



► ILO Brief

April 2024



Bridging the gaps

Harnessing the potential of the construction sector in Pakistan for the benefit of Afghan refugees and host communities alike

Overview

This policy brief summarizes insights from a study conducted across Pakistan for policymakers, practitioners and development partners.

It highlights the obstacles encountered by both Afghan refugees and host communities within the construction sector and suggests policy actions aimed at leveraging the sector's full potential.

► 1. Introduction and background

For more than four decades, Pakistan has provided refuge to around 4 million Afghan refugees, of which 1.33 million are registered, as of June 2023.¹ Refugees encounter challenges in attaining sustainable livelihoods that foster self-reliance and resilience. The rise in refugee numbers also presents difficulties for host communities in Pakistan, impacting the livelihoods of some locals.

Given the extended nature of displacements such as these, there's a growing emphasis on developing long-term, dignified solutions. To this end, the United Nations High Commissioner for Refugees (UNHCR) and the International Labour Organization (ILO) partnered to carry out a comprehensive study across Pakistan from September to December 2023. The study employed the ILO-UNHCR approach to inclusive market systems (AIMS) and covered three value chains: construction, fruit and vegetable farming, and artisanal textile craft production.

Study approach



36

locations

35

instruments

625

informants

42%

refugees

¹ UNHCR, "Afghan Refugees in Pakistan by Province", 30 June 2023.

Sector selection criteria



Maximize economic impact

Prioritize sectors where interventions yield significant benefits for Afghan refugees.



Enhance livelihoods and skills

Focus on sectors that offer employment opportunities aligned with refugees' skills.



Foster resilience and sustainability

Prioritize sectors where interventions yield significant benefits for Afghan refugees.



Promote inclusive development

Ensure sector growth supports inclusivity, especially for women and vulnerable groups.

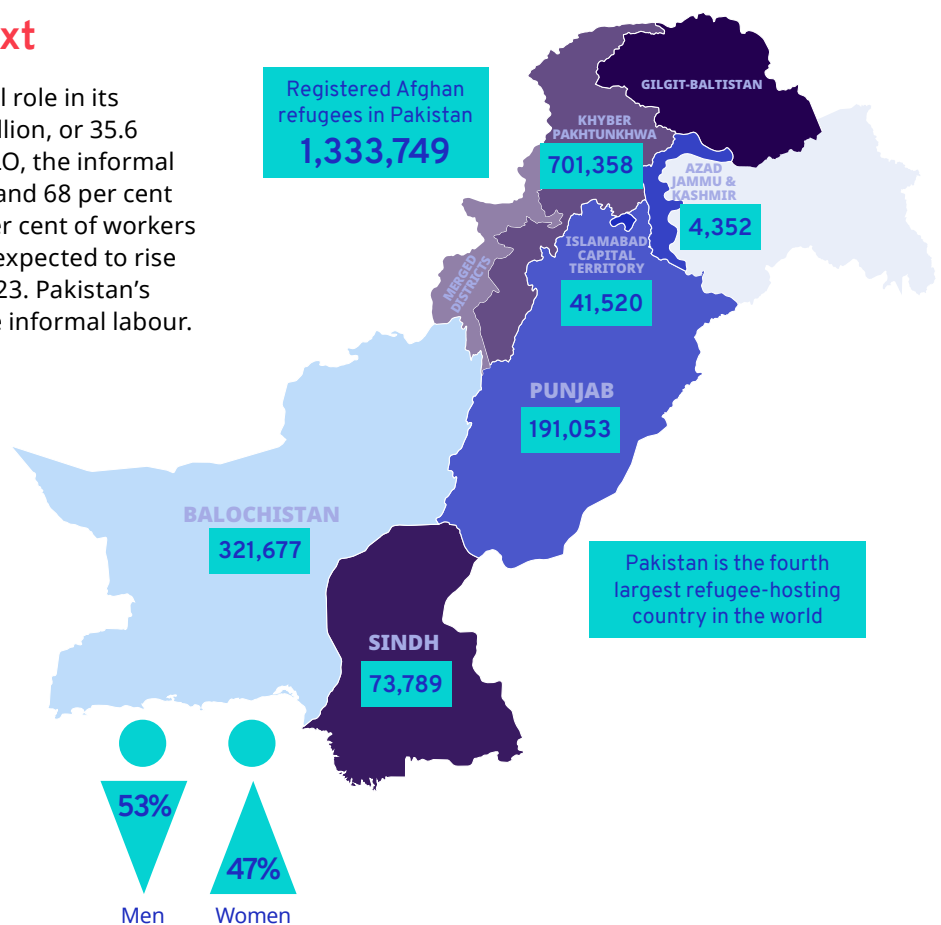
► 2. Understanding Afghan refugees in Pakistan

