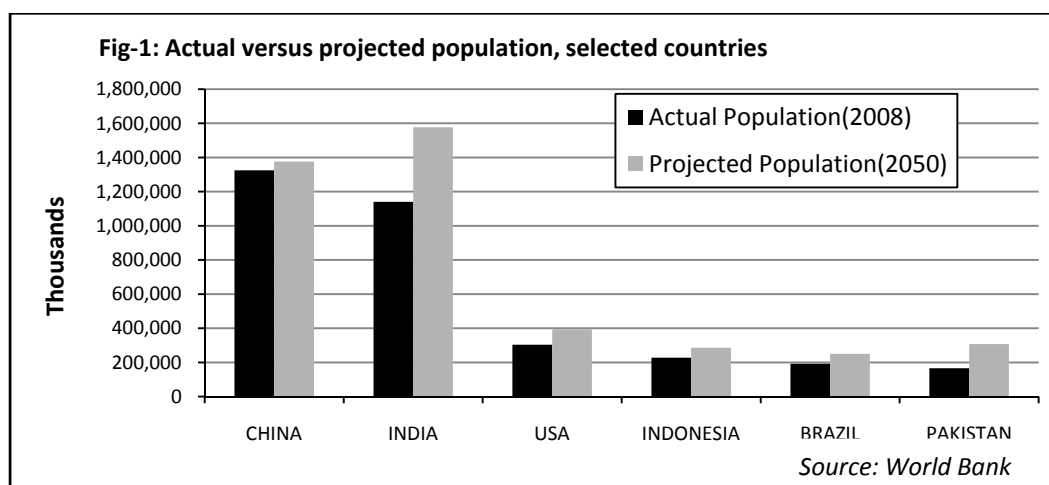


# Population, Labour Force and Employment

# 16

Pakistan is the world's sixth most populous country<sup>1</sup>. With an estimated population of 169.9 million as at end-June 2009, and an annual growth rate (revised) of 2.05 percent, it is expected that Pakistan will become the fourth largest nation on earth in population terms by 2050 (Fig-16.1).



With a median age of around 20 years, Pakistan is also a “young” country. It is estimated that there are currently approximately 104 million Pakistanis below the age of 30 years. Total working age population is 121.01 million, with the size of the employed labour force estimated at 52.71 million as of 2008-09.

**Table 16.1: Selected Demographic Indicators**

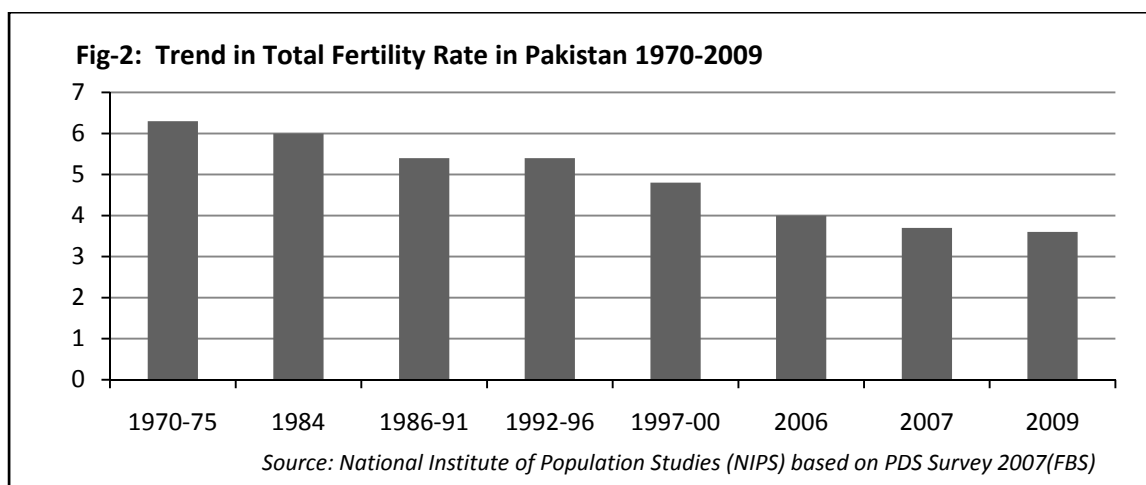
	2007	2008	2009	2010
Total Population (million)	162.91	166.41	169.94	173.51
Urban Population (million)	56.82	58.74	60.87	63.05
Rural Population (million)	106.09	107.67	109.07	110.46
Total Fertility Rate (TFR)	3.9	3.8	3.7	3.6
Crude Birth Rate (Per Thousand)	29.1	28.7	28.4	28.0
Crude Death Rate (Per Thousand)	7.9	7.7	7.6	7.4
Population Growth Rate (Percent)	2.12	2.10	2.08	2.05
Life Expectancy (Years)	63.4	63.7	64.1	64.5
Male	62.7	63	63.3	63.6
Female	64.1	64.5	65.0	65.4

Source: Sub Group II on Population Projections for the 10<sup>th</sup> Five Year People's Plan 2010-15.

<sup>1</sup> Pakistan's population estimates have undergone a recent revision. Latest estimates are based on recent projections carried out by the Sub-Group II on Population Projections for the 10<sup>th</sup> Five Year Peoples Plan 2010-15. These were officially released after the Statistical portion of the Economic Survey went to print. Therefore, the population numbers used in this chapter will not tally with the Federal Bureau of Statistics estimates used to calculate per-capita income in Table 1.5 of the Statistical Appendix.

The proportion of population residing in urban centres has risen to 36%. Since 1950, it is estimated that Pakistan's urban population has expanded over sevenfold.

Despite a gradual decline in the Total Fertility Rate (TFR), currently close to 4, Pakistan has been a laggard in achieving a breakthrough on this front.



The level of fertility in Pakistan remained constant at 6.8 children per woman from 1961 through 1987, population grew as life expectancy increased and fertility rate remained constant. Growth rate of population declined during 1990-2000 because fertility rate declined rapidly during this period and life expectancy stagnated. Fertility rate began by declining rapidly in the decade of 1991-2000, falling from 6.3 to 4.8 children. The fertility decline started around 1988 with a reduction of approximately 2 children per woman in each decade through 2000 and later years, the subsequent decade 2000-2009 has seen a slowing of the fertility transition with a fall from 4.8 to about 4.0.

The draft population policy 2009-10 envisages to reduce fertility level from 3.56(2009) to 3.1 births per woman by the year 2015. To achieve this contraceptive prevalence rate has to increase from 30 to 60 per cent by 2030. Lately the rise in CPR was from 12 to 28 from 1991 to 1997-98, an average of 2 percent a year, the rise from 1998 until 2004 is 28-33, less than one percent a year.

