1

Introduction

The most important fundamental right is none else than the availability of a productive work opportunity to the able and willing to work citizen of a country. Recognition of this right is duly acknowledged in the Constitution of Pakistan. The article 38 of the Constitution states that "the State shall provide for all citizens …., facilities for work and adequate livelihood with reasonable rest and leisure". In fact, this article also asks the "State" to provide social security by compulsory social insurance as well as basic necessities of life to those permanently or temporarily unable to earn livelihood.

The current policy focus of the Government of Pakistan is surely towards the fulfillment of this "Constitutional" obligation. Creating conditions conducive for decent employment generation, poverty reduction and human resource development - mostly on the backseat in the past development pursuits for decades and largely addressed through isolated, ad-hoc and uncoordinated measures - is now receiving increasing attention. The situation today is reflective of a sea change. The current policy focus is on employment and poverty reduction outcomes of macro and sectoral policies. Recognizing the centrality of employment in economic and social policy making has also led to a greater focus on raising productivity as well as technical and vocational competence of the workforce. The policies are also matched with budgetary allocations.

In the past, macroeconomic instability - inflation rate, overall budget deficit to GDP and external debt to GDP ratios, to name a few – were quite oftenly seen as the principal constraining factors towards the fulfillment of this "Constitutional" obligation. Efforts in improving the situation, however, remained inadequately attended to. Indeed, macroeconomic instability is at variance with the goal of increasing productive economic activities that generate decent employment with greater private sector participation.

No doubt, stabilization programs with a major focus on fiscal prudence, reducing fiscal and current account deficits, building foreign exchange reserves and stabilizing debt were introduced with the main focus on reviving and sustaining economic growth and that considered crucial for reversing the trend of increasing unemployment and poverty. The stabilization programs have been matched by the introduction of wide ranging structural reforms spearheaded by deregulation, privatization and liberalization that accompanied measures at improving governance and reforming institutions.

The revenue deficit[1], 2.2 percent of GDP in 2000-01, has almost been eliminated in 2005-06. The primary balance[2], surplus from 2000-01 to 2004-05, has entered into deficit

[1] Revenue deficit is the difference in total current expenditure and total revenue.
[2] Primary balance is the difference between total revenue and non-interest total current expenditure.

zone in 2005-06, though the number is small *(0.2% of GDP)*[3]. The tax collection has increased by 130 percent in seven years. The share of indirect taxes has declined from 82 percent in 1990-91 to 69 percent in 2005-06. There has occurred a substantial decline in interest payments from as high as 7.5 percent of GDP in 1998-99 to 3.1 percent in 2005-06. The public debt burden declined from 85 percent of GDP in 1999-2000 to 54.7 percent in 2005-06. Indeed, these efforts have resulted into a much needed fiscal space for attending employment generation, poverty reduction and human resource development.

Our Medium Term Development Framework 2005-10 (MTDF) and Poverty Reduction Strategy Paper (PRSP) have been prepared in line with these developments. The MTDF stresses on creating a just and sustainable economic system for reducing poverty and achieving the Millennium Development Goals (MDGs) by the target year of 2015. It incorporates a paradigm shift towards enhancing competitiveness not only by means of higher investments but also through knowledge inputs to maximize total factor productivity (TFP).

Employment generation and poverty reduction today is on top of the socio-economic development agenda. It can be gauged by the fact that the most significant labor market development relates to declining unemployment *albeit* slowly. The open unemployment rate that peaked in 2001-02 and reached an alarming 8.3 percent started declining since then. This downward trend is being sustained and unemployment in 2005-06 was 6.2 percent. The decline in unemployment is more pronounced amongst females which has almost halved over the last six years, see Table-1.1 and Figure-1.1.

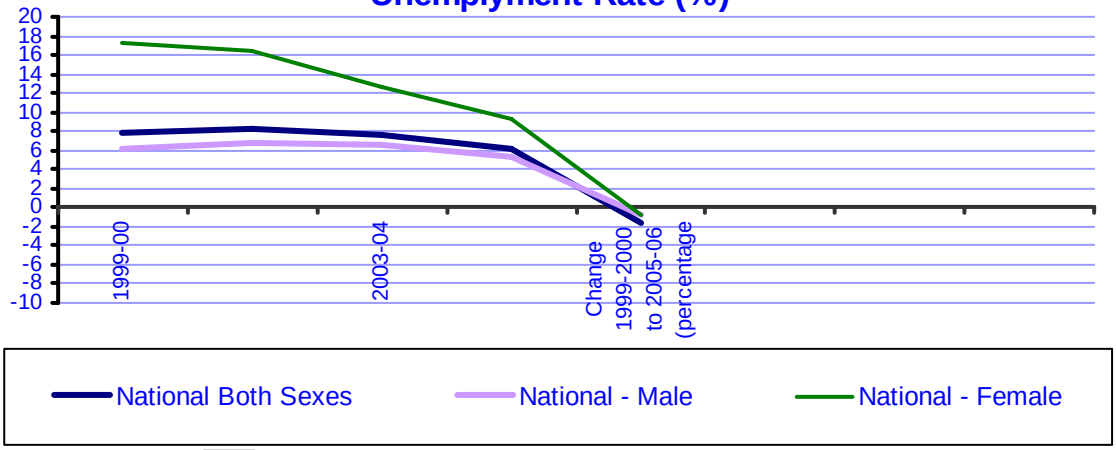
Table-1.1
Unemployment Rate **(%)**

Pakistan	**1999-2000**	**2001-2002**	**2003-2004**	**2005-2006**
National	7.8	8.3	7.7	6.2
Males	6.1	6.7	6.6	5.4
Females	17.3	16.5	12.7	9.3

Source: Labor Force Surveys (LFSs); different years

[3] Under the Fiscal Responsibility and Debt Limitation Act 2005, the government was bound to eliminate revenue deficit by 2007-08. This target has almost been achieved two years in advance.

Figure-1.1
Unemployment Rate (%)



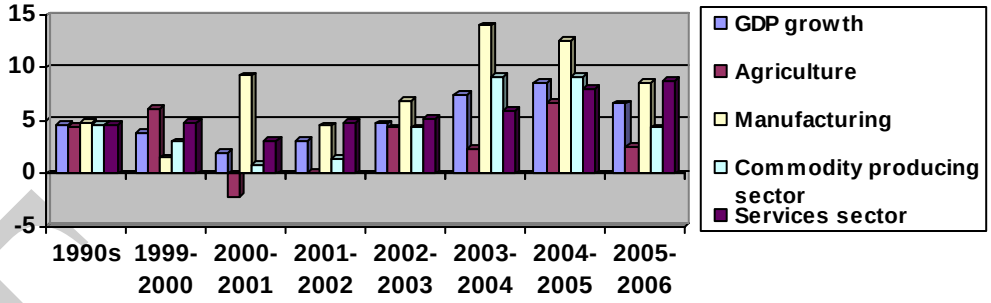
The decline in unemployment has occurred despite an increasing participation of the labor force especially of females in the labor market. Some labor market developments of significance in recent years are:

- A rising labor force participation rate (LFPR) both for males and females as well as in rural and urban areas,
- Women LFPR especially rising significantly in rural areas,
- About a-quarter of women in rural areas are active in the labor market, and
- In urban areas about a-tenth of women are active in the labor market.

Indeed, employment is the outcome of growth process. Empirical evidence suggests that expansion in the economy reduces unemployment and poverty. However, it is contingent upon having a fair appreciation and understanding of sectors/sub-sectors demonstrating growth and employment potential. Thus, the appropriate approach to generate productive employment is to have an in-depth analysis of each sector/sub-sector to identify potential, issues hampering its growth and policies to translate the potential into reality. This document is an attempt in this direction. A number of specific programs are also proposed to promote growth and employment in the identified sectors/sub-sectors.

The economic performance of Pakistan in recent years has been commendable - the average GDP growth rate of 7.5 percent is an extraordinary achievement when looked into the situation before 2000, Graph-1.1. Consistent policies rigorously pursued, no doubt, are yielding dividends; economy is on the fast growth track. The stability in almost all the macroeconomic indicators reflects the accomplishments even with two exogenous shocks of serious nature i.e. unprecedented increase in the international oil prices and an earthquake of the magnitude of 6.8 at Richter scale on 8th October 2005 that struck mainly northern areas and Azad Jammu and Kashmir. The later disrupted the whole economic and social fabric of the earthquake hit areas.

Graph-1.1
GDP and Sectoral Growth



These important developments notwithstanding - country's poverty reduction strategy, targeted interventions and public works programs - the need for an employment policy duly integrating MTDF, PRSP and vision 2030 is clearly warranted; mainly to ensure sustainable and beneficial development.

The poverty and unemployment has a strong correlation because most of the people draw their livelihood from employment. The recent labor force surveys (LFSs) show a narrowing of the demand-supply gap of labor; 4.94 million additional work opportunities have been created in the last two years alone. This has not only arrested upward trend in unemployment rate, but reduced it, though slightly.

The PRSP recognizes that holistic approach is needed to reduce poverty with direct and indirect means. In the short-run, direct employment generation through targeted development programs and in the medium to long term, investment in infrastructure development – both human and physical - and improvement in governance as well as public service delivery system. It identifies agriculture, small and medium enterprises (SMEs), housing and construction, information and communication technology (ICT) and export sectors as "labor intensive" having potential for a fairly diversified employment generation through direct and indirect ways.

The MTDF, incorporating goals and targets of PRSP, has adopted an employment-led expansionary approach. These positive developments notwithstanding, policy coherence, coordination and effective integration of employment continue to pose challenge. In fact, as yet, there is no policy in the country that exclusively focuses on employment generation.

Employment is generated in both public and private sectors, though it is largely the outcome of the government policies. The role of public sector needs to be confined to service delivery while private sector to be the main driving force behind businesses and production. The private sector in Pakistan, however, has not as yet grown enough to fully absorb incremental labor.

The Government is pursuing policies that motivate and promote the private sector, whereby its role is expanded in employment augmenting activities. Though the private sector

is responding, the growth is largely concentrated in the informal sector. The informal sector is not preferred as it has low wages and largely poor working conditions. In rural areas, agriculture is the mainstay but the average land holdings are small and corporate farming as yet to take grounds.

