

CHAPTER 6

LABOUR, EMPLOYMENT AND SKILL DEVELOPMENT

Human resource is the most important asset of a country. The effective utilisation of the potential of human resource by providing them with productive employment opportunities leads to sustainable development and growth. Providing employment opportunities is important not only for increasing national production levels, but also to raise family incomes and consumption, ensure the self-esteem of individuals, reducing income disparities and thus overall improving the social well being. In according to the Vision 2025, investing in people shall be one of the priorities to generate employment in the country. Importance of enhancing skill development for job creation is the strategy of the 11th Five Year Plan. The same strategy has been proposed in the Annual Plan for effective utilisation of human resources for the development of the country.

According to latest Labour Force Survey 2012-13, the prevailing unemployment rate in the country is 6.24 per cent and youth unemployment rate is 10.5 per cent. The population as well as the labour force is comprised of a much larger proportion of young people; about 63 per cent below the age of 30 years¹. This situation indicates that economy is not fully utilizing its youth potential for the development of the country. A new Action Plan is needed for effective and productive utilisation of human resource for the socio-economic development of the country. It is estimated that 1.7 million new jobs would be required in the coming year. The action plan would create the required employment opportunities and to maintain/ improve the existing employment situation in the year 2015-16.

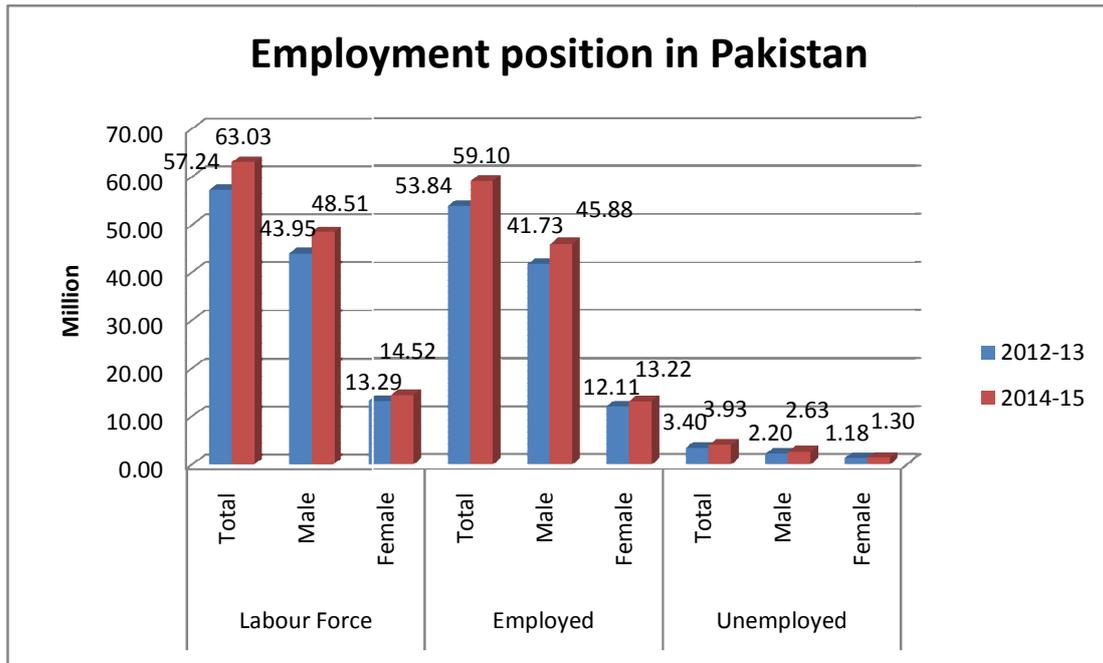
Performance review

Employment Scenario in 2014-15

Pakistan is the sixth most populous country of the world with an estimated population of 191.71 million in year 2014-15². Its population is projected to increase over 227 million by 2025³. Total labour force in Pakistan is estimate at 63.03 million in the year 2014-15 out of which 59.1 are employed and 3.93 million were unemployed; implying 6.2 per cent unemployment rate. A comparison of labour force, employment and unemployment rate for the year 2012-13 and 2014-15 is depicted in the following figure.

