EMPLOYMENT GENERATION STRATEGY
FOR PRSP II

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April 28, 2006

This Study should not be reported as representing the views of the Ministry of Finance. This Study was commissioned under the “Support to PRSP-II Formulation Project”, as part of the consultative process for preparing PRSP-II. The views expressed in this Study are those of the author and do not necessarily represent those of the Ministry of Finance.
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April 28, 2006

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Mr. Khawaja Shahab, MD, SMEDA and his colleague Mr. Sajjad Mughal were kind to find time to discuss present status and plans of SMEDA. They also were kind to provide a paper on the role of SMEs in the coming years for PRS II.

In the end, I am particularly grateful to my senior colleague and mentor Mr. Mahboob-ul-Hasan for painstakingly searching for studies and data from our inhouse library of over 6000 relevant publications and studies. He also quality assured the first draft.

Submitted to ILO/ PRS Secretariat
Prepared by Dr. Junaid Ahmad
EXECUTIVE SUMMARY

INTRODUCTION

The MTDF rightly recognizes that HRD is the most effective means for reducing chronic absolute poverty, inequalities in income and also in reducing inter-generational income inequalities.

There is enough evidence available from other developing countries which show that by increasing overall literacy through universal primary education better human resources can be developed which in turn help in reducing poverty as educated and skilled labour force can earn more.

Similarly, policies and programmes for disease control, better sanitation, clean drinking water, mother and child care, etc., has a direct positive impact on the health and well being of the poor.

As such education and health initiatives put together have a direct positive effect on labour force and their ability to earn more thereby reducing poverty.

Maximum employment generation in all sectors of the economy should be taken as primary objective of PRSP II. Decent Work Country Programme which has been jointly developed and agreed between ILO, the Government, employers and workers should be implemented in letter and spirit.

This Report is divided into 18 chapters. Recommendations pertaining to each have been given at its end to help the reader better understand their rationale and context.

The first two chapters ‘Introduction’ and ‘Present Status’ set the context for the remaining sections.

Chapter 3 gives a brief review of growth, employment and poverty reduction linkages given in the MTDF. Chapter 4 contains discussion regarding main drivers responsible for affecting equitable growth, employment and poverty reduction.

Chapter 5 contains recommendations regarding employment generation potential in the Services Sector. Various sub-sectors have
been discussed separately such as Tourism, Hotel & Motel industry, hospitals and Health Care and Entertainment Industry. A total of 1.95 million jobs may be created in various sub-sectors.

Chapter 6 discusses various issues, impediments and gives recommendations for generating employment in the Trade sector. Chapter 7 contains recommendations and identifies potential for generating employment in the Transport Sector. Both trade and transport sectors have considerable potential and over 0.45 million jobs can be created in trade and 2.32 million jobs in transport sector without much investment by the government.

Chapter 8 contains a comprehensive discussion on the potential for creating productive jobs in the Non-Farm Sector such as Dairy, Meat Processing, Fisheries, Fruits, Floriculture, Edible Oils, Spices & Dry fruits. In all these areas put together 5.15 million jobs can be created.

Chapter 9 discusses the problems and issues confronting the Housing & Construction industry. There is a backlog of 7.0 million housing units in the Country. Even if 1.0 million housing units are constructed annually, it will take 10 years to meet the backlog. This would result in creating at least 0.3 million jobs in this sector.

Chapter 10 briefly discusses the potential of creating jobs through PSDP funded infrastructure projects. The Government is planning to embark on the construction of a number of dams and other mega projects. However, impact of these projects is likely to come over time. It has been suggested that while designing and developing projects use of labour intensive technologies should be given due consideration as in some cases their use may be economically beneficial. A total of 0.1 million jobs may be created during the tenure of PSDP II through various publically funded projects.

Overseas employment problems, potential and prospects have been discussed in Chapter II. This area particularly requires development and implementation of skill/ employment–based training programs. Establishment of Manpower Export Development Fund (MEDF) comprising of 0.5% of the remittances from overseas Pakistanis has been proposed. Proceeds of MEDF may be used for developing world class training and certification programs. A total of 1.0 million labour may be exported during PRSP II provided concerted efforts are made in this direction.
Chapter 12 contains suggestions for promoting exports. It is strongly suggested that the newly established TDAP should be manned by professionals. Only the best staff of existing EPB may be shifted to TDAP. Country and product specific export marketing strategies should be developed and implemented under a suitably designed and responsive organization structure.

SMEs is an important area and it has been discussed in Chapter 13. Development of local franchises has been recommended as a means of developing this sector. Entrepreneurship training needs to be imparted at all levels university, college, TTC and VTC to develop entrepreneurs who should then be supported by SME Bank, Khushhali Bank etc. in developing their businesses.

Chapters 14 and 15 discuss the issues relating to extension of micro finance, women and youth employment respectively. Comprehensive recommendations have been given on the above topics.

Employment Projections for PRSP II have been summarized in Chapter 16. A total of 11.27 million jobs are projected for the PRSP II. Out of these maximum jobs i.e., 4.6 million may be created in the dairy sector. Public transport follows next which has a potential of 2.32 million jobs. The Tourism sector as well overseas employment can create 1.0 million jobs each. Both dairy and transport sector do not require heavy public investments, all what is needed is right policy framework and incentives package.

Similarly Hotels, health care, entertainment industry, domestic trade, fisheries, livestock and meat processing, floriculture also do not require heavy public investments.

As there is a dearth of reliable data on poverty, its relationship with employment, SMEs, Micro finance, etc. and other related areas, a comprehensive list of 11 studies have been proposed to be carried out in Chapter 17. These also include doing detailed studies to determine employment generation potential in all sectors of the economy along with recommendations for tapping this potential.

Chapter 18 contains conclusions. As stated earlier all the recommendations (numbering 33) have been given in the main body of the Report following the discussion in each section. The main conclusions are.
Employment generation has to be made the fundamental objective of PRSP II which will lead to economic growth and poverty reduction. In fact, implementation of the Decent Work Country Program should be implemented in letter and spirit.

There is a large potential in the Country to create productive jobs in rural and urban areas and for all levels of skills and education, both for men and women.

The non-farm sector has the highest potential to absorb new labour force mostly in the rural areas, where incidence of poverty is higher.

The transport sector is perhaps the easiest sector where over 3 million jobs can be created in urban, peri-urban and rural areas.

The service sector also has a large potential and needs to be given due attention for job creation.

Unemployment amongst the educated needs to be addressed urgently as it will have negative trickle down affect.

Employment generation strategies and programmes described in this Paper will not require too much public investment, more than 80% of the investment will be generated by the private sector.
1.0 INTRODUCTION

While discussing the overall strategy and interventions to reduce extreme poverty, the MTDF (Medium Term Development Framework 2005–2010) rightly points out that “human resource development (HRD) is the primary and most effective means for reducing chronic absolute poverty, inequalities in income and reducing inter-generational income inequalities.”

There is enough evidence available from other developing countries which shows that by increasing overall literacy through universal primary education, adult literacy, and by reducing drop-out rates for both boys and girls from primary schools, better human resources can be developed which in turn help in reducing poverty as educated and skilled labour force is able to earn more.

Overall health and nutritional conditions prevailing in a poor family also directly impacts its earning capacity. Policy interventions and programmes that promote disease prevention, better hygiene and sanitation, availability of clean drinking water, treatment of occupational health hazards and community diseases, mother and child care, etc., will directly have a positive impact on the health and well being of the poor.

Both education and health initiatives put together will lead to better human resource development which in turn results in better productivity of the labour and in providing more job opportunities in both rural and urban areas, as well as for male and female labour force.

Maximum employment generation in all sectors of the economy should be taken as primary objective of the PRSP II. High economic growth alone is not likely to reduce poverty significantly in the Country as has been the experience of PRSP I and as experienced by other developing countries as well.

Infact employment generation on its own is not what is being suggested alone, it is provision of decent work as embodied in

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1 See Section 5.13 of MTDF
Pakistan Decent Work Country Programme (DWCP) which is to be strongly promoted. The DWCP has four broad priority areas which need due attention; (1) Labour Law reforms; (2) Employment generation through HRD specifically through skill training; (3) Expansion of social protection including the informal economy; and (4) Promoting Tripartism for social dialogue.

The DWCP has been jointly developed by Govt. of Pakistan, ILO, and representatives of both workers and employers. It contains broad priority areas alongwith supporting action plans, monitoring and evaluation system and a set of eleven indicators for measuring performance monitoring for Decent work. These eleven indicators need to be suitably amended and made a part of PRSP II and included in the section on monitoring and evaluation. These indicators are: (1) Employment Opportunities; (2) Unacceptable work; (3) Adequate earnings and productive work; (4) Decent hours; (5) Stability and security of work; (6) Combining work and family life; (7) Fair treatment in employment; (8) Safe work environment; (9) Social protection; (10) Social dialogue and workplace relations; and (11) Economic and social context of decent work.

2.0 PRESENT STATUS

In order to have a better understanding of the prevailing employment status in the Country, we need to also look at the latest trends in population growth during the last few years.

As per the Quarterly Labour Force Survey (LSF) 2005-06 following observations may be made about the population growth trends:

- The net increase in population is declining as it is reflected in the growth rate which was 2.01% during the five year period 1999-2000 to 2005-06, whereas the growth rate of the last two years 2003-04 to 2005-06 is 1.9%.
- The overall growth rate of female population during the last five years 1999-2000 to 2005-06 has been 2.18% compared to 1.84% for males during the same period. This has resulted in a marginal net increase of 1.0 million in female population over the male population.
• Interestingly, the growth rate of population in urban areas during the last five years 1999-2000 to 2005-06 has been 3.48% which has reduced to 1.82% during the last two years of the above period (2003-04 to 2005-06). This shows that urbanization in the Country has slowed down. In comparison, the population growth rate in rural areas has increased from 1.39% to 1.93% during the same periods.

Following observations may be made about the labour force in the Country on the basis of data presented in the Labour Force Surveys for the last five years (since 1999-2000) to the latest (1st quarter 2005-06 referred above) and as shown in **Table 1**.

• The growth rate of the total labour force during 1999-2000 to 2003-04 (three years) was 3.31% which has substantially increased to 5.87% during the last two years 2003-04 to 2005-06.

### Table 1

**Distribution of Labour Force by Area And Sex**

<table>
<thead>
<tr>
<th>Labour Force</th>
<th>1999-00</th>
<th>2001-02</th>
<th>2003-04</th>
<th>2005-06</th>
<th>Net increase</th>
<th>Average increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Areas</td>
<td>39.95 (100.00)</td>
<td>42.58 (100.00)</td>
<td>45.51 (100.00)</td>
<td>51.01 (100.00)</td>
<td>2.63</td>
<td>2.93</td>
</tr>
<tr>
<td>Male</td>
<td>33.71 (84.38)</td>
<td>35.74 (83.94)</td>
<td>37.36 (82.09)</td>
<td>40.45 (79.30)</td>
<td>2.03</td>
<td>1.62</td>
</tr>
<tr>
<td>Female</td>
<td>6.24 (15.62)</td>
<td>6.84 (16.06)</td>
<td>8.15 (17.91)</td>
<td>10.56 (20.70)</td>
<td>0.6</td>
<td>1.31</td>
</tr>
<tr>
<td>Rural Areas</td>
<td>28.10 (70.34)</td>
<td>28.97 (68.04)</td>
<td>30.90 (67.90)</td>
<td>35.10 (68.82)</td>
<td>0.87</td>
<td>1.93</td>
</tr>
<tr>
<td>Male</td>
<td>23.18 (58.02)</td>
<td>23.73 (55.73)</td>
<td>24.45 (53.72)</td>
<td>26.52 (51.99)</td>
<td>0.55</td>
<td>0.72</td>
</tr>
<tr>
<td>Female</td>
<td>4.92 (12.32)</td>
<td>5.24 (12.31)</td>
<td>6.45 (14.17)</td>
<td>8.58 (16.38)</td>
<td>0.32</td>
<td>1.21</td>
</tr>
<tr>
<td>Urban Areas</td>
<td>11.85 (29.66)</td>
<td>13.61 (31.96)</td>
<td>14.61 (32.10)</td>
<td>15.90 (31.18)</td>
<td>1.76</td>
<td>1.00</td>
</tr>
<tr>
<td>Male</td>
<td>10.53 (26.36)</td>
<td>12.01 (28.21)</td>
<td>12.91 (28.37)</td>
<td>13.93 (27.31)</td>
<td>1.48</td>
<td>0.9</td>
</tr>
<tr>
<td>Female</td>
<td>1.32 (3.30)</td>
<td>1.60 (3.76)</td>
<td>1.70 (3.74)</td>
<td>1.97 (3.87)</td>
<td>0.28</td>
<td>0.10</td>
</tr>
</tbody>
</table>

Data for 2005-06 (1st Qtr.) has been provided by Ministry of Labour Manpower & Overseas Pakistanis.
• The net increase in labour force during the period 1999-2000 to 2001-02 was 2.63 million and 2001-02 to 2003-04 it was 2.93 million. This increased to 5.50 million during the last two years 2003-04 to 2005-06. This is perhaps due to higher labour force participation rate.