**Table 16.2: TOTAL FERTILITY RATES COMPARISON (1970-2010)**

Country	1970-75	1975-80	1980-85	1985-90	1990-95	1995-2000	2000-05	2005-10
Pakistan	7.00	6.80	6.60	6.45	5.67	4.98	4.44	4
Bangladesh	6.85	6.63	5.92	4.89	3.96	3.30	2.80	2.36
India	5.26	4.89	4.50	4.15	3.86	3.46	3.11	2.76
China	4.77	2.93	2.61	2.63	2.01	1.80	1.77	1.77

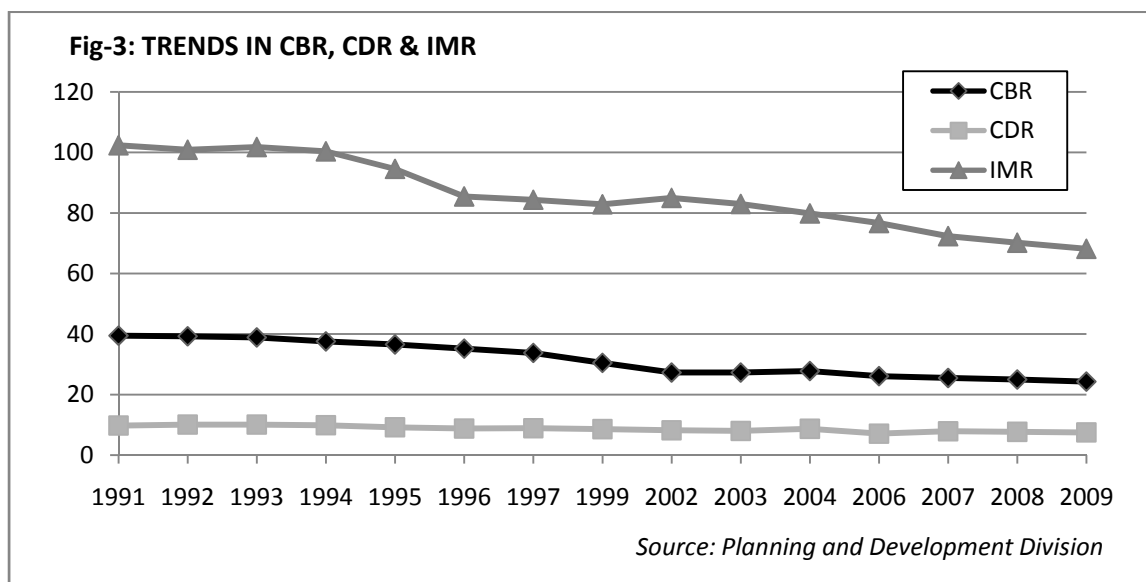
Source; Population Division of the Department of Economic and Social Affairs of United Nations Secretariat, World Population Prospects: The 2008 Revision.

(The table above is sourced from United Nations statistics, which may differ from other cited figures used elsewhere in the document).

### 16.1 Population Overview

Population trends are best explained by CBR (Crude birth rate), and CDR (Crude death rate). These show the growth and decline of a population per thousand births while IMR (Infant mortality rate) is the

number of newborns dying under a year of age divided by the number of live births during the year times 1000. The infant mortality rate is also called the infant death rate. It is the number of deaths that occur in the first year of life for 1000 live births. All these indicators have improved if we see the pattern from the last census in 1998. CBR declined by 20.32%, CDR by 12.79% and IMR by 17.73% taking the time period from 1999-2009. This analysis confirms the juncture we are at, in terms of demographic transition. Fertility and mortality both are on the decline and we have an opportunity to reap the widely acclaimed “Demographic Dividend.”



Growth rates in the above parameters have been fluctuating since 1950. The period of demographic transition when dependency ratio decreased is clearly marked as the demarcation towards lower growth rates and that occurred from 1990 onwards. The growth rate is to decline further bringing hope that the demographic dividend would materialize.

## 16.2 Regional Demographics

Pakistan does well amongst its immediate neighbours in terms of basic demographics but the growth rate of Pakistan is the highest among the countries under review. Population growth is skewed towards the young and a youth bulge has evolved over time.

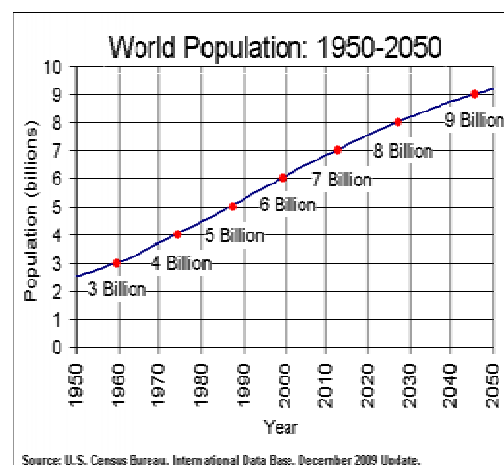
**Table 16.3: Demographics of selected countries**

Country	Births per 1,000 population	Deaths per 1,000 population	Population million	Growth rate (percent)
CHINA	12.2	6.9	1,300	0.49
PAKISTAN	25.1	7.1	177.2	1.51
BANGLADESH	23.8	9.1	158.1	1.27
INDIA	21.3	7.5	1,100	1.38

Source: US Census Bureau International Database, 2010

### 16.3 Demographic Dividend

The demographic dividend is a rise in the rate of economic growth due to a rising share of working age people in a population. The population bulge enters and stays in the working age group, and the rate of growth of the working age population surpasses that of total population, with a consequent increase in the working age ratio. This occurs when the fertility rate falls and the youth dependency rate declines. During this demographic opportunity, output per capita rises. This occurs in the last stages of the demographic transition, a situation about to happen in Pakistan, when fertility is in the process of falling towards its final replacement level.



The life cycle consumption model suggests that different age groups in a population have different economic implications. The young need investment in health and education, adults supply labour, income and savings and at old ages there is a need for retirement income and, again, a requirement to invest in health. As the relative size of each of these age groups change in the population, the respective impact of the economic behaviour associated with different ages also changes. Thus a larger labour force is good for the economy provided it is put to use. It has been argued that the demographic dividend played a role in the "economic miracle" of the East Asian Tigers, and even in the economic boom in Ireland in the 1990s. As the proportion of workers rises or falls, so do opportunities for economic growth. This is a time specific window of opportunity, and is not going to last forever. The adult "producers" turn into "dependants" as time passes. Crude death rate (CDR) will continue to decline before increasing again after year 2045. This increase would be due to the changing age structure of the population, which would then have a bigger proportion of elderly population.