The Government, despite shedding its weight, continues to be an important employer. It also creates employment through targeted programs to fulfill social responsibility. Such programs are expanding every year and fiscal year (FY) 2006-07 witnessed allocation of an amount of Rs. 435 billion; that alone is expected to create 400,000 new jobs. This amount, almost 60 percent higher than the allocations made in the preceding year, is earmarked for social sector, infrastructure, water system, etc.

Many income generating schemes have also been launched under the Khushal Pakistan Program (KPP) as well as through the Rural Support Programs (RSPs), Khushali Bank, the SME Bank, and other initiatives – all to generate employment in rural areas and promote SMEs in urban areas for job creation.

The President's Rozgar Scheme and National Internship Program (NIP) are targeted interventions aiming at the educated youth.

These developments and the "focus" of policies and programs indeed find resonance with key elements of the Global Employment Agenda (GEA) of the International Labor Organization (ILO). It is important to recall that the GEA was adopted by the International Labor Conference (ILC) in 2003 when Pakistan had the privilege of "chairing" the session.

Box-1

Key Elements of the Global Employment Agenda (GEA) Reflected in Pakistan's Employment Generation and Skills Development Strategy

- Making employment central in economic and social policy making,
- Emphasis on both the quantity and quality of jobs generated in the economy,
- Increasing employment intensity of growth and creation of decent employment through appropriate macro, trade, labor market and sectoral policies,
- Strengthen institutions to create an efficient and equitable labor market,
- Active involvement of employers' and workers' organisations and civil society in formulation of employment policy,
- Create favourable conditions for growth of the private sector especially SMEs and other labor absorbing sectors,
- Create a competitive and productive world class labor force, and
- Strengthen institutional machinery for employment policy making, HRD and monitoring labor market development.

A wider dispersal of targeted schemes and employment and development impact can be gauged by looking into the nature of such schemes. Suffice is to mention here only a "scheme" and a "program". The schemes under the KPP, identified by the public representatives and executed by the concerned departments after scrutiny, alone have benefited 12,000 villages. Numbering 19,995, these schemes comprised of - electricity, water, education, health, telephones, etc. The brick lining of water courses under the National Program for Improvement of Water Courses (NPIWC), initiated in 2004, has been completed for 33,000 water courses. Development and employment outcomes can be ascertained rather easily.

Lastly, having a working age population of over 100 million indeed is a pointer of the huge "reservoir" of men and women available for participation in economic activities. An appropriate policy mix – education, skills development and up gradation, HRD, effective participation of the private sector, targeted programs and identification of economic activities that carry employment growth and development potential – can turn this huge reservoir into "drivers" of economic growth. Seen in the context of a younger population, Pakistan is indeed at the threshold of unleashing "demographic" dividends. An employment and HRD led growth is critical in attaining our "vision" of a rapidly industrializing and modernizing economy with benefits being shared equitably.

In this backdrop, this employment policy is an important initiative in building necessary bridges and filling vacuum. The policy brings employment issue at the center stage in all development and sectoral policies as well as allocation of resources. The policy develops linkage with other policies for better synergies and avoiding duplications. Creation of decent employment, this policy emphasizes, should not be treated as a "residual"; rather as a central point of all policies and programs. The chapters that follow are essentially detailing these observations and arguments.

2

Understanding the Problem

2.1 Introduction

This policy document develops on the basis of clear understanding of the twin challenge that confronts us today as well as current labor market situation. Indeed, the first challenge is none else than the creation of work opportunities to a level that is at least commensurate with absorbing fresh entrants into the labor market. The new entrants into the labor market – currently estimated to be over a million; a significant number of them at least having a matriculation level of education and training - would be increasing in the medium and long term owing not only due to the demographic composition of the population but also an increasing LFPR and more so of the females. The generation of employment opportunities indeed would demand an adequate consideration on the creation of conditions for "decent work" thus focusing on the quality of jobs and work opportunities that are being generated in terms of income, productivity, better working conditions and respect for fundamental rights at work.

The second challenge relates to tackling the low absorptive capacity of the formal sector and a declining employment elasticity of the economy. This phenomenon, indeed is posing a serious challenge to policy makers. Let us first have a brief look at the current labor market situation and some of the recent developments.

The twin challenge notwithstanding, this policy document is also "not unmindful" of the demographic dividend. The trends in population, LFPRs presented in Table 2.1 are based on the LFSs data from 1996-97 to 2005-06. Our population, estimated at 155.37 million, is growing at the rate of 1.90 percent annually. Pakistan's population is characterized by high fertility rates and dependency ratio as almost one third (30 percent) of the population is below 10 years of age and another 12.9 percent is in the age group of 10-14 years.

A working age population of over 100 million does point towards the huge reservoir of men and women available for participation in economic activities. An appropriate policy mix – education, skills development and up gradation, HRD, targeted programs and identification of economic activities that carry growth and employment potential – can turn this huge reservoir into engine of economic growth. Seen in the context of a younger population, Pakistan is at the threshold of unleashing "demographic" dividends.

Table 2.1
Population, Labor Force and Labor Force Participation (LFP) Rates

Year	Population			Labor Force		LFP Rate (%)
	Total (Mn)	Growth Rate	Working age* (%)	Total (Mn)	Increase (Mn)	
1996-97	126.72	2.61	84.65	36.30	1.57	28.6
1997-98	129.97	2.41	88.52	38.20	1.90	29.3
1999-00	136.01	2.23	92.05	39.4	1.20	29.4
2001-02	145.80	2.06	99.60	42.39	2.99	29.6
2003-04	148.72	1.90	103.40	45.23	2.84	30.4
2005-06	155.37	1.90	108.78	50.05	4.82	32.2

Labor Force Survey; various issues

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

On the basis of participation rate of 32.2 percent, the labor force of Pakistan was estimated at 50.05 million during 2005-06.[4] It increased from 45.23 million to the current level by adding 4.82 million men and women in two years. The current situation nevertheless informs about a high dependency ratio. It is important to point out that the LFPRs, though low, is gradually increasing over the years, Table 2.2. The urban-rural participation rates for the last ten years also show a gradual rise both for men and women. An increase of 3 percent in the urban areas is dominated by males (4.4% for males vs. 2% for females) while females dominate (5.5% of females vs. 2.7% of males) almost 4 percent increase in rural areas. The higher increase in the participation rates in the rural areas, especially for females, and of males in urban areas are largely attributed to a positive outlook of the economy.

Though increasing, female LFPRs continue to be exceptionally low when compared with the industrialized countries; they are even lower than the rates prevailing in other South Asian countries.

[4] The LFPRs are crude as well as refined. Crude participation rates are measured as the ratio of labor force to total population whereas refined LFPR is the ratio of labor force 10 years and above to total population.

Table 2.2
Crude Labor Force Participation Rates by Region and Gender (%)

Year	Total			Urban			Rural		
	Both	Male	Female	Both	Male	Female	Both	Male	Female
1996-97	28.7	47.0	9.0	27.2	46.6	5.9	29.4	47.2	10.5
1997-98	29.4	48.0	9.4	27.0	47.1	5.3	30.6	48.4	11.5
1999-00	29.0	47.6	9.3	27.1	46.5	6.3	29.8	48.2	10.7
2001-02	29.6	48.0	9.9	29.1	48.9	7.3	29.9	47.6	11.1
2003-04	30.4	48.7	11.2	29.2	49.8	7.0	31.0	48.2	13.2
2005-06	32.2	50.3	13.3	30.2	51.0	7.9	33.2	49.9	16.0

Source: Labor Force Surveys, various issues.

The province-wise distribution shows that the LFPRs are highest in Punjab, 32.2% followed by Sindh, 30% and Balochsitan 29.5%, Table 2.3. The lowest participation rates are estimated for NWFP, about 26%. An increase ranging from 2.4% to 6.4% is observed in these rates in the last ten years; Balochistan showing the highest, while NWFP showing the lowest. The increase in Punjab and Sindh is of similar magnitude. It is important to note that the increase in the rates is a more recent phenomenon as a result of robust economic growth. The mega projects started by the Government are positively contributing especially in Balochistan where increase in the participation rates is almost double as compared to other provinces. Males have higher participation rates in all provinces as compared to females but almost similar increase is noted in the rates over the last ten years. Except NWFP, the increase in the rates is more significant in rural than urban areas and in that too Balochistan showing the highest increase. This increase is more pronounced for females than males.

Table 2.3
Crude Labor Force Participation Rates by Province, Region and Gender (%)

Year	Total			Urban			Rural		
	Punjab								
	Both	Male	Female	Both	Male	Female	Both	Male	Female
1996-97	28.7	47.0	9.0	27.2	46.6	5.9	29.4	47.2	10.5
1997-98	29.4	48.0	9.4	27.0	47.1	5.3	30.6	48.4	11.5
1999-00	29.0	47.6	9.3	27.1	46.5	6.3	29.8	48.2	10.7
2001-02	29.6	48.0	9.9	29.1	48.9	7.3	29.9	47.6	11.1
2003-04	30.4	48.7	11.2	29.2	49.8	7.0	31.0	48.2	13.2

2005-06	32.2	50.3	13.3	30.2	51.0	7.9	33.2	49.9	16.0
	Sindh								
1996-97	26.6	46.8	4.0	26.2	46.3	3.8	26.8	47.2	4.2
1997-98	26.5	46.5	4.1	24.7	44.1	3.2	28.5	48.9	5.0
1999-2000	25.4	44.4	4.4	23.8	43.0	2.7	26.9	45.6	6.0
2001-2002	27.3	47.8	4.1	26.9	47.3	4.0	27.6	48.4	4.1
2003-2004	27.9	48.8	4.6	28.1	49.3	4.4	27.8	48.3	4.7
2005-2006	30.0	51.1	6.4	28.9	50.9	4.6	31.2	51.2	8.1
	NWFP								
1996-1997	24.0	41.2	5.9	24.3	43.0	3.7	24.0	40.8	6.4
1997-1998	23.7	40.2	6.2	23.4	41.4	3.5	23.7	40.0	6.8
1999-2000	24.8	41.1	7.9	24.7	42.5	5.2	24.8	40.8	8.4
2001-2002	23.5	41.7	4.7	25.8	45.0	5.0	23.1	41.1	4.6
2003-2004	24.6	42.3	6.9	25.1	44.8	5.1	24.5	41.8	7.3
2005-2006	26.4	44.4	8.8	26.7	46.4	6.4	26.3	44.1	8.8
	Balochistan								
1996-1997	23.1	43.1	2.6	21.4	39.1	2.2	23.5	44.1	2.6
1997-1998	25.5	46.0	3.6	21.8	39.9	1.8	26.3	47.3	4.0
1999-2000	24.2	44.3	3.0	21.7	38.1	3.2	24.7	45.6	3.0
2001-2002	25.3	44.5	3.6	23.8	41.3	4.1	25.7	45.3	3.5
2003-2004	25.7	45.0	4.8	23.4	41.3	3.9	26.4	46.1	5.0
2005-2006	29.5	48.2	8.0	25.1	43.9	3.1	30.9	49.5	9.4