• The growth rate of labour force in rural areas during the period 1999-2000 to 2003-04 was 2.40% while during the last two years 2003-04 to 2005-06 it is 6.58%.

• The net increase in the labour force in the rural areas during the period 1999-2000 to 2001-02 was 0.87 million and 1.93 million during the period 2001-02 to 2003-04. Whereas, there has been a net increase of 4.2 million during the last two years 2003-04 – 2005-06 which is much higher comparatively.

• In comparison, the growth rate of labour force in urban areas has declined from 5.37% in 1999-2000 to 2003-04 to 4.33% during 2003-04 to 2005-06. The figures for rural areas are 2.4% and 6.58% respectively, as stated above.

• The net increase in the labour force in the urban areas during the period 1999-2000 to 2001-02 was 1.76 million and 1.00 million during the period 2001-02 to 2003-04. the net increase in labour force during the last two years 2003-04 to 2005-06 has been only 1.29 million.

The net increase in the employed labour force during the last two years (2003-04 to 2005-06) has been 5.53 million which is much higher than the previous periods 2.23 million in 1999-2000 to 2001-02 and 2.96 million during the next two year period 2001-02 and 2003-04. Out of 5.53 million, there were 3.16 million males and 2.37 million females see Table 2.

This large increase in the employed labour force may be attributed to various initiatives taken by the government to increase economic activity in the Country.

On the basis of data presented in Table 2, following observations may be made about the employed labour force:

• The growth rate of employed labour force during 1999-2000 to 2003-04 was 3.35% which increased to 6.37% during 2003-04 to 2005-06.
### Table -2
Distribution of Employed Labour Force by Area And Sex

<table>
<thead>
<tr>
<th></th>
<th>1999-00</th>
<th>2001-02</th>
<th>2003-04</th>
<th>2005-06</th>
<th>Net increase</th>
<th>Average increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Long term</td>
<td>36.82 (100.00)</td>
<td>39.05 (100.00)</td>
<td>42.01 (100.00)</td>
<td>47.54 (100.00)</td>
<td>2.23</td>
<td>2.96</td>
</tr>
<tr>
<td>Growth Rate (%)</td>
<td>2.23 (%)</td>
<td>2.96 (%)</td>
<td>5.53 (%)</td>
<td>3.57 (%)</td>
<td>4.35 (%)</td>
<td>3.35 (%)</td>
</tr>
<tr>
<td>All Areas % Male</td>
<td>31.66 % (85.99)</td>
<td>33.34 % (85.38)</td>
<td>34.90 % (83.08)</td>
<td>38.06 % (80.06)</td>
<td>1.68</td>
<td>1.56</td>
</tr>
<tr>
<td>Female %</td>
<td>5.16 % (14.01)</td>
<td>5.71 % (14.62)</td>
<td>7.11 % (16.92)</td>
<td>9.48 % (19.94)</td>
<td>0.55</td>
<td>1.40</td>
</tr>
<tr>
<td>Rural Areas % Male</td>
<td>26.15 % (71.02)</td>
<td>26.78 % (68.58)</td>
<td>28.82 % (68.60)</td>
<td>33.04 % (69.51)</td>
<td>0.63</td>
<td>2.04</td>
</tr>
<tr>
<td>Female %</td>
<td>4.23 % (11.49)</td>
<td>4.50 % (11.52)</td>
<td>5.75 % (13.69)</td>
<td>7.84 % (16.50)</td>
<td>0.27</td>
<td>1.25</td>
</tr>
<tr>
<td>Urban areas % Male</td>
<td>10.67 % (28.98)</td>
<td>12.27 % (31.42)</td>
<td>13.19 % (31.40)</td>
<td>14.49 % (30.49)</td>
<td>1.60</td>
<td>0.92</td>
</tr>
<tr>
<td>Female %</td>
<td>0.93 % (2.53)</td>
<td>1.21 % (3.10)</td>
<td>1.36 % (3.24)</td>
<td>1.63 % (3.44)</td>
<td>0.28</td>
<td>0.15</td>
</tr>
</tbody>
</table>
| Source: Labour Force Surveys 1999-00, 2001-02, 2003-04 & 2005-06 Data for 2005-06 (1st Qtr.) has been provided by Ministry of Labour Manpower & Overseas Pakistanis.

- The greater proportion (4.22 million) of net increase in employed labour force belongs to rural areas whereas this proportion is 1.31 million for urban areas during the period 2003-04 to 2005-06.

- There is no study and hard data available to confirm various factors that may be responsible for increase in employment of labour force in the rural areas. In the absence of such a study, it may only be conjectured that more job opportunities have been created due to increased spending on infrastructure by the government on programmes such as cleaning and improvement of canal irrigation system, construction of catchments dams, highways, farm to market roads, provisioning of drinking water and sanitation services, education and health care facilities and other infrastructure facilities. Another set of reasons could be...
higher production of cash crops such as cotton, wheat, rice and sugar cane, etc..

- It would have been extremely useful to establish clear linkages between increased employment in the rural areas and the areas where employment has and is being created such as farm, non-farm and public sector generated. A study should be commissioned at an early date and arrangements should be made to collect this nature of data on a regular basis both in rural and urban areas through a well functioning Labour Market Information System.

- In rural areas, the net increase in employed labour during 2003-04 to 2005-06 was 4.22 million and among these the male and females are almost equally benefited, whereas in urban areas the total net increase was 1.31 million during the same period in which the males are more than one million and the females are only quarter of it.

- In rural areas the growth rate of employed labour during 1999-2000 to 2003-04 has been 2.46% and it sharply increased to 7.08% (2003-04 to 2005-06). Whereas, in urban areas the growth in employed labour has slightly decreased from 5.44% to 4.82% in the same period.

It is heartening to note that the net increase in Unemployed Labour Force is beginning to show a decreasing trend in absolute terms since 1999-2000. the net increase in the unemployed labour force during the two year period 1999-2000 to 2001-02 was 0.4 million. Whereas, net unemployed labour force was decreased by 0.03 million during the period 2003-04 to 2005-06. This shows that instead of piling up of the backlog, there has been some reduction.

Following observation may further be made on the basis of data given in Table 3:

- The growth rate of overall unemployed during 1999-2000 to 2003-04 was 2.83 percent and it has been turned into negative in the last two years 2003-04 to 2005-06, (-0.43%).

- In absolute terms unemployment has decreased in rural as well as in urban areas. In rural areas, the growth rate of unemployment during 1999-2000 to 2003-04 was 1.63% which turned into negative during 2003-04 to 2005-06 (-0.48%). Whereas, in urban areas the growth rate was
4.74% per annum during 1999-2000 to 2003-04 and turned to negative (-0.35%) during 2003-04 to 2004-05.

- In rural areas the growth rate of unemployment in males turned into negative as compared to females where it is still increasing. The same situation has been witnessed in urban areas.

Table- 3
Distribution of Unemployed Labour Force by Area And Sex

<table>
<thead>
<tr>
<th></th>
<th>1999-00</th>
<th>2001-02</th>
<th>2003-04</th>
<th>2005-06</th>
<th>Net increase</th>
<th>Average increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Jul-Sep 2005)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>3.13 (100.00)</td>
<td>3.53 (100.00)</td>
<td>3.50 (100.00)</td>
<td>3.47 (100.00)</td>
<td>0.40</td>
<td>-0.03</td>
</tr>
<tr>
<td>Male</td>
<td>2.05 (65.50)</td>
<td>2.40 (67.99)</td>
<td>2.46 (70.29)</td>
<td>2.39 (68.88)</td>
<td>0.35</td>
<td>0.06</td>
</tr>
<tr>
<td>Female</td>
<td>1.08 (34.50)</td>
<td>1.13 (32.01)</td>
<td>1.04 (29.71)</td>
<td>1.08 (31.12)</td>
<td>0.05</td>
<td>-0.09</td>
</tr>
<tr>
<td>Rural Areas</td>
<td>1.95 (62.30)</td>
<td>2.19 (62.04)</td>
<td>2.08 (59.43)</td>
<td>2.06 (59.37)</td>
<td>0.24</td>
<td>-0.11</td>
</tr>
<tr>
<td>Male</td>
<td>1.26 (40.26)</td>
<td>1.45 (41.08)</td>
<td>1.38 (39.43)</td>
<td>1.32 (38.04)</td>
<td>0.19</td>
<td>-0.07</td>
</tr>
<tr>
<td>Female</td>
<td>0.69 (22.04)</td>
<td>0.74 (20.96)</td>
<td>0.70 (20.90)</td>
<td>0.74 (21.33)</td>
<td>0.05</td>
<td>-0.04</td>
</tr>
<tr>
<td>Urban Areas</td>
<td>1.18 (37.70)</td>
<td>1.34 (37.96)</td>
<td>1.42 (40.57)</td>
<td>1.41 (40.63)</td>
<td>0.16</td>
<td>0.08</td>
</tr>
<tr>
<td>Male</td>
<td>0.79 (25.24)</td>
<td>0.95 (26.91)</td>
<td>1.08 (30.86)</td>
<td>1.07 (30.84)</td>
<td>0.16</td>
<td>0.13</td>
</tr>
<tr>
<td>Female</td>
<td>0.39 (12.46)</td>
<td>0.39 (11.05)</td>
<td>0.34 (9.71)</td>
<td>0.34 (9.80)</td>
<td>0.00</td>
<td>-0.05</td>
</tr>
</tbody>
</table>


The unemployment rate in the economy has also shown declining trend during the first quarter of this year 2005-06. The unemployment rate has come down from 8.27% in 2001-02 to 6.8% this year. Further observations based on data given in Table 4 may be made as follows:
Table 4
Unemployment Rate by Area and Sex
(In percentage)

<table>
<thead>
<tr>
<th>Year</th>
<th>All Areas</th>
<th>Male</th>
<th>Female</th>
<th>Rural Areas</th>
<th>Male</th>
<th>Female</th>
<th>Urban Areas</th>
<th>Male</th>
<th>Female</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-00</td>
<td>7.82</td>
<td>6.07</td>
<td>17.32</td>
<td>6.94</td>
<td>5.43</td>
<td>14.04</td>
<td>9.92</td>
<td>7.46</td>
<td>29.62</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003-04</td>
<td>7.69</td>
<td>6.59</td>
<td>12.75</td>
<td>6.74</td>
<td>5.65</td>
<td>10.88</td>
<td>9.70</td>
<td>8.37</td>
<td>19.82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005-06 (Jul-Sep 2005)</td>
<td>6.8</td>
<td>5.9</td>
<td>10.3</td>
<td>5.9</td>
<td>5.0</td>
<td>8.6</td>
<td>8.9</td>
<td>7.6</td>
<td>17.4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: (1st.Qtr.) Labour Force Surveys 1999-00, 2001-02, 2003-04 & 2005-06 Data for 2005-06 has been provided by Ministry of Labour Manpower & Overseas Pakistanis.