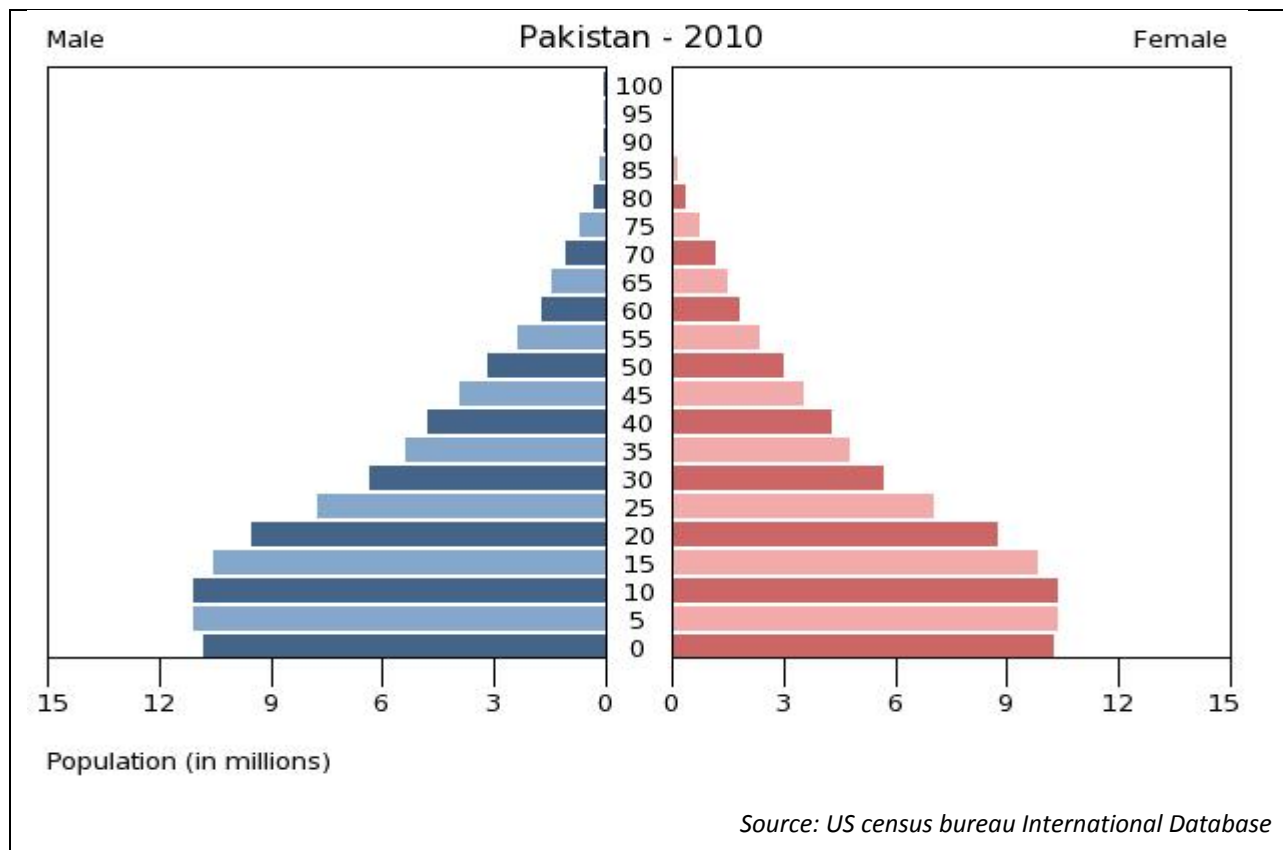
Combining the population growth rate and the growth rate of the *economically active* population delivers striking results. While population growth has a large and statistically significant negative effect on per capita income growth, this effect is counteracted by a statistically significant positive effect from growth in the share of the population that is economically active. With the percentage share of 52 percent in the late 80s to early 90s, the proportion of working age population (15–64 years) in Pakistan has reached almost 59 percent in 2006. The share of working age population will peak in 2045 to 68 percent before starting to decline again, the reason being the growing share of older age population. The approximately three percent old age population share would increase to almost 10 percent by 2050 in Pakistan, according to the medium variant scenario of the United Nations (2005). The share of the young age in the total population with decreasing fertility, will show a declining trend. From the current 38 percent, the young population is expected to comprise only 23 percent of the country's population by 2050. Looking at the low and high variants it is believed that 18 and 27 percent of the population, respectively, would comprise young people by 2050. These trends in fertility and mortality rates in the country indicate an increasing median age of the population. From a median age of 20 years, it is projected to increase to an adult 33 years by 2050 (medium variant).

The median age of the population in Pakistan started to increase in the 1990s and, with decreasing fertility level, the trend will continue in future. If the demographic transition follows a slower path in the country, the median age would be around 29 years by 2050, compared to 38 years if the fertility decline is more rapid. By 2050 Crude birth rate (CBR) is expected to almost half, at 16 births per 1000 population.

Pakistan is also experiencing a dwindling dependency ratio. Reduced dependency ratios mean that the proportion of the population in working ages (15-64) continues to increase while those in the younger ages (0-14) decrease. The proportion of the elderly in the total population is projected to show a substantial increase after 2025. The decline in dependency ratio can affect per capita output through several intermediate channels. First, the number of producers surpasses the consumers secondly savings increase which can make capital more available and thus relatively cheaper. It facilitates increased savings and investment, at both micro and macro levels. At the micro level, parents with fewer dependent children can more readily afford productive investments, and at the macro level resources otherwise needed to support an increasing population can be put to directly productive investments. Countries can move from being heavily dependent on external finance to a position of relative financial self-sufficiency.

A second channel is through improving the quality of human capital. Education affects mortality and fertility rates. Not only the population size but the age composition is also altered by education. While current population and reproductive health policies only focus on the gap between the actual and the desired family size, female education can foster a strictly voluntary fertility decline. The TFR is expected to continue to fall, reaching a near replacement level by 2050, according to the medium variant projections [UN (2005)].

The above discourse boils down to one point: capitalizing on the demographic dividend demands focused policy. Flexible labour markets, an open economy, provision of welfare and policy for the future ageing population, are essential requirements for the demographic dividend to materialize.



The expansive type population pyramid shown above depicts a greater preponderance of young than old in Pakistan's population. The youth bulge has been described by some as a situation in which 20 percent or more of a population is in the age group 15 to 24 years. It is the result of a transition from high to low fertility about 15 years earlier. The youth bulge consists of large numbers of adolescents and young adults who were born when fertility was high followed by declining numbers of children born after fertility declined.

#### 16.4 Age Composition of Population

Impact of changing age compositions has already occurred because of the gradual fertility decline that has been underway in Pakistan since the late 1980s and early 1990's. A way of looking at the changes in age structure is to examine *dependency ratios*, i.e., the ratio of persons under 15 and over 64 to persons between 15 and 64. This ratio is an indication of how much of the young population is increasing and that of old is decreasing. The dependency ratio has already decreased from 0.86 to 0.75 in the fifteen years since fertility began to decline in 1990. The ratio will continue to decline for several more years to beyond 2030, mainly because of the reductions in the proportions of the population at the young ages of 0-14, and a continuing increase in the working age population. Age is the foremost criteria of harnessing the potential of economic growth through the labour force participation.

Table 16.4: Population by Age Groups ; Pakistan				Projection (000s)		
AGE GROUP	2005	2010	2015	2020	2025	2030
TOTAL M+F	155,772	173,383	192,262	211,397	229,377	246,272
MALES						
0-4	9,562	11,886	12,429	12,711	12,350	12,062
5-9	10,047	9,287	11,631	12,205	12,513	12,180
10-14	10,130	9,936	9,210	11,554	12,133	12,446
15-19	9,897	10,047	9,878	9,161	11,503	12,084
20-24	7,885	9,767	9,958	9,801	9,089	11,428
25-29	6,240	7,729	9,655	9,859	9,706	9,001
30-34	5,077	6,099	7,627	9,555	9,763	9,617
35-39	4,460	4,957	6,008	7,536	9,459	9,673
40-44	4,042	4,349	4,869	5,919	7,440	9,354
45-49	3,465	3,926	4,249	4,770	5,812	7,320
50-54	2,796	3,331	3,795	4,120	4,637	5,664
55-59	2,035	2,633	3,155	3,609	3,932	4,440
60-64	1,543	1,854	2,416	2,911	3,346	3,662
65-69	1,199	1,341	1,625	2,133	2,587	2,992
70-74	841	973	1,100	1,346	1,782	2,179
75+	921	1,077	1,271	1,482	1,796	2,315
TOTAL	80,140	89,190	98,874	108,670	117,849	126,417

Source: World Bank's World Development Indicators (WDI) database

#### 16.5 Population Projections

Below are the population projections for Pakistan through to 2030. The term Medium variant means that if the population increase goes at a balanced pace this scenario would unfold, High and low variant mean if the change occurs at a high fertility or a low fertility pace. Constant fertility variant describes stable fertility change.

Year	Medium variant	High variant	Low variant	Constant-fertility variant
2010	184 753	184 753	184 753	184 753
2015	205 504	207 325	203 683	207 918
2020	226 187	231 276	221 098	234 354
2025	246 286	255 820	236 751	263 398
2030	265 690	280 054	251 345	294 812

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, *World Population Prospects: The 2008 Revision*

Age that divides the population in two parts of equal size is called median age, that is, there are as many persons with ages above the median as there are with ages below the median age.

Taking five year period of 2010-15 and 2025-30, it is predicted by the United Nations that life expectancy in Pakistan would increase from 68 to 71.9. The population growth rate would decrease to 1.52, and total fertility rate to 2.70. The crude birth rate (CBR), crude death rate (CDR) and infant mortality rate (IMR) are projected under this scenario to decline to 21.4, 5.6 and 42.2 respectively.