Source: Labor Force Survey, various issues

2.2 Employment Situation

The estimates show that about 46.94 million people were employed in 2005-06 as compared to 42 million in 2003-04; an increase of 4.94 million work opportunities in 2 years. The employment growth during this period is higher, Table 2.3. The current good performance of the economy and the pro-poor targeted programs are contributing positively in the job creation. The employment generation has been higher in rural than urban areas attributed to an expanding rural economy mainly due to the focus of the Government on agriculture and livestock, in particular dairy and milk production. A number of schemes under PSDP initiated in rural areas also contributed to job growth. Further, a robust growth in industry and services sector during the last few years, mainly in urban areas and coinciding with increasing consumer spending, has led to a rise in employment.

It is worth mentioning that the low employment growth during 1990s was the result of low GDP growth and smaller PSDP allocations to the social sector.

Table 2.4
Employed by Region and Gender (%)

Year	Pakistan			Urban			Rural		
	Both	Male	Female	Both	Male	Female	Both	Male	Female
1996-97	34.13	29.53	4.58	10.31	9.45	0.85	23.87	20.12	3.74
1997-98	35.94	30.93	5.00	10.78	9.99	0.78	25.15	20.92	4.22
1999-00	36.3	31.21	5.08	10.07	9.19	0.87	26.23	21.98	4.24
2001-02	38.9	33.19	5.69	12.2	11.00	1.22	26.7	22.19	4.47
2003-04	42.00	34.69	7.06	13.1	11.76	1.35	28.6	22.93	5.71
2005-06	46.94	37.81	9.13	14.46	12.80	1.66	32.48	25.01	7.47

Source: Labor Force Survey, various issues

The employment composition of industrial sector shows a continued dominance of agriculture, Table 2.5. Though the share fluctuates according to the weather and water availability, this sector continues to be using traditional farming techniques, progressive farming yet to take roots. There is more focus on traditional crops rather than on major commercial and non traditional crops because of the subsistence farming. This sector nevertheless demonstrates potential for productivity and employment but requires a shift in cropping pattern, better input and output prices as well as cultural practices and water availability.

The share of employment in manufacturing is small (13.7 percent). Past focus on agro based industries is now being changed and more dynamic industries, such as: consumer appliances, auto, engineering, chemicals and ICT are expanding. These industries, though capital intensive, demonstrate greater backward and forward linkages, thus carrying a potential for larger employment generation.

The wholesale and retail trade is playing a significant role in employment creation. It accounted for 14.3 percent of employment in 2005-06. A large part of this sector consists of micro and small scale enterprises that have large potential for employment generation. Hence, the promotion of domestic commerce must be explored. Social, community and personal services as well as construction are the other important sectors providing employment. These sectors also need a fresh look for the rapid growth prospects for employment generation.

Table 2.5
Employed by Major Industry (%)

Year	Agri.	Mining, Quar.	Manuf.	Constr.	Electric. Gas	Trade	Comm.	Finan. Insit.	Social	Not Defined
1996-97	44.2	0.1	11.1	6.8	1.0	14.6	5.7	1.0	15.6	0.04
1997-98	47.3	0.2	10.0	6.3	0.7	13.9	5.5	0.9	15.4	0.1
1999-00	48.4	0.1	11.5	5.8	0.7	13.5	5.0	0.8	14.2	-
2001-02	42.1	0.1	13.8	6.1	0.8	14.8	5.9	0.9	15.5	-
2003-04	43.1	0.1	13.7	5.8	0.7	14.8	5.7	1.1	15.0	0.1
2005-06	44.1	0.1	13.7	6.2	0.7	14.3	5.7	1.1	14.1	-

Source: Labor Force Survey, various issues

The occupational distribution in LFS 2005-06 shows that agriculture related occupations dominate (35.3 percent) the overall employments followed by craft and related (15.8 percent) and managerial workers (12.01 percent), Table 2.6. Almost one fifth of the workers employed in 2005-06 were classified in elementary (unskilled) occupations. It is important to highlight a change in the occupational distribution over the years. The share of managerial workers, associate professionals and craftsmen has increased significantly implying an increasing trend of work opportunities for the trained and skilled. It also corresponds to the ongoing economic transformation. The decline in the share of professional workers is a matter of concern that needs to be carefully looked into.

Table 2.6
Employed by Major Occupations (%)

Year	Managers	Prof.	Ass. Prof	Clerics	Service	Agri	Craft	Operators	Unskilled
1996-97	8.62	3.50	2.80	2.89	7.77	36.82	9.87	4.82	22.93
1997-98	9.76	3.00	2.95	1.84	6.02	39.91	12.71	3.68	20.13
1999-00	11.00	2.21	4.17	1.56	4.58	40.03	15.05	3.28	18.13
2001-02	11.56	2.08	4.74	1.71	5.67	34.69	16.20	3.92	19.44
2003-04	11.48	1.98	4.88	1.64	5.16	34.92	15.88	3.75	20.32
2005-06	12.01	1.70	5.10	1.40	5.40	35.30	15.80	4.10	19.30

Source: Labor Force Survey, various issues

The trend in employment status presented in Table 2.7, showing a structural change, is a cause of concern. The proportion of self-employment, dominant in 1990s, is on decline while there is a commensurate rise in unpaid family helpers (UPFHs). The rise in the latter is a clear pointer of the policy outcomes. Indeed, an increasing number of households found

their economic activities rising, hence demanding more UPFHs. A decline observed in the "employer" category is causing concern as it is already at very low level in Pakistan. The employers/entrepreneurs are the most dynamic force in an economy that bring businesses with new ideas and create more employment opportunities.

Table 2.7
Employment Status by Region (%)

Year	Employer			Self-employed			Unpaid family Helper			Employees		
	Pakistan	Urban	Rural	Pakistan	Urban	Rural	Pakistan	Urban	Rural	Pakistan	Urban	Rural
1996-97	1.1	2.6	0.4	42.2	33.1	46.1	20.3	9.3	25.1	36.4	55.0	28.4
1997-98	0.9	2.3	0.3	41.5	33.4	45.0	22.4	9.3	28.0	35.3	55.1	26.7
1999-00	0.8	2.3	0.2	42.2	33.9	45.6	21.4	10.0	26.1	35.6	53.9	28.1
2001-02	0.8	1.9	0.3	38.5	30.5	42.2	20.8	9.7	25.9	39.9	57.9	31.6
2003-04	0.9	2.3	0.2	37.1	31.6	39.6	24.1	10.8	30.3	37.9	55.3	29.9
2005-06	0.9	2.1	0.36	34.9	31.3	36.6	27.0	11.2	33.9	37.3	55.4	29.2

Source: Labor Force Survey, various issues

2.2.1 The Informal Sector

The informal sector consists of small units producing goods or services with the primary objective of generating employment and incomes to the families engaged in these activities. Informal activities have often been characterized by low levels of capital, skills, access to organized markets and technology; low and unstable incomes and poor and unpredictable working conditions. Such activities are often outside the scope and purview of the official statistical enumeration and government regulations as well as beyond formal system of social protection. The units operating in the informal sector are highly labor intensive but employment is mostly casual; based on kinship, personal or social relations rather than contractual arrangements ensuring protection. The informal sector activities depend, to a large extent, on the local and regional demand.

The informal sector is difficult to estimate because of non-recording of activities falling in this sector. Reliable data is therefore difficult to obtain on the size of this sector. The estimates on employment in the informal sector are however available in the LFSs. The LFS 2005-06 estimates that 72.9% of the total employed workforce is engaged in the informal sector activities. The huge and increasing size of the informal sector is an area of concern, Table 2.8.

Table 2.8
Informal Sector by Region and Gender (%)

Years	Pakistan			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
1997-1998	67.8	68.1	64.5	63.3	64.0	53.1	73.1	73.0	74.7
1999-2000	65.8	65.8	65.7	63.8	64.1	60.7	68.0	67.6	73.1
2001-2002	64.6	64.7	63.0	61.1	61.1	60.7	68.3	68.5	65.7
2003-2004	70.0	70.4	65.7	67.2	67.8	61.6	72.9	73.3	69.9
2205-2006	72.9	74.2	25.2	71.0	71.2	69.1	74.8	74.3	79.4

Source: Labor Force Survey, various issues

The informal sector, present both in rural and urban areas, is expanding more rapidly in urban areas as compared to rural areas; females occupy a bigger slice of this expansion. Wholesale and retail trade (35%) ranked as number one in generating informal sector employment is followed by manufacturing (21%). Community, social and personnel services (17.7%), construction (13.8%) and transport (11.1%) are the other leading sectors generating activity in the informal sector, Table 2.9.

Table 2.9
Informal Sector by Major Industry and Gender (%)

Major Industry Division	2003-04			2005-06		
	Total	Male	Female	Total	Male	Female
Total	100.0	100.0	100.0	100.0	100.0	100.0
Manufacturing	20.6	16.9	57.3	21.3	17.0	57.1
Construction	13.4	14.6	1.2	13.8	15.3	1.7
Wholesale & Retail Trade	34.6	37.3	7.6	34.5	37.6	8.9
Transport Storage and Communication	11.2	12.3	0.3	11.1	12.3	0.9
Community Social and Personal Service	18.7	17.2	33.5	17.7	16.1	31.2
Others(includes mining, & Quarrying; electricity, gas and Water and Finance, Insurance, real estate and business Services	1.5	1.7	0.1	1.6	1.7	0.2

Source: Labor Force Survey, 2005-06

Craftsmen account for (31%) of employment followed by managers (25.6%), Table 2.10. Elementary occupation is the other conspicuous category having higher proportion (20.5%) of employment. Employees and self employed categories dominate the informal sector and account for 44.8% and 41.8% of employment respectively, Table 2.11. The employed working as UPFHs in the informal sector is about 12% of the workforce.