¹ Vision 2025

² Based on the Medium Term Development Framework (2005-10) of the Ministry of Planning, Development and Reform



Source: PBS, Labour Force Survey 2012-13, Ministry of Planning, Development and Reform

With the increase in participation rate, the unemployment rate has also increased in the last year which alarms the need of employment opportunities for the increasing labour force. The population as well as the labour force is comprised of a much larger proportion of young people; about 63 per cent below the age of 30 years⁴. These demographic projections indicate that employment opportunities for the youth are a crucial issue. The unemployment rate in Pakistan both gender wise and rural-urban divide is given in the following table:

Unemployment rates by area and gender (%)

2012-13			
Area/Gender	Total	Male	Female
All Pakistan	6.2	5.4	9
Rural	5.1	4.4	6.9
Urban	8.8	7.3	19.2

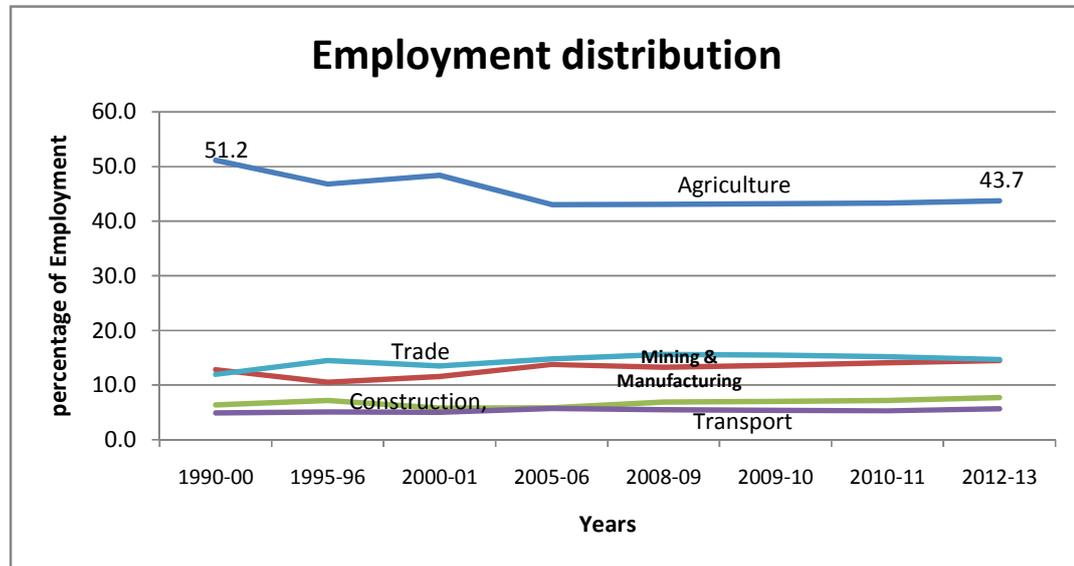
Source: PBS-(Pakistan Labour Force Survey 2012-13)

Labour market trends

The labour market of Pakistan is undergoing structural changes, as shown in the graph given below. The share of agricultural employment in total has been reduced to 43.7 per cent comparing with 51.2 per cent in year 2000. This is due to the reasons of rural to urban areas migration and extensive use of modern mechanised irrigation. Contribution of industrial sector in employment has remained comparatively stable at 22 per cent during the last decade.

⁴ Vision 2025

Since the last decade, the share of services and industrial sector in the GDP has been increasing even though their contribution towards employment generation is constant or bit declining. The contribution of agriculture sector in employment and overall GDP has been declining since 2001, but comparatively is still higher than those of other sectors in the context of employment generation. This situation reflects the disguise or low-productive employment in agriculture related sectors. The employment trend over the years in different sectors of the economy is shown in the following figure:



Source: PBS, Labour Force Survey 2012-13

Services sector

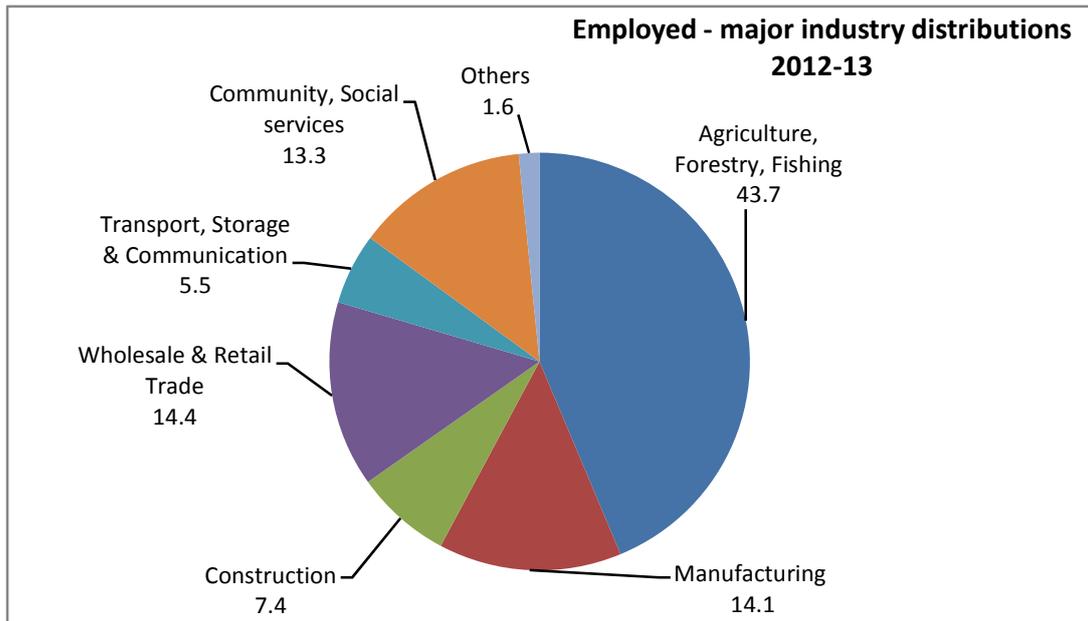
The services sector has contributed 58.1 per cent to GDP in 2013-14⁵ and has the highest employment elasticity of 0.9 thereby gradually grasping a major share of employment under its broad spectrum. Developed countries such as Germany, Netherlands, France, and England have become services based economies having about 73 per cent of Services Sector share in their GDP. They have become successful by investing in human resource development to produce qualified and technically competent manpower. In acquiescence to Vision 2025, investing in people shall be one of the priorities to generate employment. The country's business management, medical, social sciences, arts and humanities, and ICT institutions have a huge role to play in providing adequate skilled human capital to boost productivity in the services sector and thus generate employment⁶.

Agriculture sector

The current employment structure of Pakistan depicts that the contribution of agriculture related employment is declining, that is more than 50 per cent in '90s it has declined to 43.7 per cent in 2013-14. The agriculture related employment is associated with rural population and is also low remunerated, vulnerable and unproductive. Further, the agriculture sector related labour also belongs to informal economy which contributes less to economy but disguising high rate of employment in the sector. In order to avoid informal employment, initially social protection programmes specifically in rural areas shall be regulated and monitored properly.

⁵ Pakistan Economic Survey 2013-14

⁶ Vision 2025



Industrial sector

This sector contributes over 20 per cent of total employment in the country. The textile industry possesses a big potential for improvement in labour-productivity. It provides employment to 38 per cent of labour force of manufacturing sector⁷. Similarly, the share of trade in total employment has increased from 11.9 per cent in 1999-00 to 14.7 per cent in 2012-13⁸.

Regional situation

Overall unemployment rate in South Asia is recorded at four per cent in 2013⁹; however, it does not really reflect the exact position prevails in the region, as a large number of labour force works in informal sectors. Women participation in national labour force and youth unemployment are the major challenges needs to be resolved by the governments. According to Global Employment Trends 2014, the youth unemployment in South Asia was estimated at 10.2 per cent in 2013. In case of Pakistan, the youth unemployment rate has fluctuated from 11.7 per cent in 2003-04 to 7.7 per cent in 2007-08 and again increased to the level of 10.5 per cent in 2012-13¹⁰. This shows that the youth unemployment has been the major challenge being faced by the regional countries as well as in Pakistan which are needed to be addressed rapidly.

Unemployment situation in different regional countries during last two years is almost similar to Pakistan. However, the performance of Indonesia in job creation is far better. During the last two decades, there is a gradual sectoral shift in the economy from agriculture to manufacturing and services sectors both in the context of employment contribution and GDP growth. Responding to Global Financial Crisis 2008, the government of Indonesia initiated a stimulus package which included the infrastructure improvements and tax incentives for business activities as well as soft loans and subsidy programmes (Employment Plan 2014–Indonesia)