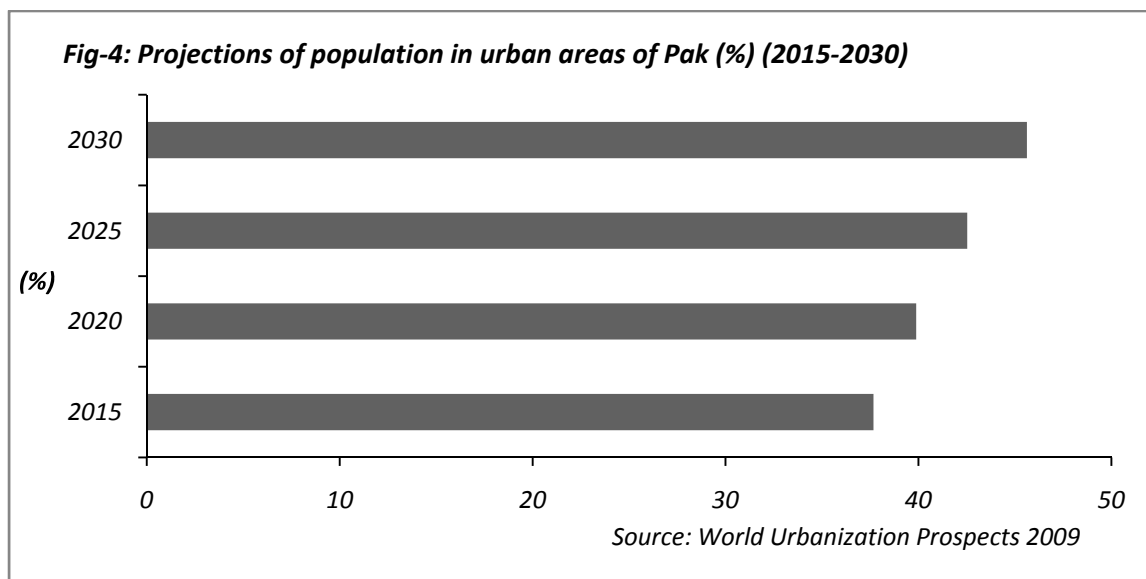
## 16.6 URBANIZATION

During 1950-2008, Pakistan's urban population expanded over seven-fold, while the total population increased over four-fold. Dramatic social changes have led to rapid urbanization and the emergence of mega-cities. Pakistan is the most urbanized nation in South Asia with city dwellers making up 36% of its population, (2008). While the urbanization rate is 3% (2005-10). Demographically, urbanization is gauged both in absolute and relative terms as growth of cities within a defined area. According to base case projections, the year 2030 will be a major landmark in Pakistan's demographics. For the first time in its history, the urban population in Pakistan will constitute 50% of the total.

Pakistan	
Median age (years)	
Medium variant 2010-2030	
Year	Median age
2010	21.3
2015	22.5
2020	23.7
2025	25.0
2030	26.4

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, *World Population Prospects: The 2008 Revision*

It is believed that the rate is highest when industrialization takes place and the graph shows that in the formative years of Pakistan the rate was high since the urban population had ample opportunities and the trend continued even in the eighties. The shift to urban areas is still taking place but is considered to be small as compared to that in many other parts of the world.



Most projections are of the view that the rate of urbanization in Pakistan will continue to increase. This is due to the in built momentum of past high growth rates. More than half of the total urban population of Pakistan (2005) lived in eight urban areas: Karachi, Lahore, Faisalabad, Rawalpindi, Multan, Hyderabad, Gujranwala and Peshawar. Between 2000 and 2005, these cities grew at the rate of around 3 percent per year, and it is projected that this growth rate will continue for the next decade.

**Table 16.7: Population of Major Cities of Pakistan**

CITY	1998 census	1981 census	CAGR (%)	2010
KARACHI	9,339,023	5,208,132	3.49	13,386,730
LAHORE	5,143,495	2,952,689	3.32	7,214,954
FAISALABAD	2,008,861	1,104,209	3.58	2,912,269
RAWALPINDI	1,409,768	794,834	3.43	2,013,876
MULTAN	1,197,384	732,070	2.93	1,610,180
HYDERABAD	1,166,894	751,529	2.62	1,521,231
GUJRANWALA	1,132,509	600,993	3.79	1,676,357
PESHAWAR	982,816	566,248	3.29	1,386,529
QUETTA	565,137	285,719	4.09	871,643
ISLAMABAD	529,180	204,364	5.7	972,669

Source: Population Census Organization, EA Wing

### 16.7 Mega Cities

Mega cities are defined as having a population in excess of 10 million people or a minimum level for population density (at least 2,000 persons/square km). These mega cities are being agglomerated at a high rate. In 1950, only 29.8 per cent of people lived in urban areas whereas by 2020, an estimated 57 per cent will live in cities.



Population is not the only distinguishing feature of mega cities; their indispensable functionality is also the case in point. Mega cities are the product of the demands of current economic era. A critical number of cities are post-industrial production sites for the leading industries of our period, finance and specialized services, they are national or transnational marketplaces where firms and governments can buy financial instruments and specialized services, they function as centres for the coordination, control and servicing of global capital.

According to Marshall (1890), the geographical concentration of economic activities can result in a snowball effect, where new entrants tend to agglomerate as they benefit from higher diversity and greater specialization in production processes. Workers also benefit from being in an agglomeration as they can expect higher wages and have access to a larger choice set of employers. Many new markets and investment opportunities in, for example, infrastructure, transportation, healthcare, education and recreation will unfold. Handled well, urban expansion can be the key to continuing economic success (McKinsey).

The population of Karachi was about 105,000 inhabitants by the end of the 19th century, with a cosmopolitan mix of different nationalities. Non-governmental and international estimates of Karachi's population run anywhere from 12 million to 18 million. The city's population is growing at about 5% per year (mainly as a result of rural-urban internal migration), including an estimated 45,000 migrant workers coming to the city every month from different parts of Pakistan while the overall rate of urbanization for Pakistan is 3%.

**Table 16.8: TOP 15 MEGA CITIES OF THE WORLD IN 2010**

Rank Order	City	Country	Population (millions)
1	Tokyo	Japan	36.67
2	Delhi	India	22.16
3	Sao Paulo	Brazil	20.26
4	Mumbai(Bombay)	India	20.04
5	Mexico City	México	19.46
6	New York	United States of America	19.43
7	Shanghai	China	16.58
8	Kolkata(Calcutta)	India	15.55
9	Dhaka	Bangladesh	14.65
10	Karachi	Pakistan	13.12
11	Buenos Aires	Argentina	13.07
12	Los Angles	United States of America	12.76
13	Beijing	China	12.39
14	Rio de janeiro	Brazil	11.95
15	Manila	Philippines	11.63

*Source: World Urbanization Prospects: The 2009 Revision.*

## 16.8 Pakistani Diaspora

There are approximately 7 million Pakistanis living abroad, remitting close to US\$8 billion annually through formal channels to Pakistan. Worker remittances are the second largest source of foreign exchange after exports. It is believed that economic migrants constitute a vast majority of the Pakistani

diaspora.

Remittances, which are usually sent to immediate family members who have stayed behind, are among the most direct benefits from migration; their benefits spread broadly into local economies. They also serve as foreign exchange earnings for the origin countries of migrants. In 2007, US\$ 5,998 million in remittances were sent to Pakistan. Average remittances per person were US\$ 37, compared with the average for South Asia of US\$ 33.