Table 2.10
Informal Sector by Major Occupation and Gender (%)

Major Occupational Group	2003-04			2005-06		
	Total	Male	Female	Total	Male	Female
Total	100.0	100.0	100.0	100.0	100.0	100.0
Legislators, Senior Officials & Managers	24.9	26.7	5.9	25.6	27.9	7.1
Professional	1.6	1.5	2.5	1.7	1.8	1.5
Technician &Associate Professionals	3.8	3.2	9.8	4.5	3.4	13.2
Clerks	0.4	0.5	-	0.3	0.3	0.1
Service Workers and Shop & Market sales workers	9.5	10.1	3.1	9.6	10.4	3.2
Skilled Agriculture Workers	-	-	-	0.2	0.2	0.3
Craft and Related Trade Workers	31.1	28.4	58.6	30.9	27.4	59.1
Plant and Machine Operators and Assemblers	6.1	6.7	0.2	6.7	7.4	0.5
Elementary (unskilled) occupations	22.6	22.9	19.9	20.5	21.2	15.0

Source: Labor Force Survey, 2005-06

Table 2.11
Informal Sector by Employment Status and Gender (%)

Employment Status	2003-04			2005-06		
	Total	Male	Female	Total	Male	Female
Total	100.0	100.0	100.0	100.0	100.0	100.0
Employers	1.5	1.6	0.2	1.5	1.6	0.3
Own Account Workers	43.7	44.7	34.0	41.8	43.4	28.9
Unpaid Family Workers	11.7	10.9	19.5	11.9	10.7	21.7
Employees	43.1	42.8	46.3	44.8	44.3	49.1

Source: Labor Force Survey, 2005-06

Despite the growing size, the informal sector continues to be largely "invisible" and "neglected". Sufficient information is lacking concerning employment pattern, the nature and extent of its activities and characteristics of its participants which leads to an absence of information on region-, trade- and activity-specific employment potential. The focus should be on productive and decent employment creation rather than low productivity and marginalized jobs that largely create a pool of working poor

This sector plays a significant role in employment and income generation in Pakistan but is marked with extreme inadequacy of detailed and reliable data. Hence, a comprehensive system of statistics on the informal sector activities is essential for macroeconomic analysis, policy formulation and evaluation, and for mainstreaming it.

2.2.2 Employment and Earnings

Main reason to work is to have enough earnings to support different household activities for decent and comfortable living. The LFS 2005-06 provides earnings information only for "employees" category which restricts us to analyze the living conditions of all working groups. The data reveals that more than half of the employees in Pakistan earn, on average, less than the minimum wage of Rs 4,000 per month, Table 2.12. The gender analysis shows that females are at more disadvantageous position. More than three fourths of them earn monthly income of less than the minimum wage as compared to one half of their male counterparts. More serious matter is the plight of almost half of the females whose monthly income is even less than Rs 1,500. More than a quarter of males and two thirds of females have monthly income of less than Rs 2,500. The regional analysis shows that a higher proportion of females earn less than minimum wage in both urban and rural areas as compared to males. The earnings are substantially low in rural areas as a higher proportion of both males and females earn monthly income of less than Rs 4,000. In urban areas, the proportion of such workers is almost 40 percent.

Table 2.12
Average Monthly Income of Employees by Region and Gender (%)

Income Group	Pakistan			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
< 1500	14.4	9.5	46.2	10.8	7.5	34.0	17.5	11.2	55.2
1501-2500	17.6	17.0	21.5	13.7	13.0	18.5	20.9	20.5	23.8
2501-3900	21.7	23.8	8.3	19.9	21.4	9.8	23.3	26.0	7.1
4000 and above	46.3	49.7	24.0	55.6	58.1	37.7	38.3	42.3	13.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Labor Force Survey, 2005-06

2.2.3 Employment and Hours of Work

Another indicator to assess the quality of work is the weekly hours they - employed - supply to the labor market. The LFS 2005-06 data indicates that 15.3 percent of the employed are working less than the normal hours i.e. less 35 hours per week, Table 2.13. Among under-employed, about 4 percent worked 1-20 hours, 8 percent worked 21-30 hours and 3 percent worked 31-34 hours per week, respectively. The serious concern is however those 42.3 percent who work more than 48 hours per week. A higher proportion of males are an indication of tough time for breadwinners to meet the household expenditures. The over employment (more than 48 hours a week) is also an indication of poor conditions of work in Pakistan where workers have to supply more than normal hours to survive. Urban workers are more compelled than their rural counterparts to work more due to the higher cost of living.

Table 2.13
Hours of Work by Region and Gender (%)

Hours	Pakistan	Urban	Rural

	Total	Male	Female	Total	Male	Female	Total	Male	Female
1-10	0.7	0.4	1.9	0.4	0.2	2.1	0.8	0.5	1.8
11-20	3.6	1.8	11.1	1.6	0.7	8.7	4.5	2.4	11.6
21-30	7.9	4.1	23.7	3.8	2.1	17.6	9.7	5.2	25.1
31-34	3.1	2.4	6.0	2.0	1.4	6.7	3.6	3.0	5.8
35-48	42.3	41.6	45.5	43.1	42.1	50.3	42.0	41.3	44.5
48+	42.3	49.6	11.8	49.1	53.5	14.6	39.3	47.6	11.2

Source: Labor Force Survey 2005-06

The under-employment is more widespread in agriculture sector followed by services and manufacturing sectors where 23.9, 13.1 and 11.3 percent workers are supplying less than 35 hours per week, respectively, Table 2.14. The over-employment is pervasive in mining, trade and transport sectors where more than 60 percent of the workforce is working more than 48 hours per week. Other sectors where a significant proportion (more than 30 percent) is over-employed include finance, manufacturing, services and agriculture.

Table 2.14
Hours of Work by Industry, Region and Gender (%)

Hours	Pakistan			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Agriculture									
1-10	1.0	0.7	1.8	0.6	0.5	1.0	1.1	0.7	1.9
11-20	6.3	3.7	12.2	6.3	3.7	14.9	6.3	3.7	12.1
21-30	12.9	7.1	26.1	10.5	6.9	22.7	13.1	7.1	26.2
31-34	3.7	3.0	5.4	4.2	3.1	7.7	3.7	3.0	5.3
35-48	41.5	40.4	43.9	39.0	37.9	42.6	41.6	40.5	44.0
48+	34.5	45.1	10.5	39.4	47.8	11.0	34.2	45.0	10.5
Mining									
1-10	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11-20	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21-30	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
31-34	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
35-48	35.7	34.0	100	67.6	65.1	100	32.9	31.4	100
48+	64.3	66.0	0.0	32.4	34.9	0.0	67.1	68.6	0.0
Manufacturing									

1-10	0.8	0.2	3.1	0.7	0.1	3.7	1.0	0.4	2.6
11-20	2.8	0.7	11.3	2.1	0.3	11.3	3.8	1.1	11.3
21-30	5.9	1.3	23.6	4.2	0.8	21.5	8.0	2.0	25.3
31-34	1.8	1.0	5.2	1.1	0.5	3.9	2.8	1.5	6.3
35-48	47.9	48.4	46.1	48.9	49.0	48.3	46.8	47.6	44.4
48+	40.7	48.4	10.6	43.1	49.3	11.3	37.7	47.3	10.0
Electricity									
1-10	0.1	0.1	0.0	0.2	0.2	0.0	0.0	0.0	0.0
11-20	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21-30	3.3	3.3	0.0	5.7	5.7	0.0	0.0	0.0	0.0
31-34	0.4	0.4	0.0	0.0	0.0	0.0	0.9	0.9	0.0
35-48	77.2	77.1	100	82.3	82.3	100	69.9	69.6	100
48+	19.0	19.1	0.0	11.8	11.8	0.0	29.2	29.4	0.0
Construction									
1-10	0.4	0.4	0.0	0.3	0.3	0.0	0.4	0.4	0.0
11-20	0.8	0.8	0.0	0.5	0.5	0.0	0.9	0.9	0.0
21-30	3.3	3.2	12.5	2.8	2.9	0.0	3.5	3.3	18.1
31-34	5.0	5.0	2.2	3.6	3.6	7.1	5.5	5.6	0.0
35-48	63.6	63.6	59.3	62.7	62.8	50.7	64.0	64.0	63.1
48+	27.0	27.0	26.0	30.1	29.9	42.2	25.7	25.8	18.8
Trade									
1-10	0.0	0.0	0.0	0.2	0.2	0.9	0.1	0.1	1.0
11-20	0.9	0.7	7.2	0.6	0.5	4.5	1.3	1.0	9.2
21-30	2.4	2.2	9.6	1.6	1.5	9.0	3.3	3.1	10.1
31-34	1.1	1.0	3.1	0.8	0.7	2.4	1.6	1.5	3.6
35-48	25.9	25.6	37.2	26.2	26.1	30.7	25.6	25.0	41.9
48+	69.5	70.3	41.9	70.6	70.9	52.6	68.1	69.4	34.1
Transport									
1-10	0.3	0.3	0.0	0.1	0.1	0.0	0.4	0.4	0.0

11-20	0.6	0.6	2.4	0.5	0.4	4.4	0.7	0.7	0.0
21-30	1.2	1.2	5.2	1.3	1.2	9.7	1.1	1.1	0.0
31-34	0.5	0.5	1.3	0.5	0.4	2.5	0.6	0.6	0.0
35-48	27.9	27.8	39.6	30.9	30.6	53.7	25.5	25.5	23.0
48+	69.4	69.6	51.4	66.7	67.2	29.7	71.6	71.6	77.0
Finance									
1-10	0.5	0.5	0.0	0.7	0.7	0.0	0.0	0.0	0.0
11-20	0.2	0.2	0.0	0.0	0.0	0.0	0.9	0.9	0.0
21-30	1.0	0.9	2.8	0.5	0.4	3.2	2.9	2.9	0.0
31-34	0.6	0.7	0.0	0.6	0.6	0.0	0.8	0.8	0.0
35-48	54.9	54.0	81.2	55.6	54.8	78.5	52.1	51.2	100
48+	42.8	43.7	16.0	42.7	43.6	18.3	43.4	44.2	0.0
Services									
1-10	0.4	0.3	1.1	0.5	0.3	1.4	0.4	0.4	0.5
11-20	1.8	0.9	6.2	2.0	1.0	5.8	1.7	0.8	6.9
21-30	5.7	3.8	14.5	5.5	3.2	14.6	5.8	4.4	14.3
31-34	5.2	4.0	10.8	4.0	2.6	9.5	6.5	5.4	13.0
35-48	50.7	50.0	54.0	52.9	52.2	55.7	48.3	47.9	51.3
48+	36.1	40.9	13.4	34.9	40.7	13.0	37.3	41.2	13.9

Source: Labor Force Survey

The distribution of hours by employment status indicates that a higher proportion (31.7 percent) of UPFHs is under-employed and working less than 35 hours per week, Table 2.15. About 10 percent of the self-employed and 9 percent of employees have also indicated working less than the normal hours per week. Although over-employment is omnipresent in all categories, it is more prevalent amongst self-employed where about 60 percent of them work more than 48 hours a week. About 40 percent employees and 25 percent UPFHs also indicated working more than 48 hours. A higher proportion of males in both urban and rural areas are working above the normal hours.

