

Chapter 7

LABOUR, EMPLOYMENT AND SKILL DEVELOPMENT

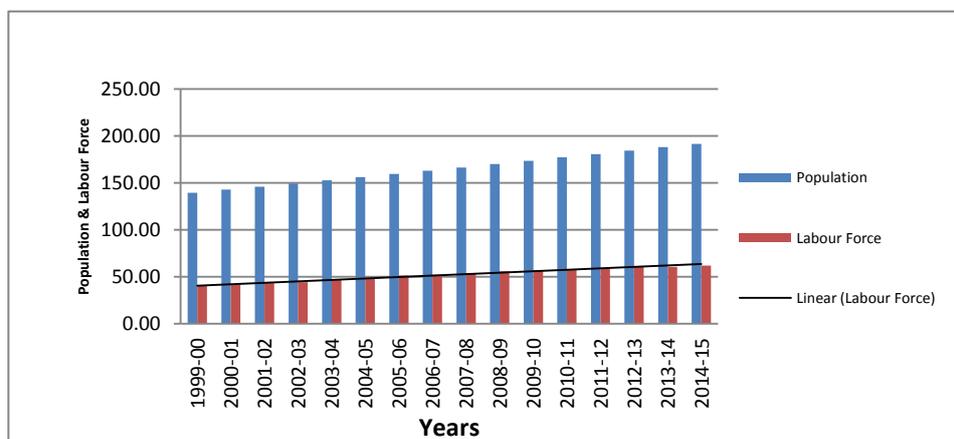
The creation of job opportunities shows strength and steadiness of the overall economic performance. For this reason, a sound understanding of the critical relationship between employment and economic growth helps in formulating well-connected policies of all sectors with a common objective. A country's capacity to generate employment depends upon its available resources, technological base and advancement, and institutional strategies. Similarly, human resource, skills, and technical competence determine the type of employment, which contributes towards achieving sustained economic growth in which women and men participate directly, as both agents and beneficiaries, while playing a vital role in the employment generation.

Employment is the outcome of the growth process. Providing maximum employment is important not only for increasing production levels, but also to raise family incomes and consumption, ensure self-esteem of individuals, reduce income disparities, and thus protect the social fabric. Among many other drivers, entrepreneurship plays an important role for job creation in any economy. Development of the Small and Medium Enterprises (SMEs) and microenterprises are widely regarded as a solution to reduce unemployment level in the developing countries.

Situational analysis

The labour force of Pakistan is ranked at number nine in the world. As per the Labour Force Survey 2013-14, total labour force was 60.74 million, and out of this, 57.1 million (94 per cent) were employed showing an unemployment rate of six per cent in 2013-14. The unemployment rate for males has decreased from 5.4 per cent in 2010-11 to 5.1 per cent 2013-14, and for females from nine per cent to 8.7 per cent during the same period (Figure 1). The unemployment rate in the rural areas has increased from 5.1 per cent to five per cent, whereas in the urban areas, it decreased from 8.9 per cent to eight per cent during the same period.