**Table 16.10: Remittances**

Total remittance inflows (US\$ millions)		Remittances per capita(US\$)	
India	35,262	Luxembourg	3,355
Bangladesh	6,562	Sri Lanka	131
Pakistan	5,998	Nepal	61
Sri Lanka	2,527	Bangladesh	41
Nepal	1,734	Pakistan	37
		India	30
		Iran (Islamic Republic of)	16
<b>Global aggregates</b>			
South Asia	53,201	South Asia	33
World	370,765	World	58

*Source: Human Development Report 2009, UNDP*

Most of the world's 195 million international migrants have moved from one developing country to another or between developed countries. Pakistan has an emigration rate of 2.2%. The major continent of destination for migrants from Pakistan is Asia, with 72.5% of emigrants living there.

**Table 16.11: Emigrants**

Origin of migrants	Emigration rate (%)	Major continent of destination for migrants	(%)
Afghanistan	10.6	Asia	91.4
Nepal	3.9	Asia	95.0
Pakistan	2.2	Asia	72.5
Iran	1.3	Northern America	39.6
India	0.8	Asia	72.0
<b>Global aggregates</b>			
South Asia	1.6	Asia	78.0
World	3.0	Europe	33.4

*Source; Human Development Report 2009, UNDP*

The United States is host to nearly 40 million international migrants – more than any other country though as a share of total population it is Qatar which has the most migrants – more than 4 in every 5 people are migrants. In Pakistan, there are 3,554 thousand migrants which represent 2.1% of the total population.

**Table 16.12: Immigrants**

Destination of migrants	Immigrant stock (thousands)	Destination of migrants	Immigrants as a share of population (%) 2005
United States	39,266.5	Qatar	80.5
India	5,886.9	Bhutan	5.7
<b>Pakistan</b>	<b>3,554.0</b>	<b>Pakistan</b>	<b>2.1</b>
Iran	2,062.2	Iran	2.9
Bangladesh	1,031.9	Nepal	3.0
Maldives	3.2	China	0.0
		Afghanistan	0.4
<b>Global aggregates</b>			
South Asia	13,847.0	South Asia	0.9
World	195,245.4	World	3.0

*Source; Human Development Report 2009, UNDP*

## 16.9 Policy Initiatives

Key Initiatives:

To cope with the evolving demographic challenges, the draft National Population Policy-2010 seeks to;

- ➔ Pursue Population Stabilization goal through early completion of fertility transition.
- ➔ Facilitate realization of demographic dividend by linking fertility transition process with skills promotion and employment generation policies.
- ➔ Attain a balance between resources and size of population.
- ➔ Increase awareness of the adverse consequences of rapid population growth at all level.
- ➔ Promote small family norms.
- ➔ To achieve these goals, the policy aims at the following key objective.
- ➔ Provide access of family planning and Reproductive Health Services to the remotest and poorest areas of the country by 2015.
- ➔ Reduce unmet need for family planning from 25 to 20 per cent by 2015.
- ➔ Reduce fertility level from 3.56(2009) to 3.1 births per woman by the year 2015.
- ➔ Ensure contraceptive commodity security for all public and private sector outlets by 2015.
- ➔ Improve maternal health by:
  - Encouraging birth spacing (of more than 36 months),
  - Reducing incidence of first birth (in ages less than 18), and
  - Reducing proportion of mothers giving late birth (ages beyond 34)
- ➔ Attain replacement level fertility i.e. 2.1 births per woman by 2030
- ➔ Achieve universal access to safe and quality reproductive health/ family planning services by 2030
- ➔ Reduce unmet need for family planning from existing 25 to 5 per cent by 2030

- ➔ Achieve contraceptive prevalence rate from 30 to 60 per cent by 2030

## 16.10 Labour Force And Employment

### Introduction:

Pakistan is the 10<sup>th</sup> largest country in the world according to the size of the labour force. On the basis of a participation rate of 32.8 percent, as per the latest Labour Force Survey 2008-09, the labour force is estimated at 53.72 million. Of the total labour force, 50.79 million are employed while 2.93 million persons are unemployed, resulting in an unemployment rate of 5.5 percent.

If we see the unemployment scenario in the past, then compared to historical trend of 3 percent, unemployment levels remained around 5 percent post- 1993-1999, but in FY02 a sharp increase of 8.27 percent was seen. The rate fell during 2003-07. However, reaching a low point of 5.2 percent in 2008-09 it rose again to 5.6 percent in FY09. There has been a decline in unemployment rate since 2003-04 accompanied by a substantial rise in the unpaid family helpers particularly females.

SIZE OF LABOUR FORCE		LABOUR FORCE
RANK	COUNTRY	(million)
1	CHINA	812.7
2	INDIA	46.7
8	BANGLADESH	72.5
10	PAKISTAN	55.8
33	NEPAL	18
56	SRILANKA	8.1

*Source: CIA Fact book*

Economic growth contributes to real wage increase, poverty alleviation and reduction in unemployment rate. In the labour market the forces of supply and demand jointly determine price (in this case the wage rate) and quantity (in this case the number of people employed). It is interesting to note that the triggers to labour demand have been remittances by overseas Pakistanis as well as the structure of economy as represented by ownership pattern of land holdings and control over financial assets, both of which have implications for employment.

With the demographic transition taking place in Pakistan, youth unemployment takes centre stage. Youth should be absorbed productively well before the period when old age dependency threatens this potential. Consider that the labour force is growing every year but the opportunities for employment are declining and that too at a fast rate. The good news though is that youth unemployment is below the global average in our country.

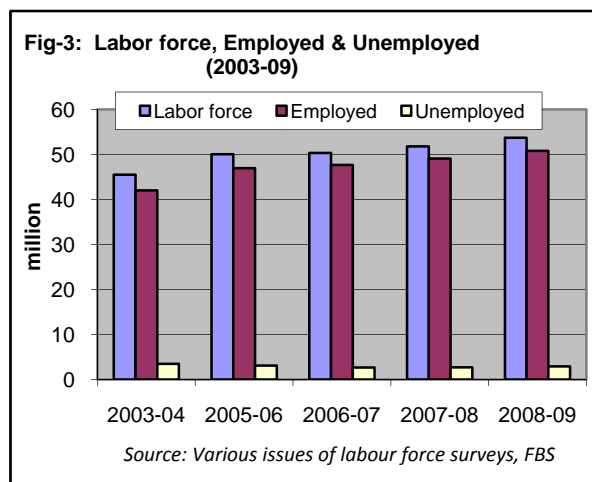
Trends in age-specific unemployment rates differ considerably for males and females in the labour force. Male unemployment has increased in the last two decades whereas female unemployment has decreased. The gap between the projected female working age population and the projected labour force is likely to increase sharply over time. The reduction in this gap is desired. Although unemployment among females has historically been higher than among males, the gender gap has narrowed considerably over time.

### 16.11 Key Indicators

In 2008-09, the estimated labour force grew by 3.7%. The growth in female labour force was greater than male labour force and consequently the increase in female employment was greater. Employment comprises all persons ten years of age and above who worked at least one hour during the reference period and were either "paid employed" or "self employed". The labour force is growing and the growth in FY09 is greater than that in FY 08.

Indicators		
Labour Force (In millions)		
	2007-08	2008-09
Total	51.78	53.72
Male	40.82	41.91
Female	10.96	11.81

*Source: Labour Force Survey 2008-09*



Unemployment rate is higher as compared to the last statistics. The change is due to female than male and urban than rural unemployment rates.