Table 2.15
Hours of Work by Employment Status, Region and Gender (%)

Hours	Pakistan			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Employees									

1-10	0.4	0.3	1.7	0.3	0.2	1.7	0.5	0.3	1.7
11-20	1.2	0.7	4.9	1.0	0.4	5.0	1.4	0.9	4.7
21-30	3.8	2.3	14.1	3.2	1.8	13.5	4.3	2.7	14.5
31-34	3.3	2.6	7.4	2.2	1.5	7.3	4.1	3.6	7.5
35-48	50.7	50.3	53.2	52.8	52.4	55.7	48.9	48.5	51.4
48+	40.6	43.8	18.7	40.4	43.7	16.7	40.7	44.0	20.2
Self-Employed									
1-10	0.3	0.2	1.4	0.3	0.2	0.3	0.3	0.2	1.1
11-20	2.1	1.2	11.1	1.6	0.7	1.6	2.2	1.4	10.4
21-30	5.3	3.6	24.7	3.1	1.7	3.1	6.2	4.3	25.5
31-34	2.2	1.9	5.3	1.0	0.8	1.0	2.6	2.3	5.7
35-48	33.6	32.7	44.4	28.0	26.7	44.6	35.8	35.0	44.3
48+	56.5	60.4	13.1	65.9	70.0	13.6	52.9	56.7	12.9
Unpaid-Family Helpers									
1-10	1.6	1.2	2.1	1.3	0.8	3.1	1.6	1.3	2.0
11-20	9.1	5.6	13.7	5.3	2.7	14.9	9.7	6.3	13.7
21-30	16.9	9.1	27.5	8.8	4.7	24.5	18.1	10.0	27.7
31-34	4.1	3.1	5.5	3.3	2.1	7.7	4.3	3.3	5.3
35-48	42.5	42.4	42.7	39.0	38.6	40.6	43.0	43.2	42.8
48+	25.7	38.6	8.5	42.4	51.1	9.2	23.3	35.9	8.5

Source: Labor Force Survey, 2005-06

These findings, pointing towards poor and low remunerative conditions of work, do demand targeted remedial measures.

2.3 Education and Training

The access to high quality goods at lower prices due to globalization has brought changes in the structure of production. The easier growth options are no more available and penetration in the global market is critically linked with the skills and capabilities of the workforce. The quality and productivity are essential to compete internationally. Meeting the challenge now requires raising technical and vocational competence as well as productivity of the workforce through better education, training and retraining.

In the past, the focus was largely on the demand augmentation rather than addressing the supply side issues. Resultantly, the vast treasure of the nation is mostly untrained and not

ready to take the high value added production assignments. A large proportion of the current labor force does not possess skills measurable in higher education terms. Literacy level is as low as 52%, Table 2.16. The educational distribution of literates shows that 35 percent are below matric, 10 percent are matriculates and 4.1 percent have higher secondary certificate. The degree holders account for only a small (3.8 percent) proportion. Educational attainment of females is lower than males in all categories.

Table 2.16
Education and Literacy by Gender of Working Age Population (%)

Education and Literacy	2003-04			2005-06		
	Total	Male	Female	Total	Male	Female
No formal Education	0.6	0.7	0.5	0.3	0.3	0.2
Below Matric	33.7	41.1	26.0	35.0	42.6	27.0
Matric But Less than Intermediate	9.7	12.3	7.0	10.0	12.4	7.5
Intermediate But less than Degree	3.9	4.7	3.1	4.1	4.9	3.2
Degree and Above	3.8	4.9	2.6	3.8	4.8	2.7
Literate	51.6	63.7	39.2	53.1	65.0	40.6
Illiterate	48.4	36.3	60.8	46.9	35.0	59.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Labor Force Survey 2005-06

Currently, 84 Polytechnic Institutions with enrolment capacity of 42,000 are offering a three-year post matric course leading to the Diploma of Associate Engineers (DAE) in 35 technologies. In order to provide avenues of further education, the DAEs are eligible to enroll in colleges of technology to earn a B. Tech or B. Tech (Hons.).

The products of the polytechnics, in principle, should be equipped with: i) skills in industrial processes, ii) an understanding of the principles underlying these processes, and iii) experience in handling the industrial worker. The National Education Policy (NEP) in 1992 suggested raising the number of polytechnics from 45 in 1990-91 to 95 in 2002, and the number of technology colleges from 11 to 22 during the same period due to the positive attributes of these institutions. The draft report on education submitted by the working group for the MTDF recommended the establishment of new institutions to meet the increasing demand for technical manpower. It was also suggested that modern technology courses should also be offered in automation, computer hardware and software, electronic publication, environmental control, and textile dyeing and finishing.

The overall capacity of the existing vocational training institutions to cater the need of the growing skill demand is low. The total capacity of the existing 546 institutions is 204,670;

109670 are in the public vocational training and technical and commercial education centers, and 95000 are in private vocational training centers, Table 2.17. About 100,000 places were added by a recent initiative of the Ministry of Labor, Manpower and Overseas Pakistanis.

Table 2.17
Vocational and Technical Training Institutions in Pakistan

Province	Type of Initiative	Center	Capacity
TEVTA Punjab	Technical and Vocational	402	83,000
Punjab Training Council	Vocational	60	15,000
DMT Sindh	Vocational	33	3,740
TE and VT NWFP	Vocational	35	3,300
DMT Balochistan	Technical & Vocational	12	1,730
Skills Development Council	Vocational	Contract basis	25,000
Federal	Ministry of Labor	2	1,500
	Ministry of Education	2	1,400
Private Sector and Apprentice			70,000
Total		546	204,670

The state of education and TEVT is not encouraging. Education and training system indeed is not properly responding to the market demand for educated and trained.

Besides raising quality and quantity of education, it is imperative to enhance the TEVT competence of the workforce to sustain the current rate of economic growth; development of a comprehensive HRD policy is indeed crucial.

2.4 The Unemployed

The unemployment rate in 2005-06 was estimated at 6.2 percent showing an unemployed labor force of 3.1 million in the country. The situation improved since 2001-02 when the rate peaked at 8.3 percent, Table 2.18. Looking at the underemployment for 2005-06 and 2001-02, again a declining trend is observed. It is interesting to point out that while urban areas have relatively more “unemployment”, the rural areas have relatively more “underemployment”. The rural farm and non-farm activities do act as a refuge for the rural unemployed and poor.

Table 2.18
Unemployment Rates by Region **(%)**

Year	Unemployment Rate		
	Pakistan	Urban	Rural
1996-97	6.1	6.1	5.7
1997-98	5.9	6.3	5.0
1999-00	7.8	8.2	6.9
2001-02	8.3	9.8	7.6
2003-04	7.7	9.7	6.7
2005-06	6.2	8.0	5.4

Source: Labor Force Survey, various issues

The unemployed when further disaggregated by education and literacy indicate that: i) two-fifths of them (43.8 percent) are illiterate, ii) about a-fifth have education below middle, iii) a-tenth are middle, iv) about 15 percent are matric, v) 6 percent have intermediate level education, and vi) degree holders are only 6.1 percent and among them, engineering, medicine, computer and agriculture degree holders combined are only 0.6 percent, Table 2.19. Some interesting observations in order are:

1. Illiteracy is the major cause of unemployment of females; the proportion of illiterate unemployed females (64.6%) is almost double than males (34.7),
2. The largest concentration of the educated unemployed is amongst a) matriculates, about half a million, b) intermediates, over 180,000, and c) general degree holders, over 138,000. The number of educated males unemployed are higher than females by over four times for matriculates, over 3 times for intermediates and over two times for general degree holders, and
3. The proportion of unemployed males and females is similar for degree in medicine, computers and MA/M.Sc.

Table 2.19
Unemployed by Literacy, Education and Gender

Education/Literacy			Total
	Male	Female	
Illiterate	751972 (34.7)	605839 (64.6)	1357811 (43.8)
No Formal Education	7461 (0.3)	2749 (0.3)	10210 (0.3)
KG Nursery	3815 (0.2)	-	3815 (0.1)

KG But Below Primary	82094	17914	100008
	(3.8)	(1.9)	(3.2)
Primary But below Middle	388921	90340	479261
	(18.0)	(9.6)	(15.4)
Middle But below Matric	281048	35143	316191
	(13.0)	(3.7)	(10.2)
Matric but below Inter	376369	82453	458822
	(17.4)	(8.8)	(14.8)
Inter but below Degree	137745	44629	182374
	(6.4)	(4.8)	(5.9)
Degree in Engineering	8607	-	8607
	(0.4)		(0.3)
Degree in Medicine	2572	1086	3658
	(0.1)	(0.1)	(0.1)
Degree in Computer	746	947	1393
	(0.0)	(0.1)	(0.1)
Degree in Agriculture	2549	215	2754
	(0.1)	(0.0)	(0.1)
Degree in other Subject	94212	44091	138303
	(4.4)	(4.7)	(4.5)
MA/MSc	27574	11913	39487
	(1.3)	(1.3)	(1.3)
Total	2165675	977319	3102994
	(100.0)	(100.0)	(100.0)

Source: Labor Force Survey 2005-06

The unemployment rate for females, double digit phenomena and hovering around 16% for years, though declining are still higher than males, Table 2.20. The rate of female unemployment in urban areas has been almost twice than in rural areas. The trend in unemployment rate over the last ten years shows a significant drop for female rates but an increase for males in both urban and rural areas. Although the unemployment rate for males has declined more recently but the decline for females is significantly higher. It has also pulled down the overall as well as urban and rural unemployment rates. This decline can be attributed to the recent upturn in the economy which has eased labor market conditions and created significantly higher work opportunities.