- In urban areas the unemployment rate has been observed higher than the rural areas through out the period (1999-2000 to 2005-06).

- The unemployment rate among males in urban areas has been slightly higher than the unemployment rate among males in rural areas, whereas, the unemployment rate of females belonging to urban areas has almost been double of the females of the rural areas during the period 1999-2000 to 2005-06.

- Although the unemployment rate in rural areas for both men and women is lower than that in the urban areas, as shown in Table 4 above, the case in point is the quality and productivity of employment in the rural areas. There is little evidence to show that levels of wages have gone up in the rural areas of the Country. There is no data available to support or reject the contention that unemployment in the rural areas may have reduced actually because of underemployment.

- Due to dearth of authentic data or a study, it is not possible to comment on the creation of employment in the informal sector. Similar is the case for the formal sector as well where reliable data on employment generation through PSDP funded projects and private sector employment are not generated regularly due to lack of a properly functioning Labour Market Information System.
The agriculture sector absorbed nearly half of the net increase in the employed labour force over 2.05 million during 2003-04 to 2005-06 periods. The manufacturing sector has absorbed nearly one million additional labour force during the same period. The construction and the services sectors absorbed nearly half a million additional labour force each. See Table 5 for details.

**Table 5**

Unemployed Labour Force by Major Industry Sectors

<table>
<thead>
<tr>
<th>Industry Sectors</th>
<th>Employed Labour Force</th>
<th>1999-00 to 2001-02</th>
<th>2001-02 to 2003-04</th>
<th>2003-04 to 2005-06</th>
<th>Net increase</th>
<th>Average increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Areas</td>
<td>36,824 (100.00)</td>
<td>39,055 (100.00)</td>
<td>42,069 (100.00)</td>
<td>47,550 (100.00)</td>
<td>2,231</td>
<td>2,954</td>
</tr>
<tr>
<td>Agriculture %</td>
<td>17,831 (48.42)</td>
<td>16,440 (42.09)</td>
<td>18,084 (43.05)</td>
<td>20,940 (44.04)</td>
<td>-1,391</td>
<td>1,644</td>
</tr>
<tr>
<td>Mining %</td>
<td>25 (0.07)</td>
<td>26 (0.07)</td>
<td>28 (0.07)</td>
<td>30 (0.06)</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Manufacturing %</td>
<td>4,227 (11.48)</td>
<td>5,405 (13.84)</td>
<td>5,770 (13.74)</td>
<td>6,710 (14.11)</td>
<td>1,178</td>
<td>365</td>
</tr>
<tr>
<td>Electricity %</td>
<td>259 (0.70)</td>
<td>315 (0.81)</td>
<td>282 (0.67)</td>
<td>390 (0.82)</td>
<td>56</td>
<td>-33</td>
</tr>
<tr>
<td>Construction %</td>
<td>2,129 (5.78)</td>
<td>2,363 (6.05)</td>
<td>2,446 (5.82)</td>
<td>2,880 (6.06)</td>
<td>234</td>
<td>83</td>
</tr>
<tr>
<td>Trade %</td>
<td>4,973 (13.50)</td>
<td>5,802 (14.86)</td>
<td>6,218 (14.80)</td>
<td>6,650 (13.99)</td>
<td>829</td>
<td>414</td>
</tr>
<tr>
<td>Transport %</td>
<td>1,852 (5.03)</td>
<td>2,304 (5.90)</td>
<td>2,409 (5.73)</td>
<td>2,740 (5.76)</td>
<td>452</td>
<td>105</td>
</tr>
<tr>
<td>Finance %</td>
<td>301 (0.82)</td>
<td>348 (0.89)</td>
<td>444 (1.06)</td>
<td>570 (1.20)</td>
<td>47</td>
<td>96</td>
</tr>
<tr>
<td>Services %</td>
<td>5,227 (14.19)</td>
<td>6,052 (15.50)</td>
<td>6,330 (15.07)</td>
<td>6,640 (13.96)</td>
<td>825</td>
<td>278</td>
</tr>
</tbody>
</table>

Data for 2005-06 (1st Qtr.) has been provided by Ministry of Labour Manpower & Overseas Pakistanis.

It may be interesting to note that unemployment among illiterates has shown a sharp decreasing trend, whereas the unemployment among literates has witnessed only a slight decreasing trend. Following observations are made on the basis of data given in Table 6.

- The unemployment among persons having below matric education has been decreasing at a fast rate whereas, among
matriculates it has almost remained stagnant. The unemployment among higher educated group has been witnessing high and increasing growth rate.

- Unemployment of the persons with education matric but less than degree has increased from 527 thousand in 1999-2000 to 975 thousand in 2005-06. The long term (1999-2000 to 2003-04) and the short term (2003-04 to 2005-06) growth rate of these persons are 10.65 percent and 11.07 percent respectively.

- Increasing trend has been observed in case of unemployed persons with higher education degrees, such as post graduate and Ph.Ds. In this case, unemployment has increased from 117 thousand in 1999-2000 to 354 thousand in 2005-06. The growth rates are 18.15% and 24.52% during both the periods 1999-2000 to 2003-04 and 2003-04 to 2005-06.

The above trend of increasing unemployment amongst the educated should give signals of alarm to the government. It is obvious that sufficient number of jobs is not being created for the educated in various sub-sectors of the economy. This is particularly to be noted by the Ministry of Education, Higher Education Commission and the provincial Depts. of Education that either the curriculum being taught in colleges and universities is not entirely job relevant, or that there are not sufficient number of jobs in the market.

Further studies need to be done to find out more about unemployment amongst different levels and types of degree holders in various disciplines. This should be related to market
requirements so that due attention and focus is given to disciplines in demand.

**Table- 6**

**Unemployed Labour Force by Level of Education**

<table>
<thead>
<tr>
<th>Employed Labour Force</th>
<th>1999-00</th>
<th>2001-02</th>
<th>2003-04</th>
<th>2005-06</th>
<th>Net increase</th>
<th>Average increase</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Areas %</td>
<td>3,125 (100.00)</td>
<td>3,523 (100.00)</td>
<td>3,499 (100.00)</td>
<td>3,468 (100.00)</td>
<td>398</td>
<td>-24</td>
<td>-31</td>
</tr>
<tr>
<td>Illiterate %</td>
<td>1,533 (49.06)</td>
<td>1,581 (44.88)</td>
<td>1,429 (40.84)</td>
<td>1,164 (33.61)</td>
<td>48</td>
<td>-152</td>
<td>-265</td>
</tr>
<tr>
<td>Literate %</td>
<td>1,592 (50.94)</td>
<td>1,942 (55.12)</td>
<td>2,070 (59.16)</td>
<td>2,303 (66.39)</td>
<td>350</td>
<td>128</td>
<td>233</td>
</tr>
<tr>
<td>Below Matric %</td>
<td>948 (30.34)</td>
<td>1,091 (30.97)</td>
<td>1,052 (30.07)</td>
<td>975</td>
<td>143</td>
<td>-39</td>
<td>-77</td>
</tr>
<tr>
<td>Matric but less than degree %</td>
<td>527 (16.86)</td>
<td>668 (18.96)</td>
<td>790 (22.58)</td>
<td>975</td>
<td>141</td>
<td>122</td>
<td>185</td>
</tr>
<tr>
<td>Degree, Post graduate &amp; Ph.D. %</td>
<td>117 (3.74)</td>
<td>183 (5.19)</td>
<td>228 (6.52)</td>
<td>354</td>
<td>66</td>
<td>45</td>
<td>126</td>
</tr>
</tbody>
</table>


Data for 2005-06 (1st Qtr.) has been provided by Ministry of Labour Manpower & Overseas Pakistanis

**RECOMMENDATIONS**

**Number 1**

Maximum employment generation in all productive sectors of the economy should be adopted as the primary objective of PRSP II. Infact Decent Work generation should be aimed at and the Decent Work Country Programme should be implemented in letter and spirit.

**Number 2**

A proper Labour Market Information System should be developed and implemented urgently. The Labour Force Surveys should be conducted under a Steering Committee of experts from the government, employers and workers to improve its level of credibility and reliability.

Submitted to ILO/PRS Secretariat

Prepared by Dr. Junaid Ahmad
Employment Generation Strategy for PRSP II

April 28, 2006

Number 3
Study should be conducted to determine the factors which have resulted in increased employment in rural areas both farm and non-farm. This Study will be most useful for both the MTDF as well as for PRSP II.

Numbers 4
Study on employment in the informal sector in both rural and urban areas needs to be conducted. Factors such as types of employment; wage level; nature of employment; male, female or youth employment; etc. should be adequately covered in this Study.

Numbers 5
Study on unemployment amongst the educated, above matric, degree holders, post graduates and PhDs. This Study should look at market requirements as well to point out the mismatch between demand and supply for different disciplines and specializations.

3.0 GROWTH, EMPLOYMENT & POVERTY REDUCTION
Linkages within the MTDF and their implementation prioritization.

There has been research conducted in Pakistan\(^2\) and elsewhere\(^3\) which has attempted to establish direct linkages between economic growth presumably leading to creation of employment opportunities which in turn are expected to result in poverty reduction. In some cases, researchers have been able to prove this linkages as well. The same may be regarded true for Pakistan.

The MTDF also regards economic growth as one of the essential conditions for poverty reduction as it alone cannot tackle the problems of extreme poverty. During the last five years in general and the tenure of first PRSP (2003-06) in


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Prepared by Dr. Junaid Ahmad
particular, the economic growth reflected by growth in GDP has been quite robust. This economic growth is also likely to continue during the tenure of PRSP II (2007-10) and the MTDF (2005-10).

The MTDF has prioritized a number of sectors having large potential for employment generation for the poor segments of the society. These sectors include:

- Agriculture (agro-industry, agri-business and livestock) and water sector development;
- Small and Medium Enterprises (SMEs); and
- Housing and construction.

MTDF has accorded highest priority to agriculture development as nearly 67% of the poor live in the rural areas. As per the Framework new jobs can be created by accelerating growth in agriculture and by increasing the area under cultivation, raising crop yields, diversification of cropping patterns, production of high value crops such as fruits, vegetables, flowers, etc. Livestock has also been identified as an area with high potential for job creation and income generation.

The MTDF expects the SMEs to create the largest number of jobs in the economy. The Framework points out that in order for SMEs to play their due role a comprehensive package of venture capital, credit, liberalization of controls, technology and skill up-gradation, marketing and management advisory services are needed to ensure proper development of SMEs in the Country. Further, the Framework has rightly suggested that SMEs in the rural areas are best placed to create new job opportunities and for income generation. SMEs may be involved in a number of profitable ventures such as fruits and vegetable processing, dairy and livestock, floriculture, fisheries, transportation of agriculture products and their marketing.

The MTDF has accorded high priority to Housing and Construction for employment creation. It has been pointed out that this sector has linkages with about 40 building material
industries. This sector further supports the investment climate and through its overall impact on the economy it helps in reducing poverty by generating income opportunities for the poor. The Framework states that in 1998 the Housing Backlog was 4.3 million units which has increased to 6 million units in 2004. This indicates that there is an annual incremental demand of 570,000 units. Against this demand, the supply is around 300,000 units leaving a gap of over 270,000 units annually. The MTDF proposes that by 2010 there should be no backlog of housing units through provision of adequate credit facilities to the poor through micro-credit schemes.

