Household Integrated Economics Survey (HIES)*, and tapes/micro data (1986-97 to 1998-99). Islamabad.
- \_\_\_\_\_. (2001b). *Poverty in the 1990s*. Islamabad.
- Gazdar, H., Howes, S. and Zaidi, S. (1994). *Poverty in Pakistan: Measurement, trends and patterns*. LSE, London.
- Ghaus-Pasha, A. and Jamal, H. (2001). *Incidence of income poverty in Pakistan*. Research Report No. 39. Karachi, Social Policy and Development Centre.
- Gill, I.S., Fluitman, F and Dar, A. (eds.). (2000), *Vocational education and training reform: Matching skills to markets and budgets*. A Joint Study of the World Bank and the International Labour Office. New York, Oxford University Press for the World Bank.

- 
- Godfrey, M.** (1996). Recent labour market developments in Indonesia. Contribution to TSS-1 study on the impact of economic policies and programmes on employment generation, social exclusion and sustainable livelihoods. (mimeo) Geneva, ILO.
- \_\_\_\_\_. (1997). *Manual on labour market analysis and policy*. Bangkok, ILO East Asia Multidisciplinary Advisory Team (ILO/EASMAT).
- GOP/FAO/WHO. (1985). Energy and protein requirements. Report of a Joint FAO/WHO Adhoc Expert Committee, Geneva/Islamabad.
- Husain, I. (1999). *Pakistan: The economy of an elitist State*. Karachi, Oxford University Press.
- Irfan, M. and Amjad, R. (1984). "Poverty in rural Pakistan", in Khan, A.R. and Lee, E. (eds.), *Poverty in rural Asia*. Bangkok, ILO/ARTEP.
- ILO. (1999). *World Employment Report, 1998-1999*, "Employability in the global economy: How training matters". Geneva, ILO.
- \_\_\_\_\_. (2001). "Pakistan: Growth, employment and poverty alleviation: Prospects and policy challenges". A (draft) report prepared under the Country Employment Policy Review Programme. Geneva, ILO.
- IMF. (2001). Pakistan: Selected issues and statistical appendix. IMF Country Report No. 01/11. Washington DC, International Monetary Fund.
- Jafri, S.M.Y. and Khattak, A. (1995). "Income inequality and poverty in Pakistan", in *Pakistan Economic and Social Review*. XXXIII.
- \_\_\_\_\_. (1997). "Estimation of poverty indicators, 1992-93", in Planning Commission, Ninth Five-Year Plan (1998-2003): Report of the Working Group on Poverty Alleviation. Islamabad.
- \_\_\_\_\_. (1999). "Assessing poverty in Pakistan", in UNDP/Mahbub Ul-Haq Centre for Human Development, *A profile of poverty in Pakistan*. Islamabad.
- Jammal, Y. (1987). *The housing sector in Indonesia as a potential leading sector for growth and employment*. Project INS/84/006. Jakarta, ILO.
- Malik, M.H. (1988). Some new evidence on the incidence of poverty in Pakistan", in *Pakistan Development Review*. Winter, 27(4).
- \_\_\_\_\_. (1993). "Poverty in Pakistan: 1984-85 and 1987-88", in Lipton, M. and van der Gaag, J. (eds.), *Including the poor*. Washington DC, World Bank.