Table 2.20
Unemployment Rates by Region and Gender (%)

Years	Pakistan			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
1996-97	6.1	4.2	16.8	7.2	5.1	25.2	5.7	3.8	14.6
1997-98	5.9	4.2	15.0	8.0	5.8	28.6	5.0	3.5	11.9
1999-00	7.8	6.1	17.3	9.9	7.5	29.6	6.9	5.4	14.0
2001-02	8.3	6.7	16.5	9.8	7.9	24.2	7.6	6.1	14.1
2003-04	7.7	6.6	12.8	9.7	8.4	19.8	6.7	5.7	10.9
2005-06	6.2	5.4	9.3	8.0	6.9	15.8	5.4	4.6	7.7

Source: Labor Force Survey, various issues

Some important observations from Table 2.21 on the unemployment trends by provinces merit attention. Historically, unemployment has been: a) highest in NWFP followed by Punjab province, and b) lowest in Sindh followed by Balochistan. The unemployment trends show lower rates in earlier period followed by a gradual rise, reaching peak and then tapering of in all provinces. Comparing female unemployment in 2005-06 with 1996-97, it declined from: i) 13.6% to 6.4% in Punjab, ii) 21% to 8.2% in Sindh, iii) 38.8% to 29.5% in NWFP, and iv) 30.2% to 6.5% in Balochistan. The situation, however, is different for males; their unemployment rate in all provinces has increased.

Table 2.21
Unemployment Rates by Province, Region and Gender (%)

Year	Total			Urban			Rural		
	Punjab								
	Both	Male	Female	Both	Male	Female	Both	Male	Female
1996-97	6.8	5.2	13.6	9.5	7.0	26.4	5.7	4.4	10.6
1997-98	6.5	5.0	12.7	10.2	7.7	29.8	5.0	3.8	9.1
1999-00	8.5	7.0	15.3	12.6	9.5	31.1	6.9	5.9	10.9
2001-02	8.5	7.0	14.4	10.8	8.6	23.0	7.6	6.2	12.0
2003-04	7.4	6.7	9.6	10.4	9.1	17.9	6.1	5.5	7.8
2005-06	6.0	5.7	6.4	8.9	7.8	14.9	4.8	4.7	5.1
	Sindh								
1996-97	2.9	1.5	21.0	3.2	2.1	18.7	2.6	1.0	22.8
1997-98	3.0	2.0	16.1	3.7	2.6	20.0	2.3	1.3	13.4
1999-00	3.2	2.2	13.7	4.0	3.1	20.1	2.5	1.5	11.0
2001-02	5.1	4.0	19.9	7.1	5.9	22.7	3.2	2.2	17.0
2003-04	6.0	4.8	19.6	7.6	6.5	21.0	4.4	3.2	18.3
2005-06	4.4	3.4	8.2	5.9	5.4	13.1	2.9	2.6	5.4
	NWFP								

1996-97	9.1	5.1	38.8	6.8	4.7	34.3	9.6	5.2	39.4
1997-98	9.0	5.6	31.9	9.6	7.0	43.6	8.9	5.4	30.7
1999-00	12.0	8.4	31.4	11.9	9.6	32.9	12.0	8.1	31.2
2001-02	13.1	11.0	32.1	14.6	12.2	39.0	12.8	10.8	30.8
2003-04	12.8	10.1	29.4	14.8	12.8	33.4	12.5	9.6	29.0
2005-06	11.8	8.2	29.5	13.1	10.2	35.1	11.6	7.8	28.9
	Balochistan								
1996-97	3.2	1.7	30.2	2.3	0.95	27.8	3.4	1.8	30.7
1997-98	2.6	1.4	18.9	4.4	2.3	53.3	2.3	1.2	15.5
1999-00	7.1	4.9	42.2	7.2	5.4	33.3	7.1	4.8	44.2
2001-02	7.8	5.6	37.4	12.7	8.8	58.0	6.7	5.0	31.8
2003-04	8.2	6.3	27.7	12.5	10.0	41.6	5.3	24.3	12.5
2005-06	3.2	2.7	6.5	5.8	4.6	24.3	2.1	4.7	5.8

Source: Labor Force Survey, various issues

The analysis so far suggests that unemployment situation is diverse and policies should be area-specific with more focus on those places where incidence is high. Currently, NWFP is having the highest incidence of unemployment where impact of the recent development in the economy appears to be rather small.

2.4.1 Unemployment: Core Group

We have divided unemployed into three broader age categories i.e. children (10-14 years), core group (15-60 years) and elderly (61 and over). It may be noted that highest percentage of unemployed (80%) are in the core group, Table 2.22**.** Children and elderly persons among the unemployed are 7.8 percent and 12 percent, respectively, the areas that raise concerns. Of the unemployed children numbering 240865, only 2067 were enrolled in schools - 1617 boys and 450 girls. There is a need to have targeted programs for these children; best option schooling or training but with an incentive.

Table 2.22
Unemployed by Age, Region and Gender

Age Group	Male	Female	Total
Pakistan			
10-14	190755 (6.1)	50110 (1.6)	240865 (7.8)
15-60	1734401 (55.9)	746647 (24.1)	2481048 (80.0)
61+	240520	140562	381082

	(7.8)	(4.4)	(12.2)
Total	2165676 (69.8)	937319 (30.2)	3102995 (100)
Urban			
10-14	90496 (7.15)	15824 (1.25)	106320 (8.4)
15-60	777545 (61.5)	260557 (20.60)	1038102 (82.1)
61+	86722 (6.86)	34008 (2.69)	120730 (9.5)
Total	954763 (75.47)	310389 (24.53)	1265152 (100)
Rural			
10-14	100259 (5.46)	34287 (1.87)	134546 (7.32)
15-60	956856 (52.06)	486090 (26.45)	1442946 (78.51)
61+	153793 (8.37)	106554 (5.80)	260352 (14.17)
Total	1210913 (65.89)	626931 (34.11)	1837844 (100)

Source: LFS 2005-06

The data on the elderly population shows that about 381,082 were unemployed in 2005-06 and majority of them were males (240520 vs. 140562). We propose a National Pension Scheme (NPS) to provide old-age pension benefits.

Rest - 2.48 million (80 percent) of the unemployed - fall in the core unemployed group (15-60 years). Of these unemployed; 1.73 million are males and 0.75 million are females. The unemployment is largely concentrated amongst the males. Regional distribution shows that 1.84 million unemployed reside in rural areas -1.21 million males and 0.63 million females, and 1.27 million in urban areas - 0.95 million males and 0.31 million females. The number of female unemployed in rural areas is double than their counterparts in urban areas. The provincial distribution shows a higher percentage of both children and elderly unemployed in Punjab, Table 2.23. In NWFP, the percentage of unemployed children is the lowest among provinces showing better conditions of education but ratio of unemployed elderly is similar to Punjab.

Table 2.23
Unemployed by Province, Age and Gender

Age Group	Male	Female	Both
Punjab			
10-14	144791 (7.9)	28693 (1.6)	173484 (9.5)

15-60	983421 (53.9)	415525 (22.8)	1398946 (76.7)
61+	167575 (9.2)	84728 (4.6)	252303 (13.8)
Total	1295787 (71.0)	528946 (29.0)	1824733 (100)
Sindh			
10-14	31058 (6.1)	3516 (0.7)	34574 (6.8)
15-60	355691 (70.3)	84893 (16.8)	440584 (87.0)
61+	25315 (5.0)	5718 (1.1)	31033 (6.1)
Total	412064 (81.4)	94127 (18.6)	506191 (100)
NWFP			
10-14	9823 (1.4)	15588 (2.2)	25411 (3.6)
15-60	350949 (50.1)	230695 (32.9)	581644 (83.0)
61+	44109 (6.3)	49651 (7.1)	93760 (13.4)
Total	404881 (57.8)	295934 (42.2)	700815 (100)
Balochistan			
10-14	5083 (7.1)	2314 (3.2)	7397 (10.4)
15-60	44339 (62.2)	15534 (21.8)	59873 (84.0)
61+	3522 (4.9)	466 (0.7)	3988 (5.6)
Total	52944 (74.3)	18314 (25.7)	18314 (100)

Source: Labor Force Survey, 2005-06

2.4.2 Unemployment: Voluntary and Involuntary

Those who fall in the core group of unemployed are further disaggregated to see whether they are unemployed because of the economic reasons - involuntarily unemployed, or unemployed by choice - voluntarily unemployed. These distinctions are made on the basis of a question in the LFSs where each unemployed is probed whether he/she is actively and unconditionally seeking employment or her/his search is conditional. While the former are considered involuntary unemployed, the later are tagged as voluntary unemployed. A large number indicated that they are unemployed voluntarily and reluctant to take job if not available in their home or village, Table 2.24. The voluntary unemployed group is dominated by females, however, a significant number of males also fall in this category. About 59 percent of the core unemployed indicated that they are involuntarily unemployed and ready to take job wherever it is available. Majority of these involuntarily unemployed are males and

mostly located in the Punjab. The pattern, however, is unevenly distributed in different provinces, Balochistan having the smallest number of such unemployed.