4.0 MAIN DRIVERS responsible for affecting EQUITABLE GROWTH, EMPLOYMENT & POVERTY REDUCTION and linkages between them.

Pakistan has experienced growth rates of over 6% for long periods of time without having the required trickle down affect to reduce poverty. For example, during the 1960s, the economy grew at the rate of 6.5% consistently, however, not enough jobs were created as a result poverty had increased. In the 1970s, the economic growth slowed down, but due to increase in employment and foreign remittances, poverty reduced. During the 1980s, poverty reduced because of high economic growth, increase in remittances but inspite of the fact that employment grew at only 2% which was below the rate of growth of labour force. In the 1990s, the rate of economic growth came down, along with fall in remittances and employment, leading to increase in poverty.

Econometric studies by Dr. A.R. Kemal\(^5\) have shown a clear relationship between economic growth, employment, remittances and poverty.

Equitable growth requires development and implementation of policies which will positively impact all segments of the society in proportion to their requirements. Employment opportunities will need to be created in both rural and urban areas, farm as well non-farm, and for men, women and youth.


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Prepared by Dr. Junaid Ahmad
Very few specifically designed employment generation schemes have been developed and implemented during the last four decades. It is high time that this is done. In subsequent sections of this Paper recommendations are being given to create a very large number of jobs during the tenure of PRSP II.

The PRSP I document has discussed at some length problems relating to non-availability of consistent data on poverty. It has pointed out that it was only in 2001 that the Planning Commission decided to determine the poverty line on the basis of daily intake of calories 2350 per adult per day (2150 calories per adult in urban areas and 2450 for rural areas) for 1998-99 and 2000-01. As per the PRSP I this translates to Rs. 748.56 per month per equivalent adult in 2000-01.

No studies are available to show exact relationship between employment and poverty reduction. As there are no specific mechanisms in place to check whether minimum wage fixed by the government is being given by the employers or not. Furthermore, a large proportion of the employment is in the informal sector which is largely undocumented.

Studies have shown that families having multiple earners are less likely to be poor. It is therefore, safe to assume that creation of a large number jobs will enable families to have multiple earners, thereby increasing their household income.

Unemployment among the degree holders is quite high as stated in section 2.0 of this Paper. However, no studies are available showing the level and incidence of poverty amongst the educated. The educated are certainly not finding adequate paying jobs commensurate with their qualifications. However, most of them find jobs with some effort. Discussion with a small sample of 100 educated youth studying in government institutions has revealed that they do not come from poor families and they live much above the poverty line.

No formal data and studies are available showing any evidence relating to influence of micro-finance on poverty. Although case studies are available of individual borrowers which show that their incomes certainly increased due to start-up of micro enterprises or SMEs using micro-finance, yet there is no
statically valid data showing the nature and impact of micro-
credit on the extent/level of poverty.

RECOMMENDATIONS

Number 6

Conduct a detailed study to determine relationship between poverty and employment. No reliable data is available on this subject. This study should in fact cover both rural and urban areas in all the four provinces if not all the 116 districts of the Country.

This may be an ongoing activity of CPRID with results being circulated to all concerned.

Number 7

Study to understand the impact of microfinance on poverty. This study should be focused on the experience gained by only Pakistani micro finance institutions such as AKRSP, NRSP, First Micro Finance Bank, Khushhali Bank, SME Bank, etc.. Instead of using selected case studies to project the data, a large sample survey of beneficiaries should be done to project the findings.

5.0 EMPLOYMENT IN SERVICES SECTOR

As per the MTDF, against an overall employment elasticity of 0.4, the services sector has the highest employment elasticity of 0.90. The Framework estimates that 29.94% or 2.09 million new jobs will be created in this sector. However, no strategy has been presented as to how this may be accomplished and whether even more jobs may be created in this sector.

The service sector offers a large potential for employment creation in both rural and urban areas for all types of workers of unskilled, semi skilled, skilled, highly skilled or professional. Some of the major areas having vast potential for employment creation and poverty reduction that may be considered on priority basis are:

5.1 Tourism in the Country continues to be generally a neglected sector. The institutions involved in promoting tourism lack vigour and vision, their strategies, approach, manpower and their systems are outdated. Government policies have been

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Prepared by Dr. Junaid Ahmad
inconsistent which have not encouraged participation of the local and foreign investors in a big way.

Besides schemes to attract tourists from abroad, domestic tourism needs to be developed and promoted actively. There are a number of natural and man-made lakes in Sindh, Punjab and NWFP. Schemes should be developed for establishing world class tourist facilities at these lakes on public-private partnership basis. The government may provide land on long term lease at concessional rates to the private sector and develop the supporting infrastructure such as roads, provision of electricity, etc.. The private sector would invest in hotels, restaurants, public amenities, bus and taxi stands, petrol and CNG stations, gift shops, advertising and promotion of facilities, etc.. A recent example of this type of development is the tourist resort being built at Mangla Dam lake by a Malaysian company. Similar type of tourist resorts may be developed at Haleji lake, Keenjhar lake, Manchar lake, Simli Dam, Tarbela Dam, Khanpur Dam, Shahpur Dam, Warsak Dam, etc.. Work on Gorakh Hill station in Sindh has been going on at snails pace for the past over two decades. It needs to be expedited as it is likely to emerge as a “Muree of the South” which is likely to usher-in an era of a lot of construction and tourist activity in the near future.

Besides the norther areas, innovative tourist schemes such as Sikh Pilgrimage, Budhist Pilgrimage, Sufi Safari, Desert Safari, Cultural Safari, need to be promoted for both international and domestic tourists.

Pakistan luckily has a number of holy shrines of both Sikh as well as Budhist religions. Hotel, motels, restaurants, retail outlets, gift shops, bus and taxi services, tour operations and tourist guides, and related services may be developed through involvement of foreign and local investors. The public sector would be required to develop the support infrastructure such as roads, provide electricity gas, etc.. Promotion of Sikh and Budhist pilgrimage will greatly help in improving the overall image of the Country as well. With the improvement of relations with India the situation has even become better.

Foreign experts need to be hired having relevant expertise in developing the above schemes and projects and their services
should also be used for generating foreign and local investments in the planned facilities.

As a result of these policy initiatives in the tourism sector, a **million new jobs** can be created during PRSP II in the rural and urban areas. These projections are based on studies done by consultants for promoting Sikh pilgrimage, Budhist pilgrimage, Sufi Safari, etc. commissioned by the P&DD. In addition, detailed discussions have been held with tour operators, and industry experts.

**RECOMMENDATIONS**

**Number 8**

The entire tourism related federal and provincial policy making infrastructure needs to be waken-up to start initiating tourism promotion activities proactively.

The controlling Boards of the PTDC and the provincial tourism organizations should be revamped and private sector representatives inducted to make these organizations vibrant.

An advisory committee comprising of bankers, hoteliers, airlines, tour operators, Pak. Railways, bus companies, etc. may be established to advise the federal ministry of tourism.

**Number 9**

Foreign experts should be hired to work with local experts for developing various tourism packages, programmes and projects such as Sikh Pilgrimage, Budhist Pilgrimage, Sufi Safari, Desert Safari, Mountain Safari, Trekking, Gorakh Hill Station in Dadu, etc.. All these should be developed on private public partnership basis.

**Number 10**

Initiate a programme of developing and promoting City Tours in Lahore, Karachi, Faisalabad, Peshawar, Multan, Quetta, etc.. This should be done through private tour operators. The respective city governments may be asked to improve the historical and other sites of interest.
Proper training programme should be developed and taught to all tour operators, tour guides, hotel and restaurant staff, bus and taxi operators, etc. This needs to be done at selected TTCs and VTCs in all the four provinces.

5.2 The hotel and motel industry in the Country needs to be promoted activity along with the above mentioned tourism related activity. Some of the major cities such as Karachi, Lahore and Islamabad have a critical shortage of hotel rooms. With the development of the north-south corridor and dualization of the N55, there is a great need to establish motels. In order to encourage development of new hotels and motels, innovative private-public partnership arrangements need to be developed and implemented.

Proper training programs for travel guides, hotel operations, skilled and semi skilled workers for restaurants need to be developed in collaboration with internationally recognized training institutions and implemented through the private sector. Some of the existing government owned vocational training centers may be leased out to the private sector for this purpose.

With support and major policy initiatives in the hotel, motel, restaurant and fast foods outlets sector, more than half a million new jobs can be created in urban and rural areas particularly along the highway. Financing for this activity can be easily made available through banks, SME Bank, KBL, etc..

These estimates are based on review of data from a chain of five star hotels, and study of employment generation by 3, 2 and 1 sector hotels and restaurants.

RECOMMENDATION

Number 12

The existing training infrastructure in the Country for the entire hospitality industry is quite poor. It is necessary that a two pronged strategy is adopted for this sector. On one hand, hiring of qualified staff should be mandated by the government and on the other hand comprehensive training and certification programs should be started in all
TTCs and VTCs. This will not only help in improving standard of service in the local hospitality establishments but will also help in exporting trained manpower.

5.3 The hospital and health-care sector can be developed quite rapidly on public-private partnership basis. Innovative arrangements will need to be developed for these projects. These new hospitals and health care facilities may also be able to tap the large pool of philanthropic contributions available in the Country as has been done by charitable trusts such as SUIT, Shaukat Khanum, Sahara for Life, Alamgeer Welfare, Seelani Welfare, LRBT, Mary Adelada, etc., etc.

Although the output of medical colleges has increased in the past few years, the number of nurses and paramedics has not increased in the required proportion. More schools/colleges need to be established for training of male and female nurses and paramedics. The nursing profession needs to be actively promoted amongst men because of the cultural issues involved in the employment of female nurses. Similarly, the profession of laboratory technician, radiologists, etc. need to be promoted amongst women for use in female wards and women patients.

If the government is able to move fast on finalizing the PPP model for hospitals and health care facilities, than BHCs, Secondary and even Tertiary care hospitals can be set-up in rural, peri-urban, urban and in metro cities by the private sector. A separate “special initiative” may be launched with active support of the provincial and local governments for provision of land and infrastructure facilities to private investors. Safely, it may be stated that 300,000 new jobs can be created in this sector upto 2010. This estimate is based on studies of 14 private hospitals which were conducted by the author for various clients in Karachi during the last 10 years.

RECOMMENDATION

Number 13

More training institutions or additional seats need to be added for producing male and female nurses and paramedic staff. Unless this is done the entire health sector will be negatively effected in the coming years.
5.4 The **entertainment industry** has started to grow strongly in the Country for the last few years and it needs to be promoted further. With the liberalization of the government media policy, more than 16 TV channels have started operations and reportedly another 35 are waiting to do so. Similarly, FM Radio stations are coming up quite rapidly.

The entertainment industry is highly labour intensive having capacity to absorb persons of all skill levels. Besides domestic market, the entrainment industry has export potential as well.

Training facilities are badly needed for all aspects of electronic, cinematographic, music, drama and related fields. These training facilities may be developed in the public sector and jointly managed with private sector to ensure their market relevance at all times.

This sector offers a large potential for new jobs. Industry experts estimate that around **150,000 new jobs** can be created in the next three years.

**RECOMMENDATION**

**Number 14**

Proper training academies and polytechnics will have to be set-up throughout the Country for training of artists, musicians, cameramen, producers, directors, computer graphics and special effects expert, technicians, editors and the whole range of expertise needed for the entertainment industry.

6.0 **EMPLOYMENT IN TRADE SECTOR**

The trade sector is shown to have an employment elasticity of 0.6 and the MTDF estimates that this sector will generate 1.97 million jobs upto 2010.

The Framework has not outlined strategies for generating additional employment in the trade sector.

Proper regulatory framework needs to be developed for the wholesale and retail sectors. Most of the trade sector is undocumented and as such is mostly outside the tax net.
Not only commodity exchanges, but wholesale markets need to be developed for all major commodities such as wheat, rice, pulses, fruits, vegetables, spices, dry fruits, edible oil seeds, edible oils, sugar, milk, fish, meat (mutton, beef and fish), etc. These wholesale markets may be developed on specifically allocated land near the major urban centers on public–private partnership basis.