**Table 16.13: Civilian Labour Force, Employed and Unemployed for Pakistan (in millions)**

	03-04	05-06	06-07	07-08	08-09
Labour Force	45.50	50.05	50.33	51.78	53.72
Employed	42.00	46.95	47.65	49.09	50.79
Unemployed	3.50	3.10	2.68	2.69	2.93

*Source: Various issues of Labour Force Survey Federal Bureau of Statistics*

### 16.12 Labour Force Participation Rates

Labour force participation rate is divided into two categories i.e crude and refined. Crude activity rate is the currently active population expressed as percentage of the total population in Pakistan. Refined activity rate is the currently active population expressed as a percentage of the population 10 years and above. This rate enables international comparison by factoring in the effect of age composition. Just as crude activity rate, the refined participation rate also had no major change considering the increase in total population

**Table 16.14: Employment Trend and Changes from 1996-97 and 2008-09(million)**

Year	Pakistan		Rural		Urban	
	Employed	Change	Employed	Change	Employed	Change
1999-00	36.32	2.19	25.55	1.68	10.77	-0.01
2001-02	38.88	2.56	26.66	1.11	12.22	1.45
2003-04	42.00	3.12	28.81	2.15	13.19	0.97
2005-06	46.95	4.95	32.49	3.68	14.46	1.27
2006-07	47.65	0.70	33.11	0.62	14.54	0.08
2007-08	49.09	1.44	34.48	1.37	14.61	0.07
2008-09	50.79	1.70	35.54	1.06	15.25	0.64

*Source: Various issues of Labour Force Survey Federal Bureau of Statistics*

Augmented activity rate is based on probing questions from the persons not included in the conventional measure of labour force, to net in marginal economic activities like subsistence agriculture,

own construction of one's dwellings. Participation rate suggests fractional improvement across area and gender. However, improvement is more according to area i.e in urban than in rural areas and by gender i.e in females rather than in males.

Indicators	2007-08	2008-09	Indicators	2007-08	2008-09
<b>Crude Activity (Participation) Rates (%)</b>			<b>Refined Activity (Participation) Rates (%)</b>		
<b>Pakistan</b>			<b>Pakistan</b>		
Total	32.2	32.8	Total	45.2	45.7
Male	49.3	49.6	Male	69.5	69.3
Female	14.0	14.9	Female	19.6	20.7
<b>Augmented</b>			<b>Augmented</b>		
Total	38.2	38.8	Total	53.6	53.9
Female	26.3	27.0	Female	36.7	37.5
<b>Rural</b>			<b>Rural</b>		
Total	33.8	34.3	Total	48.8	49.2
Male	49.1	49.2	Male	71.2	71.0
Female	17.9	18.5	Female	25.6	26.4
<b>Augmented</b>			<b>Augmented</b>		
Total	42.3	42.7	Total	61.0	61.2
Female	35.1	35.6	Female	50.2	50.7
<b>Urban</b>			<b>Urban</b>		
Total	28.9	29.9	Total	38.6	39.3
Male	49.9	50.4	Male	66.6	66.3
Female	6.2	7.6	Female	8.4	10.1
<b>Augmented</b>			<b>Augmented</b>		
Total	30.0	31.0	Total	40.1	40.8
Female	8.6	9.9	Female	11.5	13.1

Source: Labour Force Survey 2008-09

Population growth and incidentally working age population growth occurred, due to "demographic transition", according to which there appears to be a youth bulge and Pakistan has a considerable number of the population which is not dependant. Pakistan has the capacity but is there assimilation?

**Table 16.15: Population, Labour Force and Labour Force Participation (LFP) Rates**

Year	Population (million)		Labour Force (million)		LFP Rate (percent)	
	Total	Working age *	Total	Increase	Crude	Refined
1997-98	130.58	88.52	38.20	1.90	29.3	43.3
1999-00	136.01	92.05	39.40	1.20	29.4	42.8
2001-02	145.80	99.60	42.39	2.99	29.6	43.3
2003-04	148.72	103.40	45.23	2.84	30.4	43.7
2005-06	155.37	108.79	50.05	4.82	32.2	46.0
2006-07	158.17	111.39	50.33	0.28	31.8	45.2
2007-08	160.97	114.64	51.78	1.45	32.2	45.2
2008-09	163.76	116.63	52.68	0.90	32.8	45.7

Source: Various issues of Labour Force Survey Federal Bureau of Statistics

\*Population 10 years and above is considered as working age population.

### 16.13 Employment by Status

Employment by status indicates the position one occupies in the workforce. Status in Employment refers

to the type of explicit or implicit contract of employment of the person with other persons or organization. Status of an economically active individual is with respect to his employment. There is less change in status due to the fact that in Pakistan there is a large informal sector.

	2007-08			2008-09*		
	Total	Urban	Rural	Total	Urban	Rural
<b>Employers</b>	0.46	0.34	0.12	0.47	0.34	0.13
<b>Self employed</b>	16.77	4.51	12.26	17.06	4.59	12.47
<b>Unpaid family Helpers</b>	14.20	1.72	12.48	14.45	1.75	12.70
<b>Employees</b>	17.66	8.04	9.62	17.96	8.18	9.78
<b>Total</b>	49.09	14.61	34.48	49.94	14.86	35.08

*Source: Federal bureau of Statistics \* Estimated*

Employment categories are defined and their change during the year is as follows:

Employee is a person who works for a public or private employer and receives remuneration in wages, salary, commission, tips, pay in kind. Employees are divided into: Regular paid employees with fixed wage, Casual paid employee, Paid worker by work performed, Paid non-family apprentice. Over the year 2008-09 employees increased both in rural and urban settings.

Employer is a person working during the reference period, on own-account or with one or a few partners at a "self-employment job" with one or more employees engaged on a continuous basis. Employers almost remained the same during 2007-08 and 2008-09.

Self-employment job is a job where the remuneration is directly dependent upon the profits, or the potential profits, derived from the goods and services produced. Self employment increased in 2008-09. This reiterates the fact that informalization of our sectors is taking place.

Unpaid family worker is a person who works without pay in cash or in kind on and enterprise operated by a member of his /her household or other related persons. This category also increased showing that this portion of the workforce is just like the unemployed only worse-off.

The increase in self employed persons as well as unpaid family workers indicates that activities at the household level are increasing. Employment status shows marginal changes i.e decrease in the comparative profiles of employees and self-employed workers while increase in the case of employers.

In the Table 16.17 can be observed that the self-employed males have decreased while female self employment has increased.

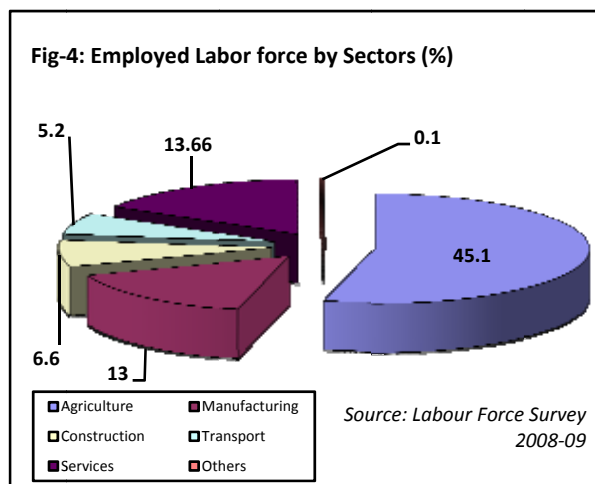
	2007-08			2008-09		
	Total	Male	Female	Total	Male	Female
Employers	0.9	1.2	NA	1.2	1.5	0.1
Self employed	34.2	39.6	12.8	33.3	38.7	13.1
Unpaid family Helpers	28.9	19.7	65.0	29.7	20.2	65.0
Employees	36.0	39.5	22.2	35.8	39.6	21.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

*Source: Labour Force Survey 2008-09*

### 16.14 Employment by Sectors

*Agriculture* was and still is the largest sector of the economy but as population distribution is on the verge of change and 50% of the people will be residing in urban areas emphasis is going to shift towards other sectors.