2.1. Socio-economic context

Pakistan's informal sector plays a crucial role in its economy, contributing about US\$661 billion, or 35.6 per cent of the GDP.² According to the ILO, the informal sector employs 75 per cent of the rural and 68 per cent of the urban workforce. In 2021, 84.3 per cent of workers were in informal employment, a figure expected to rise further due to job losses reported in 2023. Pakistan's construction sector relies heavily on the informal labour.

2.2. Demographics

As of October 2023, the Afghan refugee population in Pakistan is estimated by the UNHCR to be approximately 3.7 million,³ with only 36 per cent (1,333,749) registered as of June 2023.⁴ Afghan refugees in Pakistan comprise a diverse group of various ethnicities and social backgrounds, settled across several regions of Pakistan. The largest segment of the working community is between 18 and 59 years old, with almost equal representation of men and women.



² Abul Wahid, "The Informal Sector: A Significant Contributor to Pakistan's Economy", *Profit*, 14 March 2023.

³ Human Rights Watch, "Pakistan: Drop Threat to Deport Afghans", 12 October 2023.

⁴ UNHCR, "Afghan Refugees in Pakistan by Province", 30 June 2023.

2.3. Classification of Afghan refugees in Pakistan

Registered refugees

Most Afghans who arrived before 2005 have been officially recognized by the Government of Pakistan and UNHCR, and possess a registration document, such as a Proof of Residence (PoR) card.

The PoR card provides legal identity and protection in Pakistan. It allows temporary stay in Pakistan, protection against refoulement, freedom of movement, rental of property, access to education, healthcare, banking and limited access to telecommunications.

Afghan Citizen Card holders

Afghans who arrived and registered with the Government of Pakistan between 2017 and 2018 usually possess Afghan Citizen Cards and do not have PoR cards.

Provided under the principle of non-refoulement, the Afghan Citizen Card allows access to informal labour market only, with limited access to public education and healthcare services.

Unregistered/undocumented

Many Afghans in Pakistan lack official recognition or documentation. Some have provided their basic information to the NGO Society for Human Rights and Prisoners (SHARP).

Unregistered Afghans have limited protection from arrest and deportation. They may reside in undocumented settlements or urban areas, increasing the risk of eviction and deportation. They are unable to work legally, leading to vulnerability in the informal economy.

2.4. Livelihoods of Afghan refugees in general

Afghan refugees in Pakistan can be categorized into the following groups based on their occupations and skills:⁵



Almost all employed Afghan refugees in Pakistan work in the informal economy.