The Utility Stores Corporation (USC) may be directed to establish 4000 plus Utility Stores using a franchising model. The USC may continue to operate its existing 300 or so stores for retaining its physical presence throughout the Country. By using the franchising model, the USC will not have to invest its capital on the stores and their inventory as this would be done by the private sector franchisees. The role of USC would change to that of a bulk buyer and supplier to its franchised stores. Even the storage and godown facilities may be developed by private parties. By establishing over 4000 Utility Stores, the government will be able to better control prices on one hand and on the other hand **additional 80,000 direct jobs** and more than **120,000 indirect jobs** will be created through this activity.

SMEDA, SME Bank and KBL may be directed to actively promote the wholesale and retail sectors. This sector has a lot of potential for creating jobs besides creating the “feel good” factor. By establishing commodity exchanges and wholesale markets as suggested above, **atleast 250,000 plus new jobs** will be created directly to support these activities. Thereby meaning that **450,000 new jobs** can be created through implementation of the above.

**RECOMMENDATIONS**

**Number 15**

Uptill now the federal Ministry of Commerce has only focused on exports at the expense of domestic commerce. It is strongly recommended that all aspects of domestic commerce need to be promoted actively. These may interalia include establishment of cold storages; godowns and proper warehouses; bulk storage of agricultural and other commodities; establishment of hyper-markets for fresh produce, grains, etc.; retail store chains; proper markets for all commodities, transportation & trucking, etc..
The present day domestic commerce in Pakistan uses and looks like the domestic commerce of the late 19th early 20th century. It needs to be modernized. This will help save a lot of wastages (nearly 60% of the Country’s fruits are wasted; nearly 50% of milk is wasted; nearly 10-15% wheat is wasted in fields, etc.)

**Number 16**

Further development of Utility Stores Corporation should be done through franchising. This will help in creating a model nationwide retail store chain on one hand and on the other hand 4000 to 5000 Utility Stores will enable the Government to do better price regulation of at least essential commodities such as sugar, flour, edible oils and other items of daily use. Further, it will generate substantial new job opportunities and create opportunities for profitable investments.

### 7.0 EMPLOYMENT IN TRANSPORT SECTOR

The MTDF estimates employment elasticity of 0.58 for the transport sector. The Framework estimates that around 410,000 jobs will be created upto 2010 in the transport and communication sectors. No specific policy initiatives have been given. The above employment estimate is based on the anticipated growth rate in these sectors without any major policy intervention.

The transport and communication sector has considerable potential for job creation, particularly due to the large investments being made in the ‘north-south corridor’, farm to market roads programmes through Tameer-e-Pakistan programme and improvement of road network in the urban areas by the respective city governments.

Well thought out schemes need to be developed for promotion of rickshaws, taxis, mini-buses, buses, pick-up and trucks. These should be long term schemes and should have protection for their continuation through an act of the parliament.

These schemes can create a large number of direct and indirect jobs. Each vehicle under such schemes creates 4 direct and a similar number of indirect jobs as seen in the yellow cab scheme
of early 1990s in Pakistan and elsewhere in the developing countries. According to a conservative estimates during the tenure of PRSP II approximately 100,000 rickshaws, 60,000 taxis, 30,000 mini-buses, 25,000 buses, 60,000 pick-ups and 15,000 trucks may be financed. This will create over 1.16 million direct and a similar number of indirect jobs. Besides, this activity will have a positive impact on the local auto assemblers, their vendors, leasing companies, banks and insurance companies.

In order to ensure proper development of the transport sector on modern lines, it is necessary to implement stringent testing and training programs for drivers, conductors, cleaners, mechanics, etc..

Schemes also need to be developed to promote taxi, bus and trucking companies in the private sector.

**RECOMMENDATIONS**

**Number 17**

As stated above a well thought-out transport scheme needs to be developed and implemented having following characteristics: (1) it should be for a long term period to ensure success; (2) based on studies, the scheme should include CNG rickshaws, taxis, pick-ups, mini-buses, buses and trucks; (3) only locally manufactured vehicles should be used; (4) vehicles may be provided through leasing mechanism and funds for this scheme may either be raised through capital markets or provided by the State Bank at LMM rates; and (5) reasonable duty rebate should be allowed on the CKD kits for vehicles.

**Number 18**

Proper training schools and certification should be started for drivers and conductors of all the public transport. Minimum education qualifications need to be fixed and strictly monitored. In addition, vehicle checking and recertification on a periodical basis should be made mandatory. Private sector may be involved in both the above activities under supervision of the concerned government agencies.
8.0 RURAL NON-FARM EMPLOYMENT

Besides expansion and growth in the agriculture sector, both for main crops, as well as for high value crops such as fruits, vegetables, flowers, oil seeds, etc., the MTDF has laid considerable emphasis on developing farm and non-farm sectors such as livestock, agro–industry and agro–business. Recommendations in this regard are presented below.

8.1 The livestock sector, both dairy and cattle breeding offers a large scope for employment creation. Presently, this sector contributes 11.4% to the GDP. Recently, the government has initiated Dairy Pakistan under the Ministry of Industries, Production and Special Initiatives for integrated development of the dairy sector in particular. The Project entails hiring of 2,500 veterinary doctors for provision of extension services to 30,000 livestock farmers in breed improvements, proper feeding, disease control, productivity improvement, etc.. In addition, plans are afoot to improve market infrastructure, credit availability from ZTBL, SME Bank and KBL, etc., increase in per animal yield of milk, further value addition to milk, better insurance coverage, etc..

The capacity of producing UHT processed milk is also planned to be increased. Presently only about 2.5% to 3% of milk is UHT processed and packaged out of a total availability of 32 to 36 billion liters per year. The UHT milk processors presently employ 13,500 workers directly buying milk from 0.5 million livestock farmers. These livestock farmers are employing at least 1.0 million workers. In addition, another 20,000 persons are employed upstream and downstream. Thereby presently this sector has a total of nearly 1,550,000 work force attached with UHT milk processors.

During the tenure of PRSP II, if the amount of UHT processed and packaged milk is increased to 10%, the total number of additional jobs which will be created are expected to be around 4.6 to 5.0 million. It may be kept in mind that presently a out of a total production of 32 to 36 billion litters of milk annually nearly 10 to 12 billion is wasted. The effort would be to ensure that this wastage is reduced, thereby increasing employment and bringing income to the livestock farmers.
In addition to processing and packaging of milk, efforts should be made urgently to develop high value dairy products for both local consumption and export markets. This activity will increase the demand for milk to be supplied by livestock farmers resulting in increased incomes as well as creation of new employment opportunities.

**RECOMMENDATIONS**

**Number 19**

The Dairy Pakistan initiative needs to be expanded to all the four provinces and its outreach increased. Besides establishing model farms on small scale, assistance should be provided to establish large UHT milk processing plants near the major urban centers of the Country.

Conversion of milk into powder milk on large scale has not been attempted in the country. Technology for this should be obtained from international sources and work initiated for attracting private investment in this highly lucrative activity.

**Number 20**

The existing livestock training and extension centers need to be upgraded and expanded to train a larger number of livestock farmers, middle men, distributors and processors to handle the increased activity. Food safety standards need to be developed and taught at these centers. Modern techniques of livestock handling, milking, animal health, hygiene and farm management need to be taught at the training centers.

8.2 Meat (mutton, beef and poultry production) has tremendous scope both for local markets as well as for exports. Cattle breeding farms may be established in most of the rural areas of Punjab, Sindh and NWFP and in selected districts of Balochistan. Modern slaughter houses, cold storages and meat processing units may be established near large meat consuming urban areas. A project on the pattern of Dairy Pakistan should be launched for developing meat production through cattle breeding and poultry. The halal food market has now reached US $ 40 billion mark and Pakistan can certainly take a sizable portion of this market Cattle breeding, poultry and meat
processing will create many thousands of jobs in the rural areas. It is recommend that proper targets be fixed for this sector in the PRSP II as this sector, can certainly contribute positively in poverty reduction through employment creation in the rural areas.

Discussions with industry and concerned officials of provincial departments reveal that at least 300,000 new jobs can be created in this sector during PRSP II.

RECOMMENDATIONS

Number 21

As stated above a project on the pattern of Dairy Pakistan should be launched urgently to develop the cattle breeding (mutton and beef) and meat processing industry in the Country. Model cattle breeding farms need to be set-up along with different sizes of slaughter houses and meat packing units for demonstration purposes through training and extension services both quality and quantity of meat/animals should be improved. Food safety standards need to be developed for processed/packaged meat and strictly implemented.

Number 22

The existing training institutions would need to be upgraded and expanded to handle the increased load. Separate training programs need to be developed and implemented for cattle breeders, cattle farmers, slaughterhouse staff and meat processors, distributors etc. on all related subject/areas.

8.3 The fisheries potential of the Country largely remains untapped. There are many sweet water lakes and canals offering good fishing grounds. However, there is not a single fish processing unit to cater to the requirements of inland fisheries. Inland fisheries need to be given due attention as it provides opportunity to small fishermen all across Punjab, Sindh and NWFP to earn a decent living. By establishing fish processing units and cold storages on private-public partnership basis, wastage will be reduced and better quality fish will become available for local consumption as well as for exports. Again, Fisheries Pakistan project may be developed and launched as
an integrated project with foreign technical and financial support.

This sector, if given due attention on the lines mentioned above will be able to generate about 150,000 new jobs during PRSP II according to industry experts.

**RECOMMENDATION**

**Number 23**

An integrated project to develop inland fisheries in Pakistan needs to be developed and implemented with foreign technical assistance which would interalia include development of cold storages, fish processing and packaging units, training of fish farmers, fishermen, middle men, distributors, cold storage operators and fish processors and packers.

8.4 Pakistan produces a large variety of fruits in many areas of the Country. It is estimated that nearly 60% of fruits produced in the Country are totally wasted and they do not reach the market. The major factors being non-availability of farm to market roads, adequate storage facilities, poor transport arrangements, badly managed wholesale markets, lack of processing facilities, etc.. Although Pakistan Horticulture Development Board (PHDB) has been in existence for many years, it has failed to bring about a quantum change in the overall conditions. The PHDB needs to be made more active and private sector needs to be encouraged to set-up storage facilities and processing units near the fruit growing areas. This will create employment in the orchards as well as in the non-farm sector of the rural areas. Availability of fruits is certainly not a bottleneck. PHDB should be mandated to provide technical support for establishing “fruit processing zones” on public-private partnership basis and ZTBL, KBL, SME Bank may be directed to provide the required credit.

**RECOMMENDATION**

**Number 24**

Fruits and Vegetable Processing Zones should be established on public-private partnership basis near all the urban centers of the Country such as Karachi, Hyderabad,
Sukkur, Multan, Lahore, Faisalabad, Rawalpindi, Peshawar and Quetta. This should be done on a priority basis to help save the wastage of Country’s fruits and vegetables.

8.5 **Floriculture** is another high value activity which needs to be promoted in rural Punjab, Sindh and NWFP. Although in the recent past flowers have been successfully grown and marketed in Pakistan, however, the potential of this sector is very large. **Floriculture Pakistan as an integrated project** on the lines of Dairy Pakistan needs to be developed for proper development of this sector. Usage of flowers in the Country has been growing due to increasing affluence as well as increase in population. Export of cut flowers and other high value products from flowers from Pakistan is minimal. This potential needs to be tapped which will result in creating thousands of jobs in the rural areas and increasing the household incomes.

Presently about 15,000 to 20,000 persons are associated with this activity. This number can be increased to 100,000 during PRSP II with concerted effort.