- 
- \_\_\_\_\_. (1994). *Poverty in Pakistan: 1984-85, 1987-88 and 1990-91*. (mimeo) Washington DC, International Food Policy Research Institute.
- Mahmood, M. (1998). "Poverty in Pakistan", in *Papers and proceedings of the Annual Conference of the Pakistan Society for Development Economists*. Islamabad.
- Mahmood, M. and Jafri, S.M.Y. (2001). *Recent poverty trends in Pakistan*. Islamabad, ILO.
- Ministry of Finance. (Various years). *Economic surveys*. Islamabad.
- Murtaza, H.S. (1999). "The human face of poverty in Pakistan (1970-75)", in UNDP/Mahbub Ul-Haq Centre for Human Development, *A profile of poverty in Pakistan*. Islamabad.
- Nasir, Z.M. (1998). "Determinants of personal earnings in Pakistan: Some findings from the Labor Force Survey data, 1993-94", in *The Pakistan Development Review*. Autumn, 37(4).
- \_\_\_\_\_. (2000). "Earnings differential between public and private sectors in Pakistan", in *The Pakistan Development Review*. Summer, 39(2).
- Nuzhat, A. (1998). "Poverty in Pakistan", in *Pakistan Journal of Applied Economics*. Summer and Winter, XIV(1 and 2).
- Pon, D., Boreak, S., Sovannarith, S, Saravy, T., Alexander, P., Desbarats, J., Godfrey, M. and Katz, C. (forthcoming). *The Cambodian labour market: With particular reference to poverty reduction, growth and adjustment to crisis*. Phnom Penh, Cambodia Development Resource Institute.
- Qureshi, S.K. and Arif, G.M. (2001). "Profile of poverty in Pakistan. 1998-99." MIMAP Technical Paper Series No. 5. Islamabad, Pakistan Institute of Development Economics.
- Rowthorn, R. (2000). "Information technology and the "new economy"". Background paper for the ILO *World Employment Report 2001: Life at work in the information economy*. Geneva, ILO.
- Sen, A. (1975). *Employment, technology and development*. Oxford, Clarendon Press.
- UNDP. (1994). *Human Development Report 1994: New dimensions of human security*. New York, United Nations Development Programme.
- Wood, A. (1994). "Skill, land and trade: A simple analytical framework". Working Paper No. 1. Institute of Development Studies, University of Sussex.
- World Bank. (1995). *Pakistan: Poverty assessment*. Report No. 14397. Washington DC.

---

\_\_\_\_\_. (1996). *Pakistan: Private sector assessment*. Report No. 14847. Washington DC.

\_\_\_\_\_. (1998a). *Pakistan: Public expenditure review: Reform issues and options*. Report No. 18432. Washington DC.

\_\_\_\_\_. (1998b). *A framework for civil service reform in Pakistan*. Report No. 18386. Washington DC.

\_\_\_\_\_. (2002). *Poverty in Pakistan: Vulnerabilities, social gaps and rural dynamics*. Washington DC.

---

## Policy Integration Department Working Papers

- No. 1 ILO activities on the social dimension of globalization: Synthesis report
- No. 2 Measuring decent work with statistical indicators – *Richard Anker, Igor Chernyshev, Philippe Egger, Farhad Mehran and Joseph Ritter*
- No. 3 Globalization and decent work: Options for Panama – *Philippe Egger*
- No. 4 Globalización y trabajo decente: Opciones para Panamá – *Philippe Egger*
- No. 5 Indicators of social dialogue: Concepts and measurements – *Lane Kenworthy and Bernhard Kittel*
- No. 6 Assessing the impact of the attacks of 11 September 2001 on women's employment in the United States – *Gertrude Schaffner Goldberg and Helen Lachs Ginsburg*
- No. 7 Decent work and the informal economy in Central America – *Juan Diego Trejos Solórzano and Miguel Del Cid*
- No. 8 Poverty initiatives in the ILO: A review of past and present approaches – *Pat Holden and Dagmar Walter*
- No. 9 Whither the International Standard Classification of Occupations (ISCO-88)? – *Debbie Budlender*
- No. 10 Improving occupational classifications as tools for describing labour markets: A summary of recent national experiences – *Debbie Budlender*
- No. 11 Recent developments in China's labour economy – *Thomas G. Rawski*
- No. 12 The Impact of economic liberalization on employment and wages in India – *Sonia Bhalotra*
- No. 13 The impact of trade liberalization upon inequality in developing countries – *Donald J. Robbins*
- No. 14 The impact of liberalization and globalization on income inequality in developing and transitional economies – *Giovanni Andrea Cornia*
- No. 15 The impact of technology transfer on employment and income distribution in developing countries: A survey of theoretical models and empirical studies – *Mariacristina Piva*