Figure 1: Comparison of population and labour force



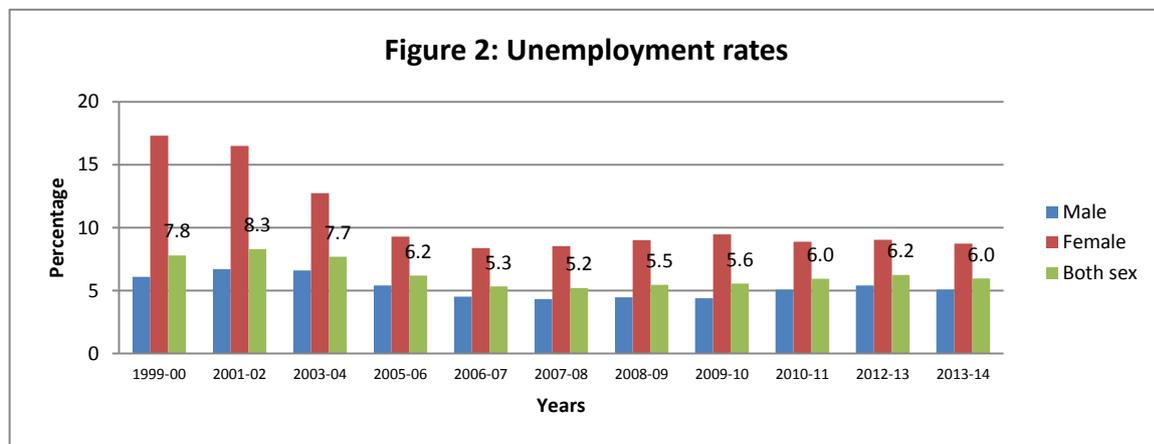
Source:
Labour Force Survey

The above figure depicts a rising trend in the labour force along with an increase in total population from 1999-2000 to 2012-13. Pakistan, being the sixth most populous country of the world with population growth rate of about 1.9 per cent per annum, is adding a large number of people to the labour force. However, population, especially of the working age, can become an asset for the country and help Pakistan prosper at a greater pace provided the same is effectively utilised.

The main cause of unemployment is the rapid increase in population and the low GDP growth rate. The poor law and order situation further hinders GDP growth by restraining both the Foreign Direct Investment (FDI) and domestic investment, which are required to achieve the maximum employment level. As a result, new jobs are not being created as per the requisite level, while the number of job seekers is increasing continuously.

Unemployment rate

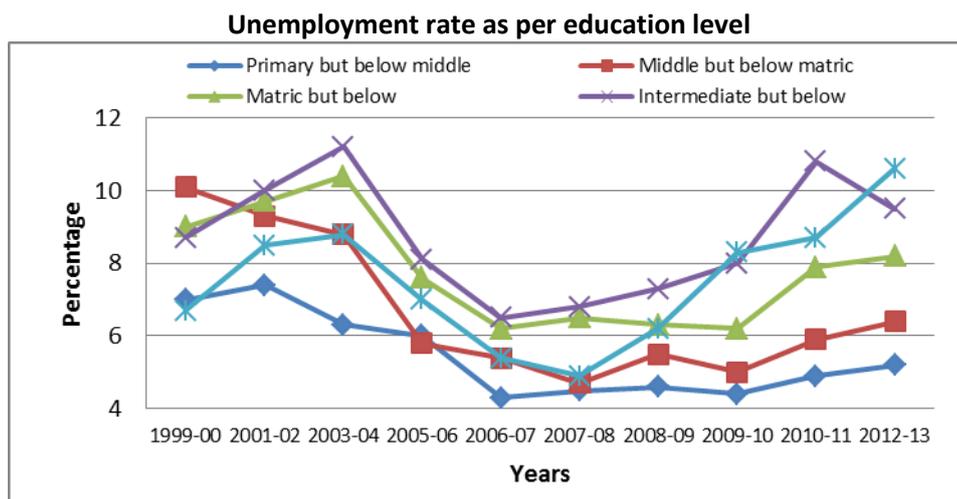
The unemployment rate was recorded at 7.8 per cent in 1999-2000, which reduced to six per cent in 2013-14 (Figure 2 below). A fluctuating trend in the rate has been recorded during the last decade due to variations in the economic growth. The unemployment rate, among females, has also declined from 17.3 per cent in 1999-2000 to 8.7 per cent in 2013-14, which is a very encouraging aspect of female participation in the economic development.



Source: Labour Force Survey

Unemployment rate as per education

In case of the labour force with primary education, the data presents a declining trend in the unemployment rate from seven per cent in 1999-2000 to 5.2 per cent in 2012-13. Similarly, a decline has been recorded in the unemployment rate among the individuals educated up to middle class and Grade 10. However, the unemployment rate of the degree holders has increased from 6.7 per cent in 1999-2000 to 10.6 per cent in 2012-13, which is also because of higher number of degree holders being produced by the universities. The unemployment rate, among male graduates and post-graduates, was recorded higher than that of the low-educated youth. This relationship between the levels of education and unemployment rates has been consistent since 1999-2000 as seen in the above figure. The statistics clearly indicate that employment opportunities in the public and private sectors were not enough to fully absorb fresh graduates. The following graph shows unemployment as per education level.