8.6 **Edible Oil Seeds production and oil extraction** is another area which has been neglected for many years. Pakistan presently imports 950,000 tons annually edible oil worth over US $ 350 million against 620,000 tons of local production. The Country presently produces only about 4.0 million tons of edible oil seeds annually. Out of this, 3.6 million tons are cottonseeds. As such there is a large scope for edible oilseeds production. The **Edible Oilseed Development Board** has been in existence for many years without much to show. It needs to be activated and a target given to ensure that Pakistan stops importing edible oilseeds in the next two to three years. This activity will create many jobs in agriculture as well as in the non-farm oil–extraction, trade and transportation sectors. A target of 50,000 to 75,000 new jobs will not be unreasonable.

8.7 **Spices and dry fruits** is another high value agricultural products’ group which has been ignored uptill now. There is substantial potential for increasing production of these crops and establishing small processing units in the rural areas for cleaning, grading, processing and packing for both local market as well as for exports. There is a large untapped potential which
is not being addressed. Only a few local brands are being exported. An integrated project can create a large number of farm and non-farm jobs.

Ministry of Agriculture along with industry experts should be consulted to fix targets for increased production, job creation and exports.

**RECOMMENDATION**

**Number 25**

Floriculture, spices and dry fruits are other important areas that need attention. Similarly, Oilseeds development in the Country need to pursued strongly. Separate, integrated projects should be developed for each of these areas and implemented throughout the Country.

9.0 **HOUSING & CONSTRUCTION**

As stated in section 2.0 of this Paper, the MTDF has identified housing and construction as one of the key areas for employment generation. The Framework also enumerates the requirements for new housing units to meet the current annual demand of 570,000 units against an annual supply of only 300,000 thereby leaving a gap of 270,000 units every years and the additional requirement to fill the backlog of 6 to 7 million units.

The housing sector continues to face a number of problems which have aggravated the situation. Some of the major ones are:

- Rising cost of land in all urban areas for low and middle income families in particular. For the poor the situation is even worse.
- Continuous development of Katchi Abadis on govt. land in most of the existing cities. In Karachi, nearly 55% of the population lives in katchi abadis
- Inadequate availability of mortgage finance for the poor and lower income groups in particular.
- Lack of development of large satellite towns and housing complexes on government land.
The House Building Finance Corporation (HBFC) is the main public sector financial institution dealing with housing finance. Since its inception 53 years ago, HBFC has financed only 450,000 units and it disburses only about Rs. 2 billion annually. Against this, HDFC of India since its inception 28 years ago has financed 2.4 million housing units and it annually disburses Rs. 150 billion.

From the above, it is quite clear that HBFC in its present shape and form is not in a position to provide financing for around 250,000 to 300,000 units annually. It is, therefore, suggested that innovative public-private housing finance institutions be developed to meet the ever growing need for housing finance. Two proposals are presented below to meet the particular requirements of the poor — **Sponsor a Shelter Foundation** and **Social Housing Projects**. These are briefly described below:

Under the **Sponsor a Shelter Foundation**, funds will be made available to the poor to partially meet the mortgage payments. The Foundation will generate funds through solicitation of Zakat, Kherat and other charitable contributions by individuals and the corporate sector. The Foundation will be managed professionally and transparently.

**Social Housing** projects will require provision of housing units to the poor and low income groups on incremental basis as in the case of Khuda Ki Basti in Karachi. Under this scheme low cost housing projects and schemes will be developed on specially allocated government land to ensure affordability.

All local governments and the four provincial governments should be asked to allocate lands in their jurisdictions for developing satellite towns and large housing schemes for the poor. By increasing the supply of land by bringing into market erstwhile unutilized government land, the prices of land in the urban areas is likely to come down, making land for housing units more affordable.

All the four provincial governments need to allocate funds for developing house schemes for the poor and low income groups on an annual basis. Private sector developers should be encouraged to develop housing schemes for the poor. Due to provisioning of government land and development of roads,
water, sewerage, electricity and gas network through public exchequer, the prices of housing units will be much lower/affordable.

In order to meet the current demand of 570,000 units annually and to completely wipe-out the backlog of the 7 million unit say in the next 10 years, almost 1.0 million units will have to constructed annually. A decision needs to be taken in this regard. Even if 0.5 million units are constructed annually atleast 200,000 to 300,000 additional jobs will be created in the housing sector alone during PRSP II.

RECOMMENDATIONS

Number 26

The government needs to give a very high priority to the housing and construction industry as this industry has direct linkage with over 25 other industrial sectors such as cement, steel, construction materials, timber, etc..

A comprehensive regulatory framework needs to be developed for the proper regulation of this industry. This sector in the Country continues to grow in a haphazard way without proper direction. The private builders and developers lack credibility and the general public in many cases are weary of dealing with them. The proposed regulatory framework and the regulatory authority should deal with these issues.

Number 27

There is a large shortage of trained/qualified construction workers both for domestic and overseas markets. There is an urgent need to upgrade and expand all the TTCs and VTCs in the Country for training of plumbers, steel fitters, electricians, masons, tile fixers, carpenters and other construction related trades. Private sector representatives should be invited on the Boards of all TTCs and VTCs to monitor development of suitable curriculum and proper conduct of training and exams.
10.0 EMPLOYMENT THROUGH INFRASTRUCTURE PROJECTS

The MTDF aims at reducing unemployment to 4.0% by generating 6.89 million additional jobs upto 2010. In order to achieve this objective, the Framework suggests that it would be necessary to attract fresh investments and effective and timely implementation of development projects, efficient delivery of services to the people, enabling environment for the growth of SMEs for employment generation, promotion of skill development, restructuring and up-gradation of technical and vocational training system for enhancing ability of the workforce to be suitably employed.

It is generally recognized that public expenditure directly or indirectly induces productive employment and thus results in reducing poverty. Public investment in health, education, safe water and sanitation, vocational and technical training enhances the capabilities of people to seek productive employment and get better wages.

The main way in which public investments may contribute to generating productive employment, both directly and indirectly, is through investments in and development of supporting infrastructure. Construction of farm to market roads results in reducing the transportation costs of the farmers. Similarly, creation of storage facilities and improvement in irrigation system also results in reducing the input costs of agriculture. All this results in increasing the overall prosperity of the region which in turn results in establishment of non-farm SMEs.

Similarly, development of good transport and communication system, provision of piped water, sanitation and utilities stimulates the development of a large number of SMEs which generate employment and increased household incomes.

Under the Tameer-e-Pakistan programme, different types of public works schemes are to be implemented such as farm to market roads, sewerage and sanitation, solid waste collection and disposal, spurs, culverts, village electrification, etc.. This programme is generally conceived by the local communities and implemented in association with the parliamentarians.
The other major public works and community development programme being implemented is the Khushhal Pakistan Programm (KPP). This Programme includes social mobilization, skill training for self employment, micro finance, grants for the destitute, village level small infrastructure, livestock development, primary education and health care. A total of \textbf{Rs.54 billion} have been allocated for KPP during 5 years (2005-06 to 2009-2010).

During the past few years a number of steps have been taken for the improvement and up-gradation of the irrigation system. This has included cleaning of canals, brick-lining of canals and khalas to reduce seepage and water loss. The old Sukkur Barrage has been repaired to improve its efficiency and Mangla Dams is being raised to increase its capacity. A number of large dams and water reservoirs along with a large number of encatchment dams are either under planning or in implementation stages.

In addition to the above allocation for spendings on universal primary education, secondary education, vocational and technical training as well as basic health centers need to be increased. Although, there has been an increase in allocation of funds for the above, yet there is need to increase the same by 15% to 20% per year resulting in creating the desired impact during PRSP II.

The above programs in the Public Sector will help and are expected to create at least \textbf{100,000} jobs directly and help in creation of many more productive jobs indirectly.

**RECOMMENDATION**

**Number 28**

Productive employment generation needs to be kept in focus while preparing and planning public-sector development projects. Due attention should be given to use of suitable technologies as in many cases use of labour intensive technologies may be economically beneficial for the project.

11.0 **OVERSEAS EMPLOYMENT**

As per latest data provided by Ministry of Labour & Overseas Pakistanis, the total number of non-resident Pakistanis submitted to ILO/PRS Secretariat

Prepared by Dr. Junaid Ahmad
working/living/studying abroad is about 3.97 million-in the year 2005-06. Out of these 1.893 million (47.6%) are in the Middle East, followed by 1.095 million (27%) in Europe 851 thousand (21.4%) in Americas, nearly 73 thousand (1.85) in Asia & Far East 38 thousands (1%) in Africa and 23 thousand (0.6%) in Australia and New Zealand. However, the Overseas Pakistanis Division estimates their total to be around 7 million including illegals, overstayers, etc through out the World.

Remittances from overseas Pakistanis have been around US $ 4 billion mark for the last few years. This level of remittances is expected to continue in the foreseeable future.

Inspite of present construction boom in UAE, Saudi Arabia, Qatar etc., and agreements signed with govt. of Malaysia to supply over 300,000 workers, the number of Pakistani workers proceeding abroad for employment has been limited. As per figures provided by the Bureau of Emigration and Overseas Employment and Overseas Employment Corporation the figures for the last five years are 110,136 (2000); 130,041 (2001); 149,127 (2002); 215,443 (2003); 174,864 (2004) and 56,686 (Jan-May 2005).

With the developments in the Middle East, need for labour has changed considerably and presently more professionals and technically qualified persons seem to be in demand. Efforts should be made to have Pakistanis placed in professional and technical positions, who in turn will help in placing Pakistani labour force in their respective organizations.

The MTDF rightly points out that there is a large potential for manpower export to the Middle East, Far East and even EU countries. The Framework goes on to identify following categories of manpower for exports. 1) Engineers, 2) Nurses, 3) Welders, 4) Masons, 5) Carpenters, 6) Electricians, 7) Cooks, 8) Plumbers, 9) Steel Fixers, 10) Technicians, 11) Mechanics, 12) Drivers, 13) Different type of operators, and 14) Information Technology and computer science.

It is essential to recognize that proper training and internationally acceptable certification programs need to be started on war-footing to meet the growing needs of quality manpower needed in foreign markets.
The existing vocational and technical training infrastructure of the Country is outdated and its training programs have become irrelevant. Innovative private-public arrangements need to be developed and linkages established with foreign vocational and technical training institutions to upgrade the existing curriculum. Moreover, it should be recognized that certificates awarded by our existing technical training boards are not recognized internationally because of the spurious quality of the graduates. A comprehensive national level program needs to be initiated on the style and funding levels of HEC to accomplish the above.

A Manpower Export Promotion Fund (MEPF) may be established on the pattern of the Export Development Fund. The MEPF will be responsible for actively carrying out market studies for exporting manpower to different regions and countries. It would work closely with the manpower importing countries to determine the exact requirements, qualifications and job specifications for different categories of manpower. The MEPF will liaise with OPC, OPF, TEVTA etc. to ensure identification, selection and training of labour to be exported. The MEPF may be financed by allocating a small percentage of the remittances received, say 0.5% or so.

In order to ensure effective utilization of remittances into productive uses, it is proposed to establish a mechanism to regularly float shares and bonds for attracting investments from non-resident Pakistanis by the government or the private sector for carefully selected projects and programmes.

The target for manpower exports need to be fixed and communicated to all concerned federal and provincial departments and agencies. A rough estimate would be around 350,000 workers per year may be placed in overseas employment. Thereby, creating over 1.0 million overseas jobs during the tenure of PRSP II.

RECOMMENDATIONS

Number 29

Skill-based Training should be provided to the workforce meant for exports. Some of the existing TTCs and VTCs may be privatized with a view to having them upgraded to meet the demands of foreign markets. Curriculum, examination and certification of candidates may be done in
collaboration with highly credible institutions from UK or Singapore etc.. This will greatly improve the market acceptance of Pakistani Labour in overseas markets.

Number 30

Stipends and tuition fees should be given to all trainees from the Manpower Export Promotion Fund (MEPF) to attract trainees and to defer the cost of training, examination and foreign certification.