Table 2.24
Voluntary Vs Involuntary Unemployed by Province and Gender

Province	Voluntary Unemployed			Involuntary Unemployed			Total Unemployed		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Punjab	282170 (53.34)	87009 (16.45)	369179 (69.78)	89721 (16.96)	70314 (13.29)	159855 (30.22)	371891 (70.30)	157323 (29.74)	529034 (100)
Sindh	197981 (73.26)	23971 (8.84)	221952 (81.83)	35651 (13.14)	13646 (5.03)	49297 (18.17)	233632 (86.13)	37617 (13.87)	271249 (100)
NWFP	204609 (65.59)	51381 (16.47)	255990 (82.06)	21478 (6.89)	34484 (11.05)	55962 (17.94)	226087 (72.48)	85865 (27.53)	311952 (100)
Baloch.	26675 (85.53)	2971 (9.53)	29646 (95.06)	1152 (3.69)	389 (1.25)	1541 (4.94)	27827 (89.23)	3360 (10.77)	31187 (100)
Total	711435 (62.22)	165332 (14.46)	876767 (76.68)	148002 (12.94)	118833 (10.39)	266655 (23.32)	859437 (75.16)	284165 (24.85)	1143422 (100)

Source: Labor Force Survey 2005-06

2.4.3 Unemployed: Job Preferences

Public sector is the job preferred by a larger number, 47% of involuntary unemployed have indicated this preference, Table 2.25. The preference for the private sector is also indicated by no less than 30 percent of the unemployed looking for jobs. About 3 percent unemployed are interested in part-time jobs but largely it is indicated by the females. In fact over 7 percent of the females indicated preference for the part time jobs.

Table 2.25
Job Preference of Unemployed by Gender

Type of Job	Male	Female	Total
Full-time Government Sector	318652 (48.1)	100246 (44.2)	418898 (47.1)
Full-time Private Sector	228266 (34.4)	38405 (16.9)	266671 (30.0)
Part-time	7652 (1.2)	18140 (8.0)	25792 (2.9)
Self-employment	62385 (6.9)	49181 (9.3)	111566 (7.5)
Other Type	45963 (6.9)	21072 (9.3)	67035 (7.5)
Total	662918	227044	889962

Source: Labor Force Survey 2005-06

Looking at the duration of search, over a-fifth are searching jobs for more than a year. Those searching for jobs for 7-12 months are 7.6 percent, Table 2.26. Two-fifths are unemployed for over a year; indeed chronically unemployed, Table 2.27.

Table 2.26
Duration of Job Search by Gender

During the Last Week	Sex		Total
	Male	Female	
During the Last week	94671 (14.3)	7457 (3.3)	102128 (11.5)
1-4 Weeks Ago	95847 (14.5)	15894 (7.0)	111741 (12.6)
1-2 Months Ago	129076 (19.5)	34022 (15.0)	163098 (18.3)
3-6 Months Ago	78590 (11.9)	21864 (9.6)	100454 (11.3)
7-12 Months Ago	54337 (8.2)	13571 (6.0)	67908 (7.6)
More than a Year Ago	153086 (23.1)	36221 (16.0)	189307 (21.3)
Never has Sought	57309 (8.6)	98016 (43.2)	155325 (17.5)
Total	662916 (100.0)	227045 (100.0)	889961 (100.0)

Source: Labor Force Survey 2005-06

Table 2.27
Duration of Unemployment by Gender

Duration	Gender		Total
	Male	Female	
Less than a Month	80201 (13.2)	8625 (6.7)	88826 (12.1)
1-2 Months	98179 (16.2)	17099 (13.3)	115278 (15.7)
3-6 Months	113458 (18.7)	27521 (21.3)	140979 (19.2)
7-12 Months	80430 (13.3)	18807 (14.6)	99237 (13.5)
More Than a Year	233340 (38.5)	56976 (44.2)	290316 (39.5)
Total	605608 (100.0)	129028 (100.0)	734636 (100.0)

Source: Labor Force Survey 2005-06

Further analysis shows that 58 percent of unemployed are desperate and willing to take job anywhere and on any condition and majority of them is the chronic unemployed group. The search process has also been completed by the job seekers as they have taken number of steps to search the appropriate job, Table 2.28.

Table 2.28
Steps Taken in Search of Work (Multiple Responses) by Gender

Steps Taken to Secure Work	Sex		Total
	Male	Female	
Applied to Prospective Employer	88771 (22.90)	14570 (3.76)	103341 (26.66)
Checked work sites	82155 (21.19)	3245 (0.84)	85400 (22.03)
Applied for permit	7448 (1.92)	1593 (0.41)	9041 (2.33)
Steps taken for own business	8158 (2.10)	1593 (0.41)	9751 (2.52)
Sought assistance from friends	89532 (23.10)	8034 (2.07)	97566 (25.17)
Place or answered advertisement	29047 (7.49)	4774 (1.23)	33821 (8.72)
Registered with Govt employment Agency	8908 (2.30)	1716 (0.44)	10624 (2.74)
Registered with Private employment Agency	3450 (0.89)	-	3450 (0.89)
Arranged for Financial resources	7995 (2.06)	-	7995 (2.06)
Applied for loan/credit	2121 (0.55)	-	2121 (0.55)
Other	2936 (0.76)	877 (0.23)	3813 (0.98)
No specific Steps	13039 (3.36)	4460 (1.15)	17499 (4.51)
Unknown	3228 (0.83)	-	3228 (0.83)
Total	345070 (89.46)	57504 (10.54)	402574 (100)

Source: Labor Force Survey 2005-06

2.5 Conclusions

Unemployment and under employment is quite pervasive; the underutilized labor accounts for a fifth of the workforce. Lesser remunerative and low productive work currently affects a significant proportion of the employed. Poor working conditions in significant workplaces are also not uncommon.

Of the estimated over three million unemployed, a significant proportion is found to be: i) educated having matriculation and higher level of education – a scarce commodity in Pakistan, and youth, ii) chronically unemployed (39.5%) i.e. unemployed for more than a year, and iii) active in the job/work search for over a year (21.3%). In the absence of any

formal social security system, this places enormous pressure on the concerned households and individuals. It is also a drain on the already meager resources of the country.

Still agricultural sector absorbs largest proportion, while manufacturing sector accounting for 13-14 percent falls even behind, slightly though, social and personal services and whole sale and retail trade.

The impact of employment and labor market variables on poverty reduction has been found strong. The concentration of workforce in agriculture and high dependency are found out to cause poverty. On the other hand, a shift of the workforce to manufacturing and education are positively linked with poverty reduction.

Illiteracy, poor and low levels of education as well as low vocational, technical, and professional competence are currently important facets of the labor market participants.

The problem is compounded further by inadequacy of detailed, reliable and dis-aggregated information on different labor market indicators. Even basic information on labor market changes, education and skill requirements, and nature and extent of unemployment by education, gender, areas and length of unemployment is largely not available. Consequently, employment counseling, vocational guidance and employment placement are ineffective and even non-existent. While, the changes occurring in different labor markets and the consequent demand for educated and skilled is not properly monitored, education and training institutions continue planning and executing their programs. Mismatch of educated and trained is then the natural outcome. The education and training system also continues with qualitative and quantitative bottlenecks.

The current policy "focus" on employment, HRD and raising vocational and technical competence is the only way of ensuring a fairly dispersed, beneficial and sustainable development. This is indeed contingent upon developing greater and effective linkages between setting targets with regard to GDP growth rates, investment and saving levels, fiscal prudence, taxation and monetary policy as well as inflation with considerations on effectively harnessing development and employment potential. Moreover, it also demands an institutional mechanism capable to respond effectively to the challenges, goals and targets. Subsequent chapters are essentially based on these considerations.

3

Employment Expansion in Rural Areas

"The war for employment generation and poverty reduction has to be fought and successfully won in the rural areas and surrounding small towns."
(National Manpower Commission 1989)

3.1 Growth Triangles: An Innovative Scheme for Rural Transformation

The development of rural areas and building their linkages with urban centers to increase market access for rural products has prime importance for economic development, growth and employment generation in rural areas. To achieve the goal of integrated rural development, we propose establishment of "growth triangles" (GTs). This three tier mechanism has potential to develop rural economy by integrating village markets to mini industrial estates and further linked to the city/town markets. The main hindrances for enhancing gainful work opportunities in rural areas, among others, are identified as: i) low human and financial capital, ii) lack of adequate knowledge on market conditions and support institutions, iii) inadequate availability of the infrastructural facilities, iv) poor reach of extension services, v) absence of backward and especially forward linkages, and vi) failure of the institutional machinery for labor market information, employment counseling and vocational guidance. The basic idea behind these growth triangles is to integrate rural areas by coordinating activities ranging from production to marketing and services through Integrated Rural Development Centers (IRDCs).

As a first step, establishment of focal points at the grassroots level is essential. These focal points, deep in the villages, should cater for the repair, service, maintenance and commercial related requirements of the villages. We have about 5,000 union councils representing some 52,000 villages. Ideally, each union council, representing 10-15 villages,

should be picked up for the purpose of establishing a Village Support Center (VSC); the first tier of "growth triangle".

The second tier of this GTs is to establish growth centers in a cluster of 10-15 VSCs /union councils. What is essentially needed is to establish Multipurpose Industrial and Rural Development Support Centers (MIRDSC) in a cluster of VSCs. These MIRDSCs can serve as an important instrument for effecting industrial, commercial and agricultural development and growth in the far flung rural areas and even small towns. In fact, these MIRDSCs should aim at removing development bottle-necks inherent in rural areas such as: lack of technical and entrepreneurial know-how, marketing problems, lack of information, non-existence or inadequacy of backward and forward linkages, and lack of service centers, storage facilities and repair/maintenance facilities.

These MIRDSCs, if established can be used to serve as: i) a source of information, guidance and counseling, ii) a center for supply of inputs, iii) a center for skills development and up gradation, iv) a marketing center, v) a facilitator for the backward and forward linkages especially with the manufacturers, Small Industrial Estates (SIEs) and markets in urban areas, vi) a link with credit institutions, and vii) even acting as "lobbyist" for the development of rural areas, rural industrialization, and provision of necessary socio-physical and economic infrastructure. The Government on her part should provide supporting hand in the form of: i) provision of basic socio-physical infrastructure around these centers, ii) linking, somehow, credit policies of development financial as well as micro finance institutions with the need of these centers, iii) making available extension services to these centers, and v) encouraging, even supporting, skills development programs.