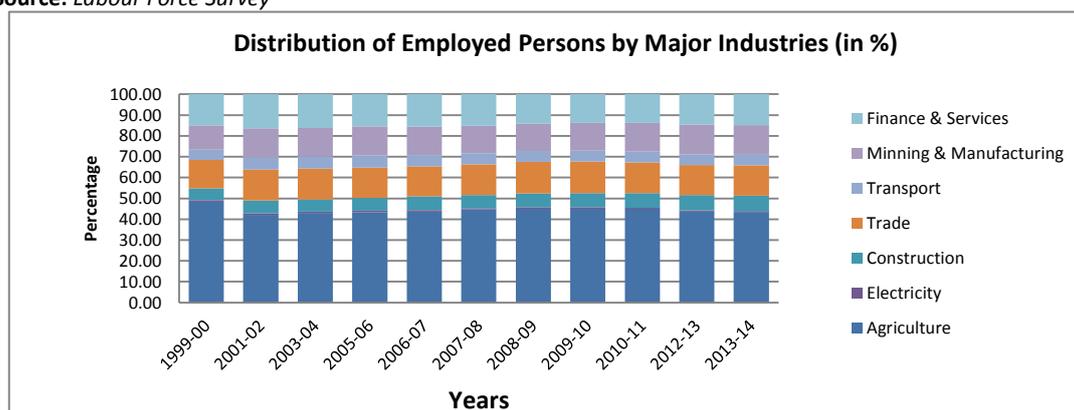
Source: Labour Force Survey 2012-13, Pakistan Employment Trends 2013

Employment structure

Keeping in view the sectoral contribution, it has been observed that the share of agriculture-related employment has declined from more than 48 per cent in 1990 to 43.5 per cent by 2012-13. The services sector activities, including transport and communications and construction sectors, were major contributors, which show increasing trends of employment during the last decade. Due to increasing share of the manufacturing and services sectors, and declining share of agriculture in employment, the labour market of Pakistan is experiencing structural changes in its composition. Figure 3 shows this.

Figure 3: Pakistan employment structure

Source: Labour Force Survey



The contribution of the services sector to employment structure has been increasing rapidly than the industrial sector. Spectrum of the services sector has become very broad and complex, which entails transport services, wholesale and retail trade, storage, communications, financial institutions, hotels and restaurants, entertainment, property ownership and dwelling, public administration, health, education and several other social services. The highly-paid jobs relate to the services sector being innovative sector. The Medium-Term Development Framework (2005-10) states that employment elasticity's of different sectors varies between 0.3 to 0.9 (services sector 0.9, trade 0.6 and manufacturing 0.3).

Skill Development

Technical and Vocational Education and Training

The skill development is an important area to be focused on in order to train the youth for meeting needs of the emerging market dynamics. Only 64 out of every 1,000 citizens in Pakistan have acquired some vocational skill formally or informally. It has been realised that the TVET sector has the most fragmented structure in the country. There are numerous key players at all levels, and the requirement is to weave them all in one uniform strategy. The National Vocational and Technical Training Commission (NAVTTTC) and National Training Bureau (NTB) are making efforts to promote skills for employability, spirit of entrepreneurship and innovation among the youth.

National Vocational and Technical Training Commission

The government has accorded high priority to skill development, acknowledging supply of the skilled labour force as a mandatory input in the growth process. Therefore, through an Act of the Parliament, the NAVTTTC was created as an apex body and a national regulatory authority to address challenges of the TVET. It is responsible for policy-making, strategy formation, and regulation of the TVET institutions. The systematic linkages, among various stakeholders, are being established and promoted at the national and international levels. The NAVTTTC is currently finalising the work-plan for imparting training to 100,000 youth under the TVET Reforms Support Programme in collaboration with the GIZ (German Society for International Cooperation) during the next five years. Similarly about 12,500 youth will be trained annually under the President Fanni Maharat Programme and Prime Minister's Hunarmand Pakistan Programme in priority areas, that is, construction, agriculture (livestock and dairy), Information Technology and telecommunications, hospitals, paramedics, services, light engineering, and traditional trades (cottage craft).

National Training Bureau

The NTB is implementing some important interventions to expand the TVET sector through active participation of the Skill Development Councils (SDCs), affiliated institutes, NGOs, expanding the base of the Trade Testing and Certification and informal training through the public-private partnership.