12.0 PROMOTING EXPORTS

The Cabinet has recently decided to set-up the Trade Development Authority of Pakistan (TDAP) replacing the existing Export Promotion Bureau (EPB). The TDAP, unlike the EPB will be an autonomous Authority with the Minister of Commerce as its Chairman. It is proposed be headed by a chief executive from the private sector having requisite educational qualifications and experience. The government has further announced that the TDAP will accommodate the existing civil servants and burocrats of the EPB.

In itself decision to establish TDAP is belated. It is necessary to now speedily establish and operationalize TDAP on purely professional lines. Assistance should be taken from international experts and even twinning arrangements with similar organizations having successful track record should be established, such as Japan’s JETRO, Korea’s KOTRA, etc.. Collaborations between TDAP and specialized organizations established by EU and OECD countries to promote imports from developing countries such as NORIMPOD, Dutch CBI, etc..

It is strongly recommended that the TDAP should not be manned by existing EPB staff. Some existing staff may be retained having the right commercial orientation, helpful attitude and customer focus. Overwhelming number of staff both at officer as well as non-officer level should be taken from the private sector at market rates. Unless this is done, the whole purpose of establishing TDAP will be completely lost.

Country and product specific export promotion strategies need to be developed. Both these types of strategies should be developed with active participation of the stakeholders and they should be
widely publicized. The TDAP may be organized on regional lines, having country desks with product officers for implementing the country strategy along with product strategies. Both the country desk managers and their product officers would be required to present quarterly reports to the top management.

In addition, autonomous export development boards need to be developed for all major product categories on the style and pattern of the Engineering Development Board. The existing Pakistan Horticulture Development Board and the Edible Oilseeds Development Board need to be made more proactive in their respective areas. The recently established Dairy Pakistan needs to become fully active soonest.

Export Development Boards are needed for fashion garments, home textiles, leather and leather products, rice and other food grains, fisheries, halal meats and processed foods (the present world market for halal foods is over US $ 40 billion and Pakistan can certainly take a reasonable share of this market), pharmaceuticals, natural pharma preparations and natural food supplements, handicrafts, sports goods, cutlery and utensils, surgical goods, carpets and floorings, gems and jewellery, marble and granite, etc.. These export development boards would comprise of representatives from the concerned line ministries and the private stakeholders including bankers, transporters, etc.. That will function under the overall guidance of TDAP with the active support from the respective line ministries. They will primarily be funded from the Export Cess collected from their respective sub-sectors.

Efforts should be intensified to establish textile city in Karachi and garment cities in Karachi and Faisalabad within the next 10 to 12 months. After their successful completion similar projects/industrial estates may be established for leather and leather goods, dairy, fish processing, meat processing, fruits and vegetables processing etc. on most modern lines.

The above targeted export development approach is distinctly different from the existing approach of EPB. The existing strategy of EPB may be best described as “shooting in the dark” and it does not involve active participation of the private sector stakeholders. In comparison, the above measures should result in the overall development of the various export sectors, thereby
creating a large number of jobs in both rural as well as urban areas.

13.0 STRENGTHENING SMEs FOR EMPLOYMENT GENERATION

Presently Small & Medium Enterprise Development Authority (SMEDA) and the SME Bank are the two major organizations functioning under the direct control of the Federal government for the promotion of SMEs. In addition, all the four provinces have had small industries development corporations/boards such as PSIC in Punjab, SSIC in Sindh, SIDB in NWFP and BSIC in Balochistan.

There is an urgent need to revamp and modernize the functioning of the above mentioned four provincial small industries organizations to play their due role in the promotion and development of SMEs. Their staff, systems, approach and strategies need to be changed radically to give them customer focus and market orientation.

SMEDA uptill now has prepared a large of feasibility studies for establishing SMEs in different sectors. It does not have a system of providing business advisory services and assistance to entrepreneurs in establishing SMEs. Unless, SMEDA and the four provincial small industries/organizations/corporations develop the capacity to provide the required business advisory and support services, the SME sector shall continue to flounder. They should contract out provisioning of the business advisory services to private consultants and experts who should be paid on their out put/ results.

SMEDA being a new organization, may find it easier to adopt modern systems and approaches. Development and introduction of local/home grown franchises can be used effectively to promote SMEs. Under the franchising model, the franchisor provides the technology, machinery, training, business systems and marketing support to the franchisee. The franchisee on the other hand provides capital, labour and management for the business. And, thus franchising results in creation of hundreds of outlets and many thousand jobs without trial and error. Many type of businesses may be franchised. These may include restaurants and fast food outlets, bakeries and mithai shops,
garment stores and boutiques, furniture and household stores, pharmacies and super markets, shoes and leather goods stores, jewellery and novelty items’ stores, dry fruits and specialty food stores, etc.. Besides goods, franchising is ideally suited for services business as well such as beauty and barber salons, clinics and hospitals, schools, pathology and radiology labs, house–hold repair services, TV and computer repairs, travel and tour operators, bus and radio taxi, goods transport, catering, car repairs, etc..

The above mentioned export development boards need to work closely with SMEDA, SME Bank, Khushhali Bank and the four provincial small industries organizations to develop SMEs in their respective sectors. Only a well coordinated effort will enable the SMEs to develop on sound lines, otherwise they will continue to grow only marginally as they do presently.

The local version of the one village one product AHAN, Aik Hunar Aik Nagar is presently being handled by SMEDA. In Japan, Thailand, etc., this concept has been very successful. However, it is a essential that a separate/ dedicated organization is established for developing and implementing the AHAN programme. Further, necessary coordination mechanisms should be put into place to ensure that AHSAN develops in close association with the private stakeholders and existing agencies involved in SME promotion mentioned above.

RECOMMENDATIONS

Number 31

SMEDA may be mandated to develop and promote local level franchising. It may be directed to identify local franchisors, develop franchising models and agreements, assist the franchisors in developing the required manuals, systems and training programs for the selected franchisees, assist the franchisors in identifying franchisees and in finally doing match making.

Number 32

There is no institution offering courses in entrepreneurship and project development. These programs need to be developed and implemented at all levels such as university, college, TTC and VTC. Trainees attending these courses
may be given financial support by SME Bank, Khushhali Bank, ZTBL and other such organizations.

14.0 EXTENDING MICROFINANCE FOR EMPLOYMENT GENERATION

The MTDF has proposed credit-based (livelihood) programmes aiming at raising the average income of the poor in the long term. The Framework suggests extension of micro-credit to the rural households as well as to the SMEs.

In the rural areas micro-credit may be regarded as a powerful empowering tool particularly for women. Micro-credit along with education, good health and better skills is likely to improve their incomes.

It is estimated that out of 6 to 7 million households, micro-credit is available only to a fraction.

The SME Bank was established in early 2002 and since its establishment it has financed 4522 SMEs and has disbursed over Rs. 3 billion upto June 2005.

In addition to the above, the public sector operated National Rural Support Program (NRSP) as well as the provincial (PRSPs) are also involved in giving micro-credit to the rural households, but only on a limited scale. The private sector micro-finance institutions are mostly concentrating on urban, peri-urban and selected rural areas.

The SMEs are being serviced for their micro-credit requirements by ZTBL, KBL SME Bank as well as Pakistan Poverty Alleviation Fund (PPAF), NRSP and PRSPs. From the private sector, the SMEs are being provided micro-credit by AKRSP, First Micro Finance Bank, Rozgar Micro-Finance Bank, etc. In addition, a number of NGOs such as OPP, FPAP, Bahbood, etc. are also providing micro-credit facilities.

The performance of ZTBL as well as KBL and SME Bank needs to be improved substantially as all these public sector institutions are cash rich and have the required resources to increase their out-reach in the rural areas, as well as to improve recovery of the micro-loans granted.
There is a large scope for public-private partnership in the area. Cheaper funds should be made available by the State Bank to the carefully screened and selected NGOs and private sector micro-finance institutions for onward lending to SME and micro enterprises.

The ZTBL, KBL and the SME Bank need to establish long term relations with NGOs to carry out micro-credit operations on contractual basis against an agreed fees.

All micro-credit providers should be mandated to provide business advisory services to their borrowers. This will ensure that the micro-credit is properly utilized and it results in creating productive usage.

All the above mentioned and upcoming micro-finance institutions should have direct links with the proposed export development boards so that the desired productive capacity and ensuing employment opportunities are created in the most profitable sectors.

15.0 WOMEN & YOUTH EMPLOYMENT

As per the MTDF Pakistan’s ranking in terms of per capita GDP (SPPP) is higher than the ranking in terms of Human Development Index (HDI) suggesting that economic development does not always result in human development. However, the ranking in terms of HDI is higher than the Gender Development Index (GDI) reflecting inequalities between men and women in Pakistan.

As per the data provided in the Labour Force Surveys (see section 2.0 of this Paper), more than 70% of rural women work in agriculture including livestock. More than 75% women in the urban areas work in the non-formal sector such as domestic servants, construction workers etc..

As per the Framework, “fixing of employment quotas in the age of informalization of economy, amount to very little”6. It further goes on to state that the 5% quota fixed for women in the federal and provincial governments many year ago has

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6 See section 12.7 of the MTDF 2005-10
remained unfulfilled due to lack of capacity and level of education and required skills. This was a good step and all levels of the government need to make concerted effort to fill this quota.

The federal Ministry of Women Development (MoWD) and the four provincial departments of Women Development need to not only do advocacy and provide input for gender sensitization of all national level policies, programmes and projects but also to work closely with all the line ministries and departments to ensure the adequate employment opportunities are identified and allocated for women. For example, the National Commission for Human Development has plans to create nearly 304,000 jobs from 2005 to 2011 for their programmes which include Universal Primary Education 46,000 jobs; Adult Literacy programme 250,000; National ORS Campaign 7,000; and School Health Program 750 jobs. The MoWD should interact with the NCHD and ensure that at least 50% of these jobs (152,000) are allocated for women. This should not be difficult to achieve given the large number of female graduates available in the market

In addition, the MoWD and the provincial departments of women development need to work closely with SMEDA SME Bank, Khushhali Bank, ZTBL, the four provincial small industries organizations to ensure proper allocation of resources and micro-credit for women owned/operated SMEs in the rural and urban areas.

A comprehensive Women Employment Strategy needs to be prepared and incorporated in PRSP II. The last such effort was made by the National Manpower Commission in late 1980s. Many of the recommendations contained in the report of the National Manpower Commission for employment of women are still valid and are being reproduced below only as a stop-gap arrangement till an updated strategy is prepared as suggested above.

### 15.1 Recommendations for the formal sector include:

- **Bringing a Change in Social Attitudes Towards Women.** A large scale motivational campaign needs to be launched for educating the general public at large and in particular parents,
teachers, children, employers, employees, men and women to take equal part in the process of economic development. This campaign should aim at changing the traditional attitude of the society towards work of men and women in the home and in working life. Mass communication media and text books as well as the social welfare organizations working at the grass root level can play a major role in this respect. The tremendous growth in electronic media needs to be tapped for this campaign.

- **Raising the Education and Skill Level** Education is the basic tool for improvement of the status of women as well as fulfillment of their roles as members of the society. It is an important tool for developing of occupational capacity so that sexual discrimination in all types of occupations is limited.

- **Elimination of discriminatory Practices – Training, Promotion and Hiring** These practices can be eliminated by providing incentives to Employers in the form of tax rebates, Employees equal opportunities can be made mandatory on the basis of employment ratio. Myths against women have to be eliminated. Malpractices of employers against women workers should be stopped. Help of electronic media should be solicited for this purpose.

- **Improvement of Working Conditions Regarding Provision of Maternity Benefits, Washroom and Toilet Facilities, Child Care Facilities, Protection Against Health Hazards and Working Hours** This requires strict enforcement of labour laws and making women workers aware as to the existence of these laws and provision of support services. Departments of Women Development in the provinces need to interact strongly with the labour depts. to ensure that strict compliance is enforced.

- **Increasing Participation of Women in Labour Unions** The only way to increase participation is to create awareness of women regarding the purpose and functions of labour unions.