⁷ UNDP Official Website

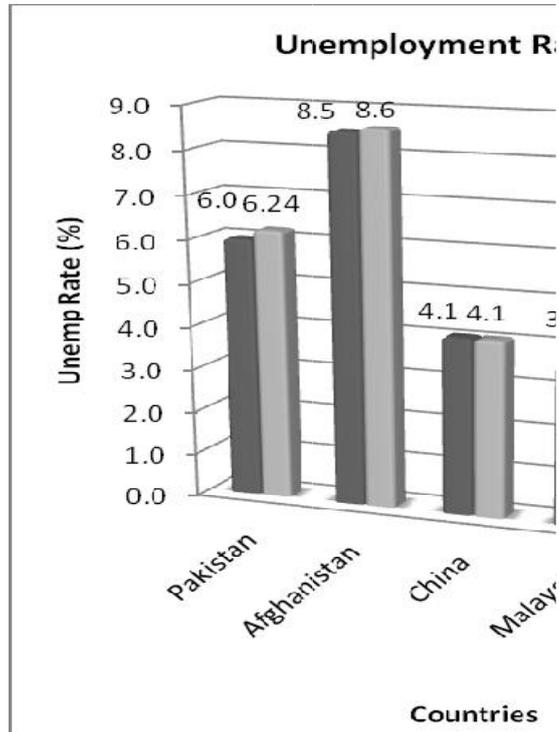
⁸ Labour Force Survey 2012-13

⁹ Global Employment Trends, 2014, ILO

¹⁰ Pakistan Decent Work Country Profile, 2014, ILO

along with skill development programmes, trainings, and job counselling, which have been showing positive results. With these efforts the unemployment rate in Indonesia has been decreased from 8.5 per cent in 2008-09 to 5.8 per cent in 2012-13.

The following graph shows the unemployment rate in the regional countries:



Source: Employment statistics departments of the respective countries

Outlook 2015-16

Employment projections

Based on population growth two per cent and increase in the labour force participation rate, labour force would grow approximately 2.6 per cent indicating approximately 1.7 million new jobs would be demanded in 2015-16. As prevailing employment elasticity is 0.46, approximately 5-6 per cent GDP growth would be required to absorb the growing labour force and to maintain the unemployment level of 2012-13. Policy initiatives and development programmes to enhance skills will generate additional jobs to keep/improve the existing employment situation in next year.

The creation of job opportunities signifies the strength and steadiness of overall economic performance. The government is fully cognizant of the significant relationship between employment and economic growth and is determined to formulate such policies that will ensure to boost economic growth by involving all sectors of economy including agriculture, industry and services. Taking into consideration the significance of Small and Medium Enterprises (SME) sector in pulling out the country from a low trajectory of economic growth, the present government is determined to make this sector more viable and vibrant. The Vision

2025 offers practical guidelines for national action and international support to improve the employment situation in the country.

The Five Year Plan and Vision 2025, Annual Plans actually reflect the government's objective to increase employment based on labour-intensive methods and focusing techniques of production of various sectors. The skill development of labour force through education and training programmes has always remained the priority of the government to supply skilled labour force. Further, some of the policies are as under:

- Promotion and expansion of skill development institutes
- Skill development action plan based on public-private partnership (PPP) to get benefit of demographic dividend and increase in productivity for economic growth
- Promotion of entrepreneurial activities and self employment opportunities on individual and cooperative basis
- Bridging up technological, skill and knowledge gaps
- Emphasis on rural enterprise to provide gainful opportunities for income and employment within the rural areas
- Provision of microfinance at large scale to promote small enterprises and self-employment;
- Creation of Employment Bureaus.

Employment promotion and entrepreneurial activities

Social and economic development is merely a dream unless masses are provided with productive employment. To achieve this goal, promotion of enterprises and human resource development play a vital role. Many labour organisations, particularly, International Labour Organization (ILO) is in exercise to undertake employment research and analysis in the perspective of different countries' economic situations. These findings recommend employment led intensive investment; specifically in developing countries like Pakistan, that conform to its working environment. Hence, the skills development, job creation, enterprise development and cooperatives are being promoted under the employment boosting strategies. The entrepreneurial activities in the country can be enhanced through:

Cooperatives: Firm owned, controlled, and operated by a group of users for their own benefit is called Cooperatives¹¹. In several rural areas of the country, the handicraft, stitching, embroidery, and other women-oriented skills can be utilised by formulating organised cooperatives in different regions.

Microfinance: Microfinance is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services. The two main mechanisms for the delivery of financial services to such clients are: first relationship-based banking for individual entrepreneurs and small businesses; and second, group-based models, where several entrepreneurs come together to apply for loans and other services as a group. Financial instruments and institutions help create jobs and reduce the vulnerability of the working poor. A good illustration of this is microfinance, a strategy that provides savings, insurance and loans to help the working poor and their families gain financial security and cope with risk. Microfinance facilities are being promoted to increase the number of self-employed.

¹¹ All definitions are quoted from online Business Dictionary

Multinational enterprises: Generally, any company or group that derives a quarter of its revenue from operations outside of its home country is considered a multinational corporation. Today, some 50,000 multinational enterprises and their 450,000 affiliates employ over 200 million people throughout the world. Their impact is felt in virtually every facet of industry, trade, services and business activities. The potential of young educated lot will be tapped under this option by financing them starting multinational enterprises so the trade and industrial activities could also be enhanced.

Small enterprises: A small enterprise is defined as an enterprise which employs less than 50 persons. Small enterprises outnumber large companies by a wide margin and also employ many more people. The SMEs are also said to be responsible for driving innovation and competition in many economic sectors. Sustained enterprise growth is essential to employment creation. The group-based, small, and micro-enterprises can help generate to more employment opportunities.

Skill development

Educated, skilled and well-trained manpower are driving forces for socio-economic development of a country. Better level of skill facilitates the effective adjustment a country to the challenges and opportunity of work. Pakistan has an advantage of demographic dividend and to reap the benefits, market oriented skill development efforts would provide inclusive growth, enhanced productivity and opportunities. Thus skill development at the national level is required for socio-economic development.

Planned skill development must be supported by a comprehensive national skill development policy to guide the national skill strategies. In Vision 2025 and 11th Five Year Plan, the Government is committed towards skill development through knowledge sharing, technological development and by promoting competition, through investment in education and skill generation programmes. However, a comprehensive policy needs to be developed in the context of: competency-based training, international demand, entrepreneurship, industrial linkages, employability, gender and demographic equity, and institutionalisation of various technical, vocational education and training sectors.

The NAVTTC has developed 'The National Skills Strategy which focuses on paradigm shift from time-bound, curricula-based education to competency-based training, and from supply driven trainings to demand driven skills. The strategy emphasises on providing relevant skills for industrial and economic development, by improving access, equity, employability and ensuring quality.

Performance review 2014-15

During the year, an amount of Rs434.506 million has been allocated to the Federal ministry of Federal Education and Professional Training for its three ongoing projects in Public Sector.

The NAVTTC has trained 116,453 unskilled youth in various courses/trades till date under Prime Minister's Hunarmand Pakistan Programme. The Prime Minister's Youth Skill Development Programme 2013-14 (Phase-I) encompassed technical training to 25,000 youth (including 34.1 per cent females). The NAVTTC has established 18 E-learning centres, trained 5000 in-service teachers and developed first National Vocational Qualifications Framework (NVQF). The NAVTTC has also developed vocational and technical Training Programmes, which comprises of 53 Competency Based trainings, 118 Traditional and 24 DAEs, 29 Industry Advisory Groups

(IAGs) in different economic sectors, accredited 54 TVET institutes in 195 Disciplines and produced 150 assessors for different technical trades.

Beside NAVTTC other national organisation involved in technical training is National Training Bureau (NTB). Presently 40 public and private training institutes are affiliated with NTB. NTB provide guidance to these training centres, supervise these programmes and conduct their trade testing and certification. The NTB imparted training to 9254 trainees and tested and certified them during 2013-14. Under the President Programme for the care of Highly Qualified Overseas Pakistanis (PPQP), National Talent Pool 45 Visits of expatriates, to share their knowledge and expertise in their respective domains, have been arranged so far.

Outlook 2015-16

The Ministry of Federal Education and Professional Training is establishing and promoting linkages amongst various stakeholders operating at the national and international level. The National Skills Strategy emphasises on creating a demand-driven training system responsive to requirements of the industry. Currently training is being imparted in eight priority areas that include hospitality, agriculture, dairy and livestock, construction, IT & telecommunications, skill development for women, light engineering, paramedics and services. The skill development programmes would thus focus on public-private partnership (PPP) and flexible training delivery systems to utilise the demographic dividend and increase labour productivity for socio-economic growth. An amount of Rs551.640 million is proposed for allocation to the ministry of Federal Education and Professional Training for its four ongoing projects in the Public Sector Development Programmes (PSDP) relating to Skill development.

Programmes

The NAVTTC will initiate Prime Minister's Youth Skill Development Programme (Phase-II) to train 25000 unemployed youth in six months in 195 market-oriented trades and courses. The NAVTTC plans to reform Apprenticeship Ordinance – 1962 and Formalise informal Apprenticeship. 150 more vocational guidance and job placement centres will also be established.

The National Training Bureau (NTB) will train 3000 trainees in 30 marketable trades at NTB, 300 instructors and professional staff and 34,000 trainees and skilled workers through the public-private partnerships. Moreover, trade testing and certification of 10,000 trainees and skilled workers will be carried out through formal and informal streams.

The National Talent Pool has planned to create a computerised inventory of doctors, engineers, physical, natural and social scientist's, managers and other high level professionals for training and information dissemination to public and private sector organisations, including overseas employment corporations, in order to meet the demand of the national and international labour markets.

Furthermore, an interactive web-based data bank of the highly qualified Pakistanis within the country and abroad will be established to arrange for consultancies of expatriate Pakistani professionals.