Considering Table 16.18, the increase in *agriculture* and related activities is evident while for other sectors the figures are close to each other. *Construction* shows some increase while *services* show decline



**Table 16.18: Employed Labour Force by Sectors ( % )**

Sector	2007-08			2008-09		
	Total	Male	Female	Total	Male	Female
Agriculture	44.6	36.9	75.0	45.1	37.3	74.0
Manufacturing	13.0	13.3	11.8	13.0	13.3	11.9
Construction	6.3	7.8	0.4	6.6	8.3	0.4
Transport	5.5	6.8	0.2	5.2	6.6	0.2
Services	13.7	14.4	10.6	13.66	11.1	11.6
Others	2.3	2.9	0.2	0.10	2.9	0.3
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Labour Force Survey 2008-09 Federal Bureau of Statistics

### 16.15 Employment by Province

The following table gives a comparison between FY08 and FY09 in terms of area and province. It can be seen that employed individuals increased in number and so did population. It should be borne in mind that this is in no way connected with unemployment rate which increased during the period since it is in percentage terms and employed total is in millions. Unemployment rate is the unemployed population expressed as a percentage of the currently active population.

One can glance at Table no 16.19 and see that the employed total is on the rise, be it according to area or sex. But the change is more pronounced in rural than urban area and owes more to males in Punjab and Sindh while equivalently to both genders in Khyber Pukhtoonkhua and Balochistan. The change in employed persons is greatest in Punjab then Sindh , Khyber Pukhtookhua and the least in Balochistan.

**Table 16.19: Employed- Pakistan and Provinces**

(million)

AREA/PROVINCE	EMPLOYED					
	2007-08			2008-09		
	Total	Male	Female	Total	Male	Female
Pakistan	49.09	39.06	10.03	50.79	40.04	10.75
Rural	34.48	25.79	8.69	35.54	26.46	9.09
Urban	14.61	13.27	1.34	15.25	13.59	1.66
Punjab	28.97	22.07	6.9	29.95	22.68	7.27
Sindh	12.26	10.43	1.83	12.72	10.67	2.05
Khyber Pukhtoonkhua	5.73	4.65	1.08	5.97	4.77	1.2
Balochistan	2.13	1.91	0.22	2.15	1.92	0.23

Source: Labour Force Survey 2008-09



### 16.16 FORMAL AND INFORMAL SECTORS

During the past years it is observed that there has been a large amount of informalization in the agriculture sector. There has been a trend of self-cultivation and a decline in share tenancy. Informalization is not just restricted to agriculture, it is on the rise in non-agriculture sectors as well. The share of formal sector employment shrunk from 35 percent to 27 percent in case of males and from 33 percent to 27 percent in case of females from 2000-2008. Trade and services in urban small scale manufacturing areas attracted the labour market and enhanced informalization of the urban labour market.

Table 16.20 supports the findings that informalization is rising and that it is more pronounced in rural than urban areas. Same trend follows according to gender, males are shifting from the formal sector so are females.

**Table 16.20: Formal and Informal Sectors-Distribution of non-Agriculture workers (%)**

Sector	2007-08			2008-09		
	Total	Male	Female	Total	Male	Female
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0
Formal	27.2	27.2	27.4	26.7	26.6	27.6
Informal	72.8	72.8	72.6	73.3	73.4	72.4
<b>Rural</b>	100.0	100.0	100.0	100.0	100.0	100.0
Formal	24.9	25.1	23.2	23.8	24.0	22.2
Informal	75.1	74.9	76.8	76.2	76.0	77.8
<b>Urban</b>	100.0	100.0	100.0	100.0	100.0	100.0
Formal	29.5	29.2	32.5	29.4	29.1	32.8
Informal	70.5	70.8	67.5	70.6	70.9	67.2

Source: Labour Force Survey 2008-09 Federal Bureau of Statistics

### 16.17 Unemployment

The global economic turmoil has created unemployment around the world and in Pakistan 2.93 million of the work force is unemployed. Mismatch in job and skills as well as the temporary nature of most jobs is problematic. Certain segments of the labour market do not give secure employment.

There has been a positive increase of employed labour force in both urban and rural settings; however it should be borne in mind that the population increase has been tremendous too.

Unemployment rate is the unemployed population expressed as a percentage of the currently active population. while Currently Active Population comprises all persons ten years of age and above who fulfill the requirements for including among employed or unemployed during or unemployed during the reference period i.e one week preceding the date of interview. Unemployment rate has been decreasing over the years. The proportion of unemployed to the currently active population has been

**Table 16.21: Age-Specific Unemployment Rate (%)**

Age Group	Total	
	2007-08	2008-09
10-14	9.0	9.3
15-19	8.7	9.5
20-24	6.8	7.3
25-29	4.1	4.3
30-34	2.3	2.6
35-39	1.5	1.7
40-44	1.6	1.5
45-49	2.5	2.4
50-54	3.7	4.6
55-59	6.6	6.1
60 yrs & above	12.5	12.7

Source: Labour Force Survey, 2008-09, Federal Bureau of Statistics

decreasing with the exception of 2001-02 when it increased. Usually it is seen that unemployed labour force decreased during the last decade with the exception of a few years. A slight shift in the norm occurred in 2008-09 when unemployed labour force increased.

Unemployment rate goes down with age, it is observed that most participation in the labour force is in age group 20-50. This table confirms the finding that unemployment rate goes down with age and participation increases (unless the age is above 50).

In 2005-06, the unemployed labour force in youth (15-25 years) was 1.2 million, which was 0.4 million lower than the stock in 2001-02. If the current level of unemployment prevails for the next 20 years, the stock of youth unemployed in 2030 will be around 6 million.

In reading table 16.22 we have to make room of the fact that most of the labour force is employed in the rural areas thus the unemployment figures are to be seen as a fraction of the whole. Unemployed labour force is almost the same in both areas but unemployment rate is higher in urban areas. The difference is quite large.

**Table 16.22: Unemployed Labour Force by Area**

Years	Unemployed Labour Force (In millions)			Unemployment Rate ( % )		
	Total	Rural	Urban	Total	Rural	Urban
1999-00	3.0	1.9	1.1	7.8	6.9	9.9
2001-02	3.4	2.1	1.3	8.2	7.5	9.8
2003-04	3.5	2.0	1.4	7.6	6.7	9.7
2005-06	3.1	1.8	1.2	6.2	5.3	8.0
2006-07	2.6	1.6	1.0	5.3	4.7	6.6
2007-08	2.6	1.7	0.9	5.2	4.7	8.3
2008-09	2.9	1.7	1.1	5.5	4.7	7.1

*Source: Various issues of Labour Force Survey Federal Bureau of Statistics,*

## 16.18 Policy Initiatives

### a) Employment Promotion Policies

The policy focus of government is on creation of decent employment, and human resource development. The importance of the fact can be gauged by the initiatives taken by the government such as National internship Program, President's Rozgar Program; credit is being provided for self employment by National Bank of Pakistan (NBP), enhancement of residential facilities by construction of one million housing units, doubling of lady health workers to cover Kachi Abadis, raising of minimum wage and pension of workers, restoration of Trade Unions. These steps are helpful in employment generation and human resource development. The specific policies are as follows:

### b) Accelerating Investment & Economic Growth

Economic growth has direct implications for employment. Productivity fosters capital-intensive activities thus causing lay-off in the short run but in the long run due to product diversification and greater output it causes job increase. Thus government's priority is to take the growth rate to an optimum level for job creation. There is a distinction between low-quality jobs contributing to the increase in the number of working poor and quality jobs so emphasis is also on this aspect of the labour force.