- **For professionally qualified women there is a need to:**
  - Introduce campaign to change social attitudes through electronic media.
  - Review of the overall policy framework for transportation.
- Refresher courses for women to ease re-entry.
- Ensure of well trained ayahs/babysitters.
- Introduction of flexi hours/job sharing and part time work.
- New job opportunities should be created that are of benefit to women working in both formal and informal sectors.
- Summer holiday Camps can also be established for children of working women.

- **A detailed study should be conducted to identify the problems faced by professionally qualified women.** Since a lot of cost is incurred by the economy on their training it is necessary that steps be taken to resolve their problems so that professionally qualified women re-enter their professions without much difficulty.

15.2 **Following recommendations where made for female employment in the informal sector:**

- **Income generating projects for women** in handicrafts and other home based activity (paper bag making, bottling of pickles and jams, etc.) that have profitable markets, have to be identified and implemented for women in the informal sector and women have to be trained to take part in them.

- **The target market for income generation** projects must be identified by women NGOs working at grass root level.

- **Formation of Women’s Groups.** A team of development workers should than form women’s groups which should identify the target market and carefully study the capabilities of the area women along with providing training in education, health and hygiene. This will greatly improve the income generation capability of the projects.

- **Feasibility Studies** to identify suitable and profitable projects for women must be conducted using experts. SMEDA may be asked to create a separates sector for women entrepreneurs.

- Programme for income generation must be linked with the existing institutions for technical cooperation.

- **Workers at the Brick Kilns, Quarries and Construction Sites**
  Special teams need to be formulated for ensuring that facilities ...
with respect to medical care, education of children, proper accommodation and protection against malpractices of employers are provided to women workers working at the kilns, quarries and construction sites.

- **Support services** must be provided to ease employment conditions of **domestic servants**.

- **Training** must be provided to the team of **development workers** in community development and cooperatives.

- **Motivational campaigns** to encourage women to take part in community development and social welfare activities should be started and implemented on a regular basis over the next 10 to 15 years to help reduce/ illuminate bias against women.

**15.3 A number of recommendations were made relating to training for the formal and informal sectors as follows:**

- **Determination of Market Needs** Systematic manpower surveys should be conducted every two years to determine the training needs of women in relation to job opportunities.

- **Linkage with the Job Market** Training institutions involved in training and teaching of women should maintain close contacts with the job market to bring changes commensurate with market needs in their training programmes.

- **Co-ordination with Planning Agencies** Close co-ordination between training centres, Manpower and Planning Directorates and industrial units should be maintained through the MoWD and the provincial depts. of women development.

- **Co-ordination between Various Training Centres** A national coordinating unit must be designated the responsibility for co-ordination of training programmes for women.

- **Training Women for Self-employment** Training institutions must aim at imparting training in entrepreneurship and business concepts for promoting self-employment and entrepreneurship among women. Training in modern marketing methods management, accounting and record, keeping, needs to be given.

- **Establishment of properly maintained vocational guidance** and placement bureaus for women are necessary.
• The entrance requirements of training institutions must be relaxed considering the fact that the majority of the women are illiterate and enter the labour market at a later stage.

• Skill Diversification opportunity must be provided for working women to undergo training in skill diversification. For this purpose evening courses may be started.

• Provision of Support Services Child care and accommodation facilities must be provided to women by the training institutions. Stipends must be given. Apprenticeship programmes for women should also be started.

• Production-Cum-Training Centres Production-cum-training centres are essential for improving the quality of training as well as for providing monetary incentives for women to undergo training.

• Self Employment among Women Belonging to Middle and Upper Income Groups Specially designed training programmes must be conducted to encourage entrepreneurship among women of these income groups.

15.4 A large percentage (43%) of Country population comprises of young persons who have a lot of energy and potential which needs to be tapped. In order to involve youth in economic activities, following recommendations are being made:

• Education and training programs should be oriented towards skills development having market relevance.

• Entrepreneurship training for youth should be promoted strongly. Youth are ideally suited for the tourism, hotels, motels, restaurants, ICT and similar services. They may be provided micro-credit along with business advisory services to ensure success.

• Proper career counseling should be provided mandatorily to the youth to help them select right careers and business for themselves.

RECOMMENDATION

Number 33

A comprehensive study to develop strategy and action plan for increasing women employment in the Country should be conducted every alternate year. The study would need to
involve all stakeholders from the federal, provincial and local governments, private sector employers, etc.

Based on the approved strategy and the agreed action plan implementation should be monitored on a quarterly basis and progress reported to all the stakeholders.

16.0 EMPLOYMENT PROJECTIONS for PRSP II

A total of 6.97 million jobs are planned to be created during the 2005-2010 as per MTDF. As per the Framework during the tenure of PRSP II 2007-2010, a total of about 3.08 million new jobs are expected to be created. These projections are based on growth projections of various sectors of the economy and the overall expected GDP growth rate. However, these projections do not take into consideration specific employment generation initiatives by the government as only a few are recommended in the MTDF.

Productive employment generation has to be given maximum attention if the government wishes to reduce poverty successfully in Country. This Paper identifies a number of sectors and sub-sectors of the economy having potential for creating a large number of productive jobs. Overall strategies have also been suggested for each of the identified areas.

It may be stated at outset that in the absence of empirical data about exact potential for employment creation in various economic sectors discussed above in this Study, it is difficult to prioritize the efforts and incentives. However, efforts should be made to get the relevant studies conducted soonest during the implementation of PRSP II and necessary adjustments made where required.

This section contains a summary of projected employment that may be created in different sectors and sub-sector see Table 7. The following section on Further Work contains a menu of further studies that are needed to be undertaken to refine the projections given in this Paper.

Through implementation and aggressive monitoring of various policy measure and programmes suggested in this Paper nearly
11 million productive jobs can be created in various sectors of the economy in rural and urban areas for males and females and for all skill levels. What is essentially required is political will at the top, early decision making, full cooperation of the federal line ministries, provincial and local governments and monitoring by the PRSP secretariat.

Table-7  
Employment Projections for PRSP II

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Sector</th>
<th>Figs in Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Tourism (domestic and international)</td>
<td>1.00</td>
</tr>
<tr>
<td>2.</td>
<td>Hotels &amp; Motels (hospitality industry)</td>
<td>0.50</td>
</tr>
<tr>
<td>3.</td>
<td>Hospitals &amp; Health Care</td>
<td>0.30</td>
</tr>
<tr>
<td>4.</td>
<td>Entertainment Industry</td>
<td>0.15</td>
</tr>
<tr>
<td>5.</td>
<td>Trade (Wholesale &amp; retail)</td>
<td>0.45</td>
</tr>
<tr>
<td>6.</td>
<td>Transport</td>
<td>2.32</td>
</tr>
<tr>
<td>7.</td>
<td>Livestock (dairy)</td>
<td>4.60</td>
</tr>
<tr>
<td>8.</td>
<td>Meat (Livestock &amp; poultry)</td>
<td>0.30</td>
</tr>
<tr>
<td>9.</td>
<td>Fisheries (inland)</td>
<td>0.15</td>
</tr>
<tr>
<td>10.</td>
<td>Floriculture</td>
<td>0.10</td>
</tr>
<tr>
<td>11.</td>
<td>Housing &amp; Construction</td>
<td>0.30</td>
</tr>
<tr>
<td>12.</td>
<td>Infrastructure Projects</td>
<td>0.10</td>
</tr>
<tr>
<td>13.</td>
<td>Overseas Employment</td>
<td>1.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Employment Projections for PRSP II</strong></td>
<td><strong>11.27</strong></td>
</tr>
</tbody>
</table>

The above table shows that the dairy sector has the greatest potential to create 4.6 million productive jobs throughout the Country, mostly in rural areas, but also some proportion of jobs in the urban areas. Further, this sector will result in creation of a large number of SMEs in the rural areas. The ZTBL, KBL and the SME Bank need to be directed to ready themselves organizationally to provide the required micro-credit to this sector. The UHT processing and packaging plants need to be promoted actively and the larger commercial banks along with ZTBL need to morally suaded to make the required funds available. The Dairy Pakistan project needs to be put into top gear soonest to provide the required technical and extension services.

It is expected that nearly 2.32 million new jobs can be created in the public transport sector through the introduction of a properly
developed scheme of introducing rickshaws, taxis, mini-buses, buses, pick-ups and trucks. There are lessons to be learnt from the “yellow-cab” scheme of early 1990s, which can be used to avoid the pitfalls and build on successes. This is an easy route to create jobs in both urban and rural areas. This is in addition to the tremendous “feel good” factor which may be generated through this programme. Investments required for the above transport scheme can be generated entirely by the private sector through the large commercial banks and leasing companies. Leasing of vehicles has become quite common in the Country and expertise to lease and recover vehicles from defaulters has developed quite well.

The erstwhile neglected Tourism sector can generate over a million new productive jobs in both rural and urban areas from domestic and international tourism. The public sector will be required to make investments in the infrastructure only. The private sector will generate the balance investments for the needed facilities to attract tourists. Many of the projects required to be developed in this sector are of small to medium size. SME Bank, commercial banks and leasing companies can play an active role in financing them.

The entire hospitality sector needs active promotion as it can generate over half a million new jobs. The franchising model is most suitable for hotels, motels, restaurants and fast food outlets and it should be promoted actively. Home grown franchises need to be developed and promoted such as Usmania Restaurants, Mr. Burger, United King Bakery, Nirla, Gourmet, etc.. Almost all large cities have well known eating places. Franchising models for these need to be developed and actively promoted by SMEDA, SME Bank, KBL, etc..

The overseas employment needs to be taken up seriously as over a million workers can be sent abroad for work.

All the other sectors discussed in this Paper and their employment generation capacity summarized in Table 7 above have considerable potential and need to be strongly pursued. The non-farm sector comprising of dairy, meat processing, fisheries, floriculture fruits processing and edible oilseeds production and extraction can generation additional over 5.15 million jobs and as such it needs particular attention.
17.0 FURTHER WORK

As it has been stated above in this Paper, productive employment generation has not been the focus of the government for past many decades. A number of employment generation strategies and programs have been suggested for various sectors of the economy on the basis of their potential and existing information available. In order to authenticate the projections and to develop practical recommendations for the proposed programmes and projects following studies may be conducted urgently for input into PRSP II.

1. Establishing relationship between employment and poverty.
2. Effect of micro-finance on employment and poverty.
3. Poverty amongst the educated.
4. Employment potential of the non-farm sector such as dairy, livestock, meat and poultry, fisheries, floriculture, fruits and vegetable processing, edible oilseeds production and edible oil extraction, and spices and dry fruits.
5. Employment potential of tourism.
7. Employment potential in wholesale and retail trade.
8. Hospitals and health care services’ employment potential.
10. Overseas employment potential.
11. Nature and type of employment being created in the rural and urban areas.
12. Job creation in the informal/ SME sector.

Besides developing the employment potential of the respective sectors, these studies may also include recommendations regarding the implementing agency of the programme and projects, monitoring mechanism, activities and projects to be undertaken and financial outlays needed for successful implementation.

18.0 CONCLUSIONS

On the basis of the above discussion following conclusions may be made safely:
• Employment generation has to be made the fundamental objective of PRSP II which will lead to economic growth and poverty reduction. Infact, implementation of the Decent Work Country Program should be implemented in letter and spirit.

• There is a large potential in the Country to create productive jobs in rural and urban areas and for all levels of skills and education, both for men and women.

• The non-farm sector has the highest potential to absorb new labour force mostly in the rural areas, where incidence of poverty is higher.

• The transport sector is perhaps the easiest sector where over 3 million jobs can be created in urban, peri-urban and rural areas.

• The service sector also has a large potential and needs to be given due attention for job creation.

• Unemployment amongst the educated needs to be addressed urgently as it will have negative trickle down affect.

• Employment generation strategies and programmes described in this Paper will not require too much public investment, more than 80% of the investment will be generated by the private sector.