## Policy Integration Department Working Papers prepared for the World Commission on the Social Dimension of Globalization

- No. 16 International finance: Meeting the needs of people in developing countries – *José Guilherme Almeida dos Reis*
- No. 17 The gender dimensions of globalization of production – *Stephanie Barrientos, Naila Kabeer and Naomi Hossain*
- No. 18 Social exclusion in the context of globalization – *Jan Breman*
- No. 19 Gender and globalization: A macroeconomic perspective – *Çağatay Nilüfer and Ertük Korkurt*
- No. 20 Globalization, social exclusion, and work: With special reference to informal employment and gender – *Marilyn Carr and Martha Chen*
- No. 21 Resources for social development – *Antony Clunies Ross*
- No. 22 Does the new international trade regime leave room for industrialization policies in the middle-income countries? – *Alisa DiCaprio and Alice Amsden*
- No. 23 Social dimension of globalization in Latin America: Lessons from Bolivia and Chile – *Ivaro García Hurtado*
- No. 24 The social dimension of globalization: A review of the literature – *Bernhard Gunter and Rolph van der Hoeven*
- No. 25 The social dimension of global production systems: A review of the issues – *Susan Hayter*
- No. 26 Reforming global economic and social governance: A critical review of recent programmatic thinking – *Jeremy Heimans*
- No. 27 Corporate social responsibility: An issues paper – *Michael Hopkins*
- No. 28 Upgrading in global value chains – *John Humphrey*

- 
- No. 29 Implications of globalization and economic restructuring for skills development in Sub-Saharan Africa – *Richard K. Johanson*
- No. 30 The outcome and impact of the main international commissions on development issues – *Frédéric Lapeyre*
- No. 31 Globalization and structural adjustment as a development tool – *Frédéric Lapeyre*
- No. 32 Globalization and perceptions of social inequality – *Malte Lübker*
- No. 33 The changing structure of international trade linked to global production systems: what are the policy implications? – *William Milberg*
- No. 34 Corporate social responsibility: An overview of principles and practice – *Jill Murray*
- No. 35 Inclusive development strategy in an era of globalization – *Ignacy Sachs*
- No. 36 Social consequences of the globalization of the media and communication sector: some strategic considerations – *Seán Ó. Siochrú*
- No. 37 Globalization, history and international migration: A view from Latin America – *Andrés Solimano*
- No. 38 Towards a different kind of globalization, or how the anti-globalists view the world – *Gijsbert van Liemt*

## **Policy Integration Department Working Papers**

- No. 39 How do trade union rights affect trade competitiveness? – *David Kucera and Ritash Sarna*
- No. 40 Statistics on the employment situation of people with disabilities: A compendium of national methodologies – *ILO Bureau of Statistics in collaboration with the In Focus Programme on Skills, Knowledge and Employability*
- No. 41 Employment in the informal economy in the Republic of Moldova – *ILO Bureau of Statistics in collaboration with the Department for Statistics and Sociology of the Republic of Moldova*
- No. 42 Decent work in a least developed country: A critical assessment of the Ethiopia PRSP – *Graeme J. Buckley*
- No. 43 Unemployment and labour market institutions: The failure of the empirical case for deregulation – *Dean Baker, Andrew Glyn, David Howell and John Schmitt*
- No. 44 Women's access to occupations with authority, influence and decision-making power: Women as legislators, senior officials and managers around the world – *Richard Anker*
- No. 45 The world of work in the context of economic integration and trade liberalization – *Daniel Martínez*
- No. 46 Poverty reduction in Pakistan: The strategic impact of macro and employment policies – *Moazam Mahmood*