The third tier of the GTs is the linking of existing or establishing new SIEs in a cluster of 10-15 MIRDSCs. The establishment of these SIEs in different parts of the country will promote local raw material and resource based industrialization in a well coordinated way and promote employment.

Indeed, the GTs does have the potential to address simultaneously socio-economic development needs, transformation and industrialization – fairly dispersed and well coordinated. Their establishment and proper functioning coinciding with labor friendly SIEs can usher an era of equitable and meaningful process of industrialization. The GTs is an innovative policy initiative aiming well coordinated development effort at all levels for rural areas and surrounding towns.

The government support would be in the form of providing necessary social and physical infrastructure. Rest should come from the private sector initiative; at best government can come forward by making available a revolving fund for the establishment and strengthening of GTs.
The PPC intends to further study the potential of these centers and workout modalities for the establishment of "growth triangles".

3.2 Handicrafts and Cottage Industry

Different regions in the country are famous for handicrafts and cottage industry. Their potential in terms of generating revenues and employment, however, largely remain poorly utilized. In fact, handicrafts and cottage industry is an important instrument in diversification of rural income and employment opportunities. Currently, a small percentage (0.6 percent) of the total employed workforce is engaged in this sector. Exports stand at meager US$ 10 million; even the target set for exports was US$ 20 million in for 2005-06.

3.2.1 Policy Areas

The expansion of handicraft and cottage industry is crucially linked with quality control, standards and certainly aggressive marketing both in the domestic and international market. Large number of handicrafts produced in the country is easily characterized as being low quality and lacking standards. Location and craft-specific interventions are needed for quality, skills up gradation, standards and better access to markets as well as rationalizing the role of "middle man".

3.2.2 Policy Recommendations

The main policy focus is to identify products and handicrafts by areas or their clusters, and target standards, quality and marketing; both domestic and international. Necessary policy interventions would be:

- Identification of area/location/cluster specific products having potential for domestic/international markets,
- Identification of product specific issues and constraints,
- Developing product-specific strategies and guidelines with special focus on quality, standards and marketing, and

- Building vocational, technical and commercial competence at local level for each of the identified product.

One-Village One-Product Program

This visionary program is launched in Pakistan with a new name "Aik Hunar Aik Nagar (AHAN)" on the directives of the Prime Minister. The program aims to benefit rural residents with special skills by promoting their products in domestic and export markets thus generating productive employment at local as well as national level. It was first developed and launched in Japan in 1979 to boost village economies by creating employment opportunities and raising income levels. It was subsequently replicated in Thailand and within years the exports of local products increased many fold. The start of this program in Pakistan is more like discovering of "Indigenous Treasures". The benefits of the program include:

- Effectively tapping the potential of rural artisans,
- Promotion of products made from local materials and using local wisdom,
- Creativity and unique skills to deliver unique products with true value,
- Involvement of the Federal and Local Governments at grass root level to show their presence by solving problems,
- Generating remunerative employment at the local level and reducing unemployment, and
- Penetrating into diverse markets through these products.

It is important to point out that according to the Ministry of Economy, Trade and Industry (METI) of Japan, there are six keys for the success of the program; these are:

1. People's awareness of the program,
2. Exploring the unrealized potential of each village,
3. Continuous trials and enduring efforts,
4. Seeking higher value-added in products,
5. Developing markets and distribution channels, and
6. Nurturing people's talents.

Aik Hunar Aik Nagar Authority (AHANA)

Revolutionizing local economies and generating productive employment opportunities, both for skilled men and women, affirmative actions are needed. A dedicated institution – similar to Japan and Thailand – is needed. It is proposed to establish "Aik Hunar Aik Nagar Authority" (AHANA). It should look into the issues related to each product and develop appropriate strategies. The task is huge and challenge enormous which cannot be achieved haphazardly. The AHANA should have a clear mandate and timeframe to identify, develop, standardize and market local products having potential within the country and in the export market. A proper action oriented strategy for developing area and product specific skills would be an appropriate step.

The Small and Medium Enterprises Development Authority (SMEDA) has identified 100 products by districts that have potential for development on commercial lines, Table 3.1.

Table 3.1
City/District Specific Handicrafts by Provinces

Punjab		**Sindh**	
Products	Distt./Cities	Products	Distt./Cities
Lacquer Work	Sillanwali	Bangles	Hyderabad
Embroidery	Dera Ghazi Khan, Bahawalpur, Multan	Ajrak	Khyber (near Hala)
		Hand Made Silk	Khairpur
Block/Screen Printing	Karror Pakka	Dates Processing	Their (Near Khairpur)
Woolen Embroidery	Murree, Kotli	Pickles	Shikarpur
Wooden Furnitures	Chiniot	Ceramic Tiles	Nasarpur
Blue Pottery, Khussa	Multan	Carpets	Mirpurkhas, Islamkot
Khaddar	Kamalia	Heritage Furniture, Rilli, Ceramics, Clay Products	Larkana, Thatta, Hala
Khais	Gujranwala		
Basket Making	Jhang		
Gota Work,	Rawalpindi, Multan	Rilli	Thar
Doll Making	Rawalpindi		
Motti Karrai,	Rawalpindi		
Crochet,	Chakwal, Rawalpindi		
Darree Waving,	Ghakkar, Multan		
Stone Work,	Taxila		
Khussa	Kasur		
Lungi	Khaushab		
NWFP-Northern Areas and AJK		**Baluchistan**	
Products	Distt./Cities	Products	Distt./Cities
Topi, Khes, Shawls, Embroidery, Khaddar Weaving And Swati Pulkari	Swat	Handmade Carpets, Knives, Daggers And Guns	Loralai, Kalat, Mastung, Changhai, Quetta, Qila Abdullah, and Lehri
Chappals, Khaddar Weaving,	Charsadda, Kohat	Embroidery	Pishin, Khuzdar and Khulo, Loralai, Zhob,
Rugs	Gullman		Musakhel, Barkhan,
Heritage Furniture, Zari Work, Tagar Weaving, Mirror Work, Dukki Dates	Dera Ismail Khan	Chappals	Punjgar, Mitheri and Quetta Dera Bugti, Sui, Jafarabad, Pishin, Khuzdar, Kalat,
Brass Work	Peshawar		Barkhan, Loralai,
Paper Mache	Muzaffarabad		Quetta
Thread Weaving	Chitral, Gilgit	Silver Jewelry	Quetta, Mastung,
Khaddar Weaving	Mardan		Kalat, Sibi, Loralai
Sharma Weaving	Hunza	Clay Posts	Sibi, Bakhtiarabad and Quetta
		Woolen Blankets And Leather Embroidery	Qila Saifullah, Barkhan, loralai and Quetta

The AHANA if established can develop these products in phases. Some important steps in product development would be: i) area identification, ii) product studies, iii) product development and quality assurance, iv) focus group formation, v) capacity building, vi) technology up gradation, and vii) developing market linkages.

The PPC together with SMEDA can collaborate with AHANA to: i) identify additional products such as handicrafts made from camel skins in Bahawalpur and Multan, etc and ii) workout guidelines and strategies for the development of identified products and marketing.

3.3 Conclusions

The rural areas and surrounding towns indeed demonstrate vast employment and development potential; alas largely remaining untapped. Main hindrances are none else than those related to marketing, and human and physical infrastructure bottlenecks. Numerous efforts have been directed but largely un-coordinated. Handicrafts and rural artisinary also suffer through these bottlenecks. The main thrust of this policy naturally aims at removing these lacunas thereby greater synergies are built through establishment of GTs and of course establishment of AHANA.

4

Employment Expansion in Agriculture and Allied Sectors

4.1 Introduction

Agriculture is the largest income and employment-generating sector of Pakistan's economy. Major and minor crops, livestock and hunting account for 21.6 percent of the GDP and employ 43 percent of the total employed. About two third population of the country resides in rural areas and directly or indirectly depends on agriculture and allied activity for their livelihood. The agriculture sector contributes substantially (60 percent) to the export earnings; it also provides raw materials to the industrial sector. A higher and sustained growth preferably more than 5 percent in agricultural production is imperative for absorbing growing labor force, sustaining macroeconomic stability and generating productive employment, thus reducing and eliminating rural poverty.

4.2 Major and Minor Crops

Agricultural production is dominated by crops and livestock production, which respectively accounts for 47.5 and 49.6 percent of the total value added in the sector. The fisheries and forestry on the other hand contribute mere 1.3 percent and 1.6 percent respectively. The respective shares of major and minor crops in total value added in agriculture stand at 35.2 and 12.3 percent. The five major crops, namely: wheat, maize, rice, cotton, and sugarcane contribute substantially to the overall agricultural income and in the GDP. Therefore, performance of these five crops is crucial for the agricultural production, GDP growth and employment generation. The minor crops include oilseeds, pulses, vegetables, fruits, and other horticultural produce.

4.2.1 Policy Areas

Important factors that contribute to a higher agricultural growth include: increased cultivated area, enhanced cropping intensity, multiple cropping, and increased use of various agricultural inputs, technological change and technical efficiency. Though potential for allocating more land and water resources towards further increase in cropping intensity are limited, better and efficient use of available water can generate significant dividends. Similarly, use of inputs like fertilizers and pesticides cannot be increased beyond certain limits. These concerns and limitations notwithstanding, balanced application of chemical fertilizer demonstrate potential for enhanced yields. However, we would have to depend more heavily on technological change and improvement in inputs use.

Due to the wide fluctuations in the production of major crops, more diversification is required in agriculture. Though the share of minor crops has been small relative to major crops, they have the highest growth and employment potential particularly vegetables, fruits, and flowers. The livestock, fisheries and other allied sub sectors also carry growth and employment prospects that as yet remain inadequately tapped.

4.2.2 Policy Recommendations

A sustained growth rate of more than 5 percent for the overall agriculture sector is essential for employment generation and food security. Important policy initiatives would be as follows:

- **Availability and efficient use of water:** The relatively favorable employment prospects in agricultural sector depend not only on increase in water availability but its better and efficient use.
- **A network of supporting infrastructure:** The network of supporting facilities includes: storage, modernized processing and marketing infrastructure. The establishment of such networks at local level can be rewarding. The proposed “GTs” can be effectively utilized for this purpose as well.
- **Zoning of cropping areas**: It would help