National Talent Pool

The NTP has started the President's Programme for the Care of Highly Qualified Overseas Pakistanis to accommodate high-level Pakistani professionals living abroad to be placed in the deficient and demanding fields, relevant to their areas of specialisation, in order to fulfil the sectoral needs through various short and long-term assignments. This strategy has contributed towards economic development of the country.

Registration of about 6500 high-level professional Pakistani expatriates has been made, which comprises doctors, engineers, scientists, social scientists, educationists, chartered and cost accountants, agriculture experts, computer scientists, management experts and other disciplines. The office has developed a virtual interface to disseminate such data online through official web-portal <http://www.pppq.gov.pk>.

Issues and challenges

The major issues are:

- The labour force is increasing at a higher pace with the growing population. About 110 million are below the age of 30 years¹. There is a need to create enough employment opportunities to absorb the growing labour force, especially the educated youth, both male and female.
- Law and order situation of the country and political unrest have slowed down the economic activity.
- Investors are reluctant to invest due to lack of infrastructure facilities, especially the energy shortage.
- There is a lack of a comprehensive national policy and coherent provincial policies for skill development.
- One sees inadequate focus on market-driven skills, particularly required for the international market.
- Limited access of women to the labour market, both formal and informal
- Lack of entrepreneurial culture
- Lack of skill enhancement opportunities during the job
- Ineffective linkages between industry and training institutions

Objectives

The Plan aims to

- promote and expand skill development institutes
- outline skill development action plan based on the public-private partnership to get benefit of the demographic dividend and increase productivity for economic growth
- promote entrepreneurial activities and self-employment opportunities on individual and cooperative basis
- bridge up technological, skill and knowledge gaps
- create a national employment fund in order to assist qualified and skilled youth in setting their own business
- emphasise rural enterprise to provide gainful opportunities for income and employment within the rural areas
- provide microfinance at a large scale to promote small enterprises and self-employment
- establish an employment bureau, and
- introduce entrepreneurship education in curriculum in general as well as in professional education.

¹ Vision 2025

Employment generation strategies

These strategies are based on two pillars, that is, expanding the existing base, and activating the available resources. The first focuses on smooth growth and development by increasing factor productivity, promoting entrepreneurship, private sector promotion, equal gender opportunities, smooth energy supply to meet demand, establishing cities as engine of growth, promoting Small Medium Enterprises (SMEs) and cooperatives, etc.

The second pillar involves the labour skills development, and giving specific attention to identify required skill gaps and taking effective measures to fill the gaps. The employment expansion policies are helpful in generating demand for labour, while the employment activation policies are a main source of improving supply of the labour force.

Promoting entrepreneurship

The SMEs are the key representatives of entrepreneurial activities due to their unique economic and organisational characteristics. Lack of entrepreneurship, limited access to capital, poorly skilled work force and an outdated technology are a few main causes of the economic backwardness. The SMEs can play important social and economic roles in creating employment opportunities, effective resource utilisation and income generation. This sector is also known for having higher employment elasticity, smaller Incremental Capital Output Ratio (ICOR) and shorter-gestation period. An increased share of investment in this sector can augment the GDP ratio and employment. Approximately, the labour force of ten million individuals will enter the market by the end of 2018, whose capacities and skills will be enhanced and utilised effectively by creating an entrepreneurial ecosystem.

Improvement of skill development and technical education

Under a three-step strategy, an action plan for the improvement of skill development and technical education has been adopted.

First, the human resource capital, with regard to education and talent development, will be under focus from childhood, primary to tertiary education and skill development of the young lot. Aptitude identification and its encouragement will take place at the primary level and will be further guided until the tertiary level. A special programme will be devised to mainstream the school dropouts.

The second step is related to technical and vocational education. The capacity of the TVET institutes will be enhanced to parallel the matriculation, and finally, at an advanced level, equivalent to the status of regular universities. These institutes will be linked with industries.

The third step will be the establishment of market-linkages and labour market information system to monitor the supply and demand of workforce.

National Skills Strategy

The NAVTTC's National Skills Strategy focuses on the paradigm shift from the time-bound and curricula-based education to the competency-based training, and from the supply-driven trainings to the demand-driven skills. The strategy will focus on the following areas:

The competency-based training will be introduced through establishment of the industry-specific centres of excellence with enhanced role of the private sector, reforming the apprenticeship system, and encouraging entrepreneurship for the industrial and economic development.

This strategy involves expansion of the geographical provision, and making training flexible by focusing the disadvantaged groups, especially women. It also encompasses provision of career guidance and offering vocational education in schools to increase employability.

Quality will be ensured through establishment of the National Qualifications Framework and registration and accreditation of institutes with emphasis on reforming management of training institutes.

Overseas employment

The government is making every effort to harness overseas employment opportunities. In this regard, a few Memoranda of Understanding (MoUs) have been signed with a number of labour-importing countries. Special attention will be paid to get international accreditations and certifications for the skilled force. The government has planned to send at least 600,000 skilled workers abroad annually.

Youth employment

The Plan envisages long-term investment in human capital through formal and informal education as well as strategically strengthening the links between education and the labour market. Furthermore, entrepreneurial activities among the youth will be increased by providing business acumen, inspiration and motivation by stressing on the importance of business opportunities.

Employment projections

These projections have been made to know the employment situation and develop appropriate policy and strategy to overcome the mismatch, if any, between demand and supply of the labour force during the Plan period. Based on the projected population² and some increase in the labour force participation rate³, labour supply will increase from 60.7 million in 2013-14 to 68.1 million in 2017-18, which shows a net increase of 7.4 million. Further, based on the projected GDP growth rate and employment elasticity of 0.46, it is estimated that the employment level in the terminal year (2017-18) will reach 63.4 million as compared to 57.1 million in 2013-14, a net increase of 6.3 million. During the Plan period, the employment growth is estimated at 2.7 per cent, while the labour force is increasing by three per cent, resulting in increase in the unemployment rate from six per cent in 2013-14 to 6.9 per cent in 2014-15, 7.3 per cent for 2015-16, 7.2 per cent for 2016-17, and 6.9 per cent for 2017-18. Table 1 depicts the scenario.

² Average population growth is 1.9 per cent.

³ Taking into account the past trend, it is assumed that on average increase in participation rate will be one per cent annually. However, if there were no increase in the participation rate, the growth process itself will absorb the growing labour force during the Plan period.

Table 1: Employment projections

(Million)

Year	Population	Labour force	Employed labour force	Unemployed labour force	Unemployment rate (%) without policy intervention	Unemployment rate (%) with policy intervention
2013-14 ⁴	188.02	60.7	57.9	3.6	6	6
2014-15	191.71	62.5	58.2	4.3	6.9	6.6
2015-16	195.40	64.3	59.7	4.7	7.3	6.4
2016-17	199.11	66.2	61.4	4.8	7.2	6.2
2017-18	202.81	68.1	63.4	4.7	6.9	5.7

It can be seen that the unemployment rate will increase from six per cent in 2013-14 to between 6.7 to 7.3 per cent during the remaining Plan period. Every effort will be directed towards reducing this level of unemployment. With the prevailing employment elasticity of 0.46, it will require a growth rate of roughly seven to eight per cent every year to absorb the new entrants and some backlog of the labour market. Alternatively, with the projected average GDP growth rate of 5.4 per cent, a drastic change in the employment strategy and interventions is needed to augment the employment opportunities and bring down the unemployment rate to socially acceptable level. For this purpose, a strategy to exploit the employment potential of the labour-intensive sectors and enhancing self-employment prospects has been developed for the Plan, which will reduce the unemployment pressure of the labour market during the Plan period. It is expected that 2.3 million additional jobs will be created through labour intensive employment strategy of the Plan.

Table 2: Employment generation through intervention

(Million)

1. Employment generation associated with 5.5 per cent average growth in the GDP	6.34
2. Additional employment generation with the Plan strategy and intervention	
- Development of livestock	0.35
- Development of SME	0.35
- Self-employment promotion schemes	0.7
- Skill generation programmes	0.2
- Rural employment policies	0.4
- Others including employment generation in construction and other sectors	0.3
Total	8.64

Additional job creation of 2.3 million will be helpful in reducing the unemployment rate. Overall job generation during the Plan period is estimated at about 8.6 million (Table 2); hence reducing the unemployment rate from 6.9 per cent to 5.7 per cent in the terminal year of the Plan.

ⁱ 4. As per Labour Force Survey 2013-14