

DECENT WORK: AN EMPLOYMENT AND POVERTY REDUCTION STRATEGY FOR PAKISTAN

Dr. Rashid Amjad

Director, Policy Planning (Employment)

ILO, Geneva

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PRSP and the Demographic Dividend

- Young age profile of the labour force
 - 30 % of labour force 15-24 yrs (2005)
 - By 2015 15-24 yrs Pakistan (23.8%), India (18.8%) and China (16.4%)
- Better educated and skilled new entrants push up economic growth and productivity starting from very low base
- Access to new technology incl. ICT ensures connectivity and knowledge
- Pakistan integral part of the global workforce
 - Taking advantage of outsourcing of prodn. and services
 - Large Pakistani Diaspora around 10 million
 - Over US \$ 5 billion remittances through official channels

Key Question

- Under what economic and social conditions can this demographic dividend be realized?
 - Pakistan's previous economic experience on growth-employment-poverty nexus
 - Recent labour market developments
 - International experiences

Recent Labour market developments: Explosive growth?

- Between 1999-2000:
 - Labour force increased from 39.4 mn. To 50.1 mn. – annual growth rate of 4.1 per cent
 - Employment increased from 36.3 mn. in 1999-2000 to 46.9 mn. – annual growth rate of 4.4%
 - Over last 6 years economy generated on average almost 1.8 mn. jobs annually
 - Trends if sustained are a dramatic departure from the past and much higher than projected in MTDF 2005-10
 - How do we explain these trends?

Recent Labour market developments: Positives

- Overall u.e. declined from historical high of 8.3 % in 2001-02 to 6.5 % in 2005-06
- Between 1999-2000 and 2005-06:
 - *Female* u.e. declined from 17.3% to 9.5%.
 - *Youth* u.e. declined from 13.4% (01-02) to 8.6%
 - *LFPR* increased from 42.8% to 46%
 - *Agr.* share declined from 48.4% to 43.4%
 - *Wage and salaried* employed increased from 35.6 to 37.3% - 4.6 million new jobs of which 1.7 mn. In mfg.
 - *Edn.* levels of the labour force marginally improved

Recent Labour market developments: Major Concerns

- Over 3 mn. openly u.e. in 2005-06
- 45.7% of new jobs in last 6 yrs. created in category “contributing family workers” (unpaid family workers) and this is 70.6% of new jobs for female workers
- High inflation severely dampened growth in real wages-between 2001-02 and 2005-06:
 - unskilled workers increased by 10%
 - skilled (masons) by 12% and carpenters, plumbers, electricians by less
 - Rural landless stagnated if not declined
- Edn. and skill levels of the workforce still abysmally low
- Despite improvements enormous gender gaps still exist (emp./popn. ratio, LFPR, share in wage emp. and share in non-wage emp.

Lessons from Pakistan and International Experience

- High economic growth *necessary* but not *sufficient* condition for creating remunerative, productive and decent employment
- Sustained productivity growth only basis for sustained employment growth and creation of decent jobs – Pakistan productivity growth over last 6 yrs. around 2-2.5 per cent –high employment elasticity around 0.6 to 0.7 per cent
- Need now to push up productivity growth and ensure labour market mechanisms in place to translate this into higher growth of real wages
- Joint ILO, UNDP, SIDA studies for selected Asian (India, Thailand, Bangladesh) and African countries show that creation of productive and remunerative employment generation necessary to ensure that economic growth results in poverty reduction

Why is the economy creating temporary, contract and low quality jobs especially in mfg.

- Imp. issue to address as this has important implications for investing in skills dev. by employers and workers leading to productivity growth and improved competitiveness
- Two opposing views:
 - Labour regulatory framework in formal sector (labour laws/social protection/procedures) discourages creation of regular wage employment as costs are too high
 - Opp. view is that labour regulatory framework is ineffective and existing laws are not enforced and trade unions have been weakened (IRO (2002), labour inspection practices)

Create an Efficient, Equitable and Rights based Labour Market

- If costs of formal job creation are too high these should be reviewed and suitably adjusted
- Balance *flexibility* for *employers* to adjust to changing demand conditions in a globally competitive market with *security* for workers to create a stable labour force that encourages investment in edn. and skills especially on-the-job training
- Fundamental workers' rights must be fully respected
- Labour market institutions must be strengthened especially employers' and workers' org. and they should be actively involved in employment and training policy formulation inc. NAVTEC

Key elements of an Employment and Skills Strategy for Unleashing Pakistan's Human Potential

- Returns to investment in edn and skills only high in a growth promoting economic environment
- Pakistan economy must grow at over 7-8% to mobilize and productively absorb its high growth of labour force 3.5-4%
- Dev. Strategy must encourage growth of sectors with job potential and where poverty is pervasive:
 - Rural non-farm (livestock, diary)
 - ICT/Telecom
 - SMEs development
 - “Niche” export markets incl. for Pakistani's living abroad
- Create favorable environment for SME development
 - Implementation of new SME policy
 - IYB/SYB

Key elements of an Employment and Skills Strategy for Unleashing Pakistan's Human Potential (contd)

- Active Labour Market Policies (ALMPs)
 - Employment Services (placement, skills training, entrepreneurship dev., micro-credit)
 - Direct emp. generating schemes in poor districts
- Review emp. Intensity of MTDP (2005-10) during mid-term review and adjust as required from mega long gestation to short/medium term emp-intensive projects
- Increase emp-intensity of PSDP infrastructure programme
- Increase share at present around 4-5% of total development expenditure through local bodies to stimulate local industry and job opportunities

Key elements of an Employment and Skills Strategy for Unleashing Pakistan's Human Potential (contd.)

- Set up a demand led, cost effective training system well co-ordinated at federal, provincial and local level
 - Not only more but new and different skills needed to compete in the global economy eg. Social skills
 - Introduce competency based certification
 - Innovative skills training for the informal economy/SME clusters (TREE project)
- Maximising development benefits from overseas labour migration and Pakistan Diaspora abroad
- Set up an effective Labour Market Information System (Pakistan Employment Trends 2007 to be released next month by Ministry of Labour with ILO/UNDP support)

ILO/UNDP/UN Agencies Support

- PRSP II Finalization
 - Suggested employment and DW monitoring indicators (Emp./Popn ratio; vulnerable workers: US \$1 a day working poor; labour productivity)
- Finalization and Operationalization of National Employment Policy to be released soon by Ministry of Labour (jointly with Planning Commission and Provincial Bodies)
- Support to development of National Skills Strategy (sharing international experiences and best practices, realistic and not mechanistic skills need assessment, monitoring skill needs and skill shortages, skill standards and certification, apprenticeship incl informal economy)
- LMIS

Conclusion

- Pakistan must take the “high” and not the “low” road to economic development with latter based on low wages, low productivity and low technology-intensive goods
- Pakistan not a low wage economy and its human resource potential can with creation of a favorable policy environment for private domestic and foreign investment and necessary needed investment in education and skills development can generate sustained productive, remunerative and decent employment