**c) Minimum Wage**

The government has recently announced a raise of 16% in the minimum wages. The degree to which this increase generates an acceptable living standard for wage earners has to be assessed and the extent to which it has shared the growth in GDP is also to be gauged; it is a task to be accomplished in future wage legislation. Furthermore, the minimum wage fixation will be subjected to a tripartite deliberation process at regular intervals to protect the living standards of the workers and wider dispersal of growth benefits. Implementation lapses will be focused upon through streamlining the inspection system.

**d) Investing in Increasing Water Resources**

Agriculture is the largest sector of Pakistan's economy employing nearly 45.1 percent of the country's work force in 2008-09. More than two-thirds of the country's population lives in rural areas and depends directly or indirectly on agriculture for their livelihood. The major constraint in Pakistan's agriculture has been the lack of availability of sufficient irrigation water.

**e) Credit Facility Through SME Bank**

SME Bank was established to provide financial assistance and business support to small and medium enterprises. Up to 31<sup>st</sup> December, 2009 SME Bank has financed 8,299 SMEs, disbursed loans amounting to Rs. 9,510 million to 40,891 beneficiaries in the country.

**f) Micro Credit Facilities Through Khushali Bank**

The Khushali Bank was established to provide loans up to Rs. 30,000/- each to unemployed people to set up their own business. Up to 31<sup>st</sup> December, 2009, the Khushali Bank (KBL) disbursed loans amounting to Rs. 22,481 million to 2,038,004 beneficiaries.

**g) President's Rozgar Scheme By National Bank Of Pakistan (NBP)**

National Bank of Pakistan has developed a full range of products under the president's Rozgar Scheme with a brand name of "NBP KAROBAR". Under this scheme, a loan up to size of Rs. 100,000/- is given for a maximum period of five years with a grace period of three months for establishing the business.

**h) Pakistan Skilling Programme**

National Vocational and Technical Education Commission (NAVTEC) has been established with a view to over-coming lack of standardization, skill gaps, non-availability of proper curricula. Poor quality of instructional staff, inadequate accreditation / certification, poor infrastructure and to encourage private sector to enhance technical education and vocational training capacity and to bring harmony and develop linkage between technical education and vocational training. Being a regulatory body, this Commission will be responsible for long term planning in this particular field. It will also be responsible for setting standards for formulating the syllabus, accreditation, certification and trade testing, etc. NAVTEC is giving Rs. 2000/- per month to each trainee during the training course. Presently, 1522 technical institutes with an enrollment of 314,188 are working in the country and providing technical skill to the labour force. It is being planned to produce one million skilled labour per year.

**i) Skill Development Councils**

In order to develop skilled labour force on modern lines, Labour and Manpower Division has established five Skill Development Councils (SDCs) one each at Islamabad, Karachi, Lahore, Peshawar and Quetta. The SDCs assess the training needs of their geographical areas, prioritize them on the basis of market

demand and facilitate training of workers through training providers in the public and private sector. These Council have met the diversified training needs of the industrial and commercial sectors and have so far trained 46,674 workers.

#### **j) Overseas Employment**

One factor that allowed countries to reduce poverty and to improve income distribution despite a weak-growth-employment linkage is overseas employment, which has been an important feature of Pakistan's experience. In 2008, for example, the flow of workers abroad was over 400,000. This amounted to around 28 per cent of the total addition in the size of the domestic workforce between 2006-07 and 2007-08. In 2009, the flow of workers abroad reached 600,000 est. which is a major factor in the increase in remittances.

A separate Overseas Pakistani Division has been established to facilitate overseas workers. Community Welfare Attaches (CWAs) have been deputed in all the Embassies of Pakistan, located in major labour importing countries, to protect the rights of Pakistani workers. Boosting of overseas employment may be helpful in reducing pressure on job market.

Ministry of Labour, Manpower & Overseas Pakistanis is making efforts to boost overseas employment. In this regard, MoUs/ Agreements with Kuwait, Malaysia, Korea, Qatar and UAE have been signed while MoUs/ Agreements with several other countries are under Process. Export of manpower is undertaken by Overseas Employment Promoters (in Private Sector) and Overseas Employment Corporation (in Public Sector). More than six billion US dollars would be earned during the next budget year. The increase in overseas migration is the result of revolutionary steps taken by the Government for the export of manpower. MoU has been signed with Malaysia for recruitment of Pakistani workers so as to open new job opportunities for a large number of semi-skilled and unskilled workers

MoU in the field of manpower has also been signed between Pakistan and Korea. According to MoU, Pakistan will send its workers to South Korea on regular basis. First batch of workers left for Korea on 22<sup>nd</sup> April, 2008. MoU in the field of manpower has also been signed between Pakistan and the Government of United Arab Emirates (U.A.E). MoU between Pakistan and Libya in the field of manpower export has also been signed recently.

#### **k) Information Technology**

Information Technology has enormous potential to create jobs for the educated unemployed in the country. The development of IT and Telecom sector has created enormous employment opportunities, directly or indirectly, for educated unemployed in a wide range of areas like call centres, telecom engineering telecom sales, customer services, finance and accounting etc. This is one of the fastest growing sectors of the economy. The allocation of Rs. 3.30 billion has been retained for this sector. This would further accelerate the activities in the next couple of years, creating more business and employment opportunities in the country.

#### **l) Labour Market Information System and Analysis**

A Project "Labour Market Information System and Analysis" has been launched in the HRD Wing of the Labour and Manpower Division. The objective of the project is to develop and consolidate the collection and usage of Labour Market Data in Pakistan. An analysis of data will be made using internationally recognized Key Indicators for Labour Market (KILMs). The system will yield regular statistics and information about employment, under-employment and unemployment at national, local and regional

levels. The coverage of vulnerable group such as women will be ensured. Changes in socio-economic and educational characteristics of the employed and unemployed labour force, as well as, the changes in occupational and sectoral composition of the employed will also be analyzed, enabling the policy makers to suggest policy initiatives for employment generation. Three reports under the project have been released which have been appreciated by all concerned at national, as well as, international level

#### **m) National Internship Program**

The first phase of National Internship Program (NIP) has been completed. Under the first phase, 25826 applicants were offered internship at Federal, Provincial and District Government levels. Second phase of NIP was launched in February, 2008. A total of 71,915 applications were received. So far 21138 applications have been verified by HEC and NADRA and are being placed in Ministries, Divisions, Departments and Provincial Governments and at District level. Finance Division allocated an amount of Rs. 1650 million for payment of stipend to internees during the financial year 2008-09.

#### **16.19 Labour Policy 2010: Salient features**

In an effort to apply principles of social Justice in the world of work, the government announced a Labour Policy on 1<sup>st</sup> May 2010, with the following relevant features:

1. Raising of Minimum Wages by 16% from Rs. 6000 of the previous year to Rs. 7000 per month. Payment of wages should be made through cheques/bank transfers in all establishments registered under any law.
  2. In order to monitor the implementation of labour laws pertaining to wage payments, working environment and time, Tripartite Monitoring Committees will be set up at district, province and federal level.
  3. Labour Market information system will be established through creation of Human Resource Centres at different cities.
  4. Contract employees within public sector will be regularized.
  5. Initiation of a comprehensive social insurance scheme on self registration/voluntary basis for all workers and self-employed in the economy for old age benefits.
  6. Establishment of a Board to review the cases of workers dismissed under the Removal from services( Special Power) Ordinance 2000.
  7. Schools run by Workers Welfare Fund (WWF) are to introduce Matric Technical Scheme for skill development.
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