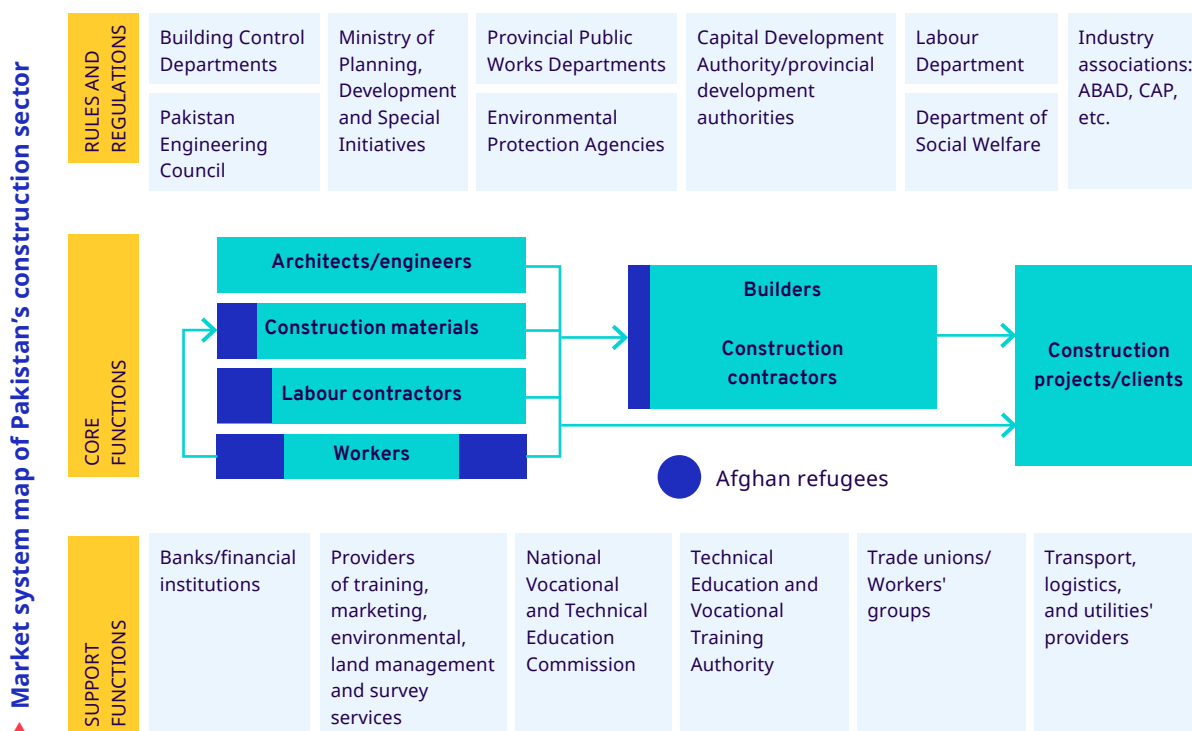
⁵ Asghar Khan, et al., "War, Refugees and Regional Implications: The Impact of Afghan Refugees on Local Society of Khyber Pakhtunkhwa, Pakistan", *Journal of Humanities, Social and Management Sciences (JHMS)* 2, No. 1 (2021): 121–132.

► 3. Market systems analysis of the construction sector

Since the Soviet-Afghan War in the 1980s, Afghan refugees have played a significant role in Pakistan's construction sector, primarily filling unskilled labour positions, which indicates a gap in skill transfer. These workers often face informal working conditions, job insecurity, and lower wages compared to local workers, along with health and safety risks due to inadequate training and equipment. Despite these challenges, the construction sector in Pakistan has experienced strong growth, with notable increases in output in recent years, driven by government spending, private investments and major projects like the China-Pakistan Economic Corridor (CPEC). This growth is further supported by rising demand for housing, particularly in rural areas, highlighting the sector's resilience and potential for expansion.

3.1. Construction sector map

This market systems map shows how the construction sector operates under a market systems framework comprising rules and regulations, core functions and supporting functions. In this market system, Afghan refugees have found a role primarily within the core functions, as part of the construction workforce.



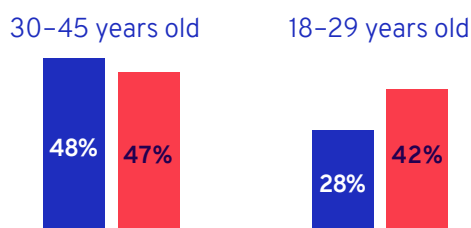
► 4. Key insights from the construction sector value chain study

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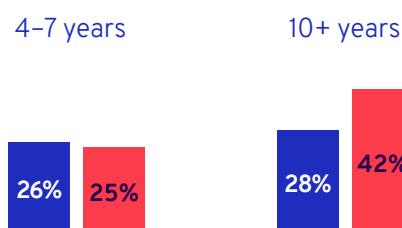
Blue represents Afghan refugees

Red represents host communities

Workers' age groups in the construction sector



Work experience in the construction sector

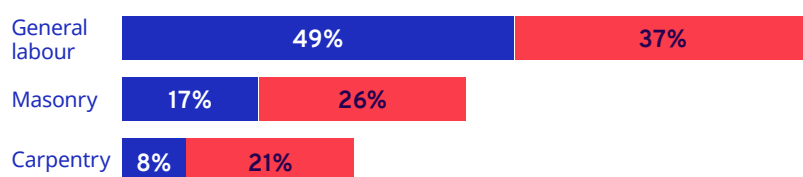


This shows that the host community has a greater proportion of workers with extensive industry experience.

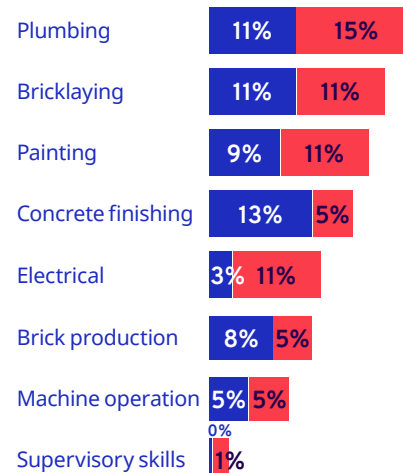
Professional skills and expertise



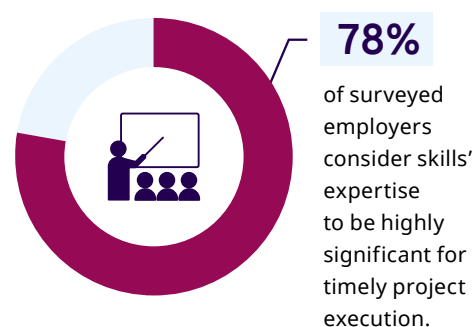
Areas of high expertise



Areas of low expertise



Employers' perspectives



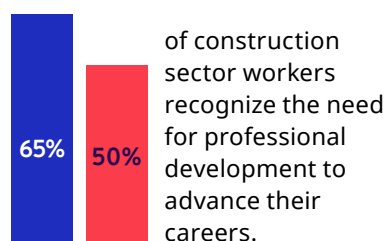
When hiring workers, wage expectations are of lower importance for employers compared to skills.



Aspirations for skills development



The most in-demand skills for the construction sector



Advanced construction skills
(specific trades such as HVAC, welding, or solar installation; computer literacy; green jobs awareness; project management; supervisory skills; team building; OSH; AutoCAD)

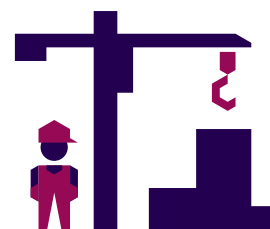
Basic construction skills
(carpentry, masonry, plumbing and electrical)

Quality standards & certifications

Financial literacy

Rights awareness, CBA & union formation

Entrepreneurship & business skills



Access to training and education

► **29%**

of technical and vocational education and training (TVET) institutions linked graduates with labour contractors

► **43%**

of training providers had **no** female trainees

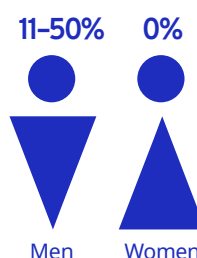
► **33%**

of training programmes are fully subsidized

► **50%**

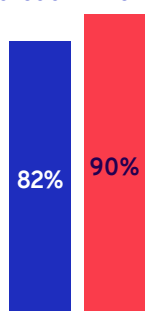
of training programmes are donor-funded

Refugees can enrol in training programmes, but their participation rates vary



Wages, working conditions and employment

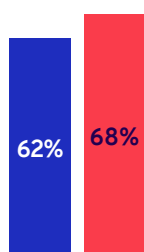
Primary breadwinners



Formally contracted



Workers who cite personal references as the most common way to find jobs



Wages

Wages reported for host and Afghan refugee workers are generally equal

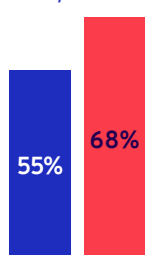
However, skilled workers earn up to

► **80%**

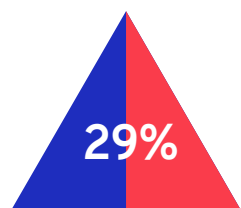
more than unskilled workers

Working environment and safety

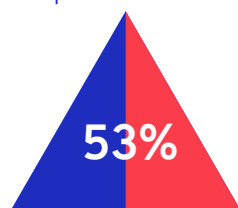
Proportion of workers who never received safety training



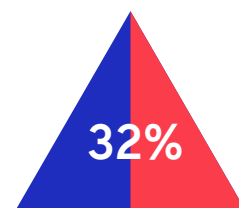
Proportion of workers who express safety concerns



Workers who report a lack of opportunities for skill development and training

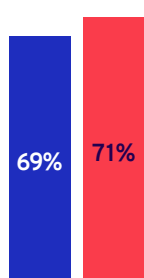


Workers who view inadequate safety measures as substantial obstacles

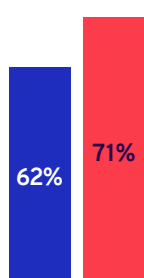


Financial literacy

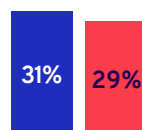
Lack of awareness or understanding of services



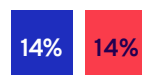
Hurdles faced due to lengthy documentation processes



High fees or interest rates



No services customized to the needs of construction workers



Labour contractors in the construction sector face several constraints that impact their operations. A significant challenge is a lack of capital and difficulty in accessing credit, which hinders their ability to fund projects and manage cash flow.

Perceptions and inclusion

► **60%**

of Afghan refugees reported low wages due to language barriers

► **37%**

of Afghan refugees faced frequent or occasional discrimination

► **50%**

of the refugee workforce is employed by a small number of Afghan refugee contractors, indicating the need for a more inclusive approach

► **80%**

of contractors are **satisfied** with Afghan refugees' performance

Employers' satisfaction

Refugees are generally perceived as hard workers, willing to work for lower wages and longer hours.

Host community workers also report satisfaction with Afghan co-workers.



Workers' representation

► Membership

of Afghan refugees in construction sector trade unions is very limited. The Pakistan Labour Federation in Punjab is the only organization that offers some services and advocacy for Afghan refugees.

► All

unions provide collective bargaining for wages, legal representation and labour rights. They agree that specialized trade skills are crucial, and they also advocate for trade certification.

► 5. Challenges and constraints

- 1

Lack of access to training services and inadequate vocational/technical training programmes

Afghan refugees face several barriers: language barriers, legal or documentation issues, financial constraints, transportation or location issues, and cultural differences. These lead to difficulties in accessing training programmes and services.

The education and training systems are not well-aligned with the skill demands of Pakistan's construction sector.
- 2

Insufficient green skills orientation and underutilization of digital technologies in the construction sector

Many training programmes for construction workers have outdated curricula that need to be modernized to include green building practices, digital technologies, and other new skills and knowledge. This limitation hinders the industry's progress towards sustainable and environmentally friendly practices and impedes efficiency and competitiveness in a rapidly digitalizing world.
- 3

Insufficient safety training and awareness

Training programmes for construction workers often lack specific modules on occupational safety and health (OSH) practices. As a result, workers are not adequately informed or skilled in handling workplace hazards, leading to increased risks of accidents and injuries and ultimately loss of livelihood.
- 4

Lack of worker representation and advocacy

Workers, including Afghan refugees, often lack representation or a voice in advocating for better standards and practices. They lack awareness of their rights and the ability to collectively bargain with employers.
- 5

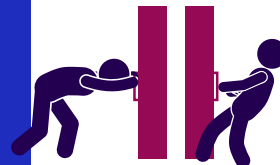
Lack of business, financial, legal and supervisory skills

Training programmes for construction workers have little or no focus on these important skills and competencies, although these are in high demand by both Afghan refugees and host workers in the construction sector.

► 6. Policy choices and recommendations

Below is the summary of recommended market-based interventions that synergize “push” and “pull” dynamics.

Push factors are designed to empower the target group by enhancing their capacity to participate in the market.



Pull factors aim at evolving the market systems to create, broaden and diversify economic opportunities for both the target group and the host community.

No.	Push interventions	Pull interventions
1	Facilitate capacity-building programmes aimed at boosting employability and bridging sectoral skill gaps	
	Upgrade training by conducting industry needs assessments, revising curricula with industry experts to include modern techniques and sustainability guidelines, enhance instructor skills, and improve training facilities and materials. Offer flexible programmes with multiple schedules to meet diverse needs. Support accessibility through modular, self-paced courses. Provide stipends/subsidies (including transportation) to ease financial burdens. Enable childcare services in training centres to facilitate the participation of women. Collaborate with industry partners, such as construction firms, to offer practical training and apprenticeships. Ensure training programmes align with industry demands through close collaboration. Guarantee quality by assisting training providers in establishing quality standards. Partner with industry associations, training providers and relevant agencies to develop a certification system.	Advocate for change through collaboration with industry and government on policies promoting ongoing construction sector skills development. Establish industry standards requiring specific skills or training to incentivize participation. Raise awareness by educating employers about the long-term benefits of investing in a skilled workforce. Showcase success stories where diverse workforce development (inclusive of refugees) led to business improvements. Offer incentives, such as government subsidies, for employers who invest in training. Facilitate partnerships with financial institutions to offer low-interest loans specifically for workforce development. Build partnerships between employers and training institutions to design industry-specific programmes inclusive of refugees. Encourage employer involvement in curriculum development and training setup to ensure relevance and increase buy-in.
2	Create effective linkages between workers and employers in the construction sector	
	Establish dedicated career centres with industry partners (including training providers, trade unions and industry associations) to support construction workers. Offer personalized career coaching, including on-site and on-line job search strategies and cultural integration resources.	Connect employers and jobseekers via on-site and on-line means. Create an online construction job portal with job listings, worker profiles and interactive features (such as virtual fairs and chats), which can help facilitate matching refugee and host workers with employers. Launch awareness campaigns highlighting the benefits of workforce diversity by showcasing success stories.

No.	Push interventions	Pull interventions
3	Improve green skill orientation and the utilization of digital technologies in the construction sector	
	Develop practical training programmes on green building and digital construction tools in collaboration with training providers, industry experts and technology providers. Showcase the benefits of green building techniques and digital technologies through demonstration projects.	Develop policies and incentives supporting green building and digital construction tools, in cooperation with government and industry stakeholders. Advocate for tax breaks and training grants, and promote industry certifications rewarding sustainability and digital skills. Facilitate financial support by collaborating with financial institutions and agencies to offer low-interest loans or grants for the adoption of green technologies and digital tools. Launch awareness campaigns to educate construction companies on the benefits of green building techniques and digital technology skills.
4	Increase compliance with occupational safety and health (OSH) standards	
	Integrate practical OSH modules into construction training programmes by collaborating with training providers. Promote a culture of safety by launching campaigns and workshops with unions to raise awareness of the importance of safety for worker well-being and productivity.	Strengthen OSH regulatory frameworks in partnership with industry and the government. Support the Labour and Human Resources Department in developing clear, enforceable policies and collecting data on construction injuries. Build compliance and training by collaborating with the Labour and Human Resources Department to develop training programmes for labour contractors on OSH and labour standards. Provide support in enforcement mechanisms, including targeted inspections. Integrate OSH with sustainability, encouraging construction firms to view OSH as part of their sustainability strategy by aligning incentives and work practices with a prevention-oriented safety culture.
5	Build stronger trade unions that are inclusive of Afghan refugees	
	Promote unionization by training union leaders and members of trade union federations. Launch pilot training programmes with a special emphasis on integrating Afghan refugees into the construction sector.	Launch awareness campaigns targeting the wider worker community, including Afghan refugees, to raise awareness about the benefits of active participation in trade unions and the importance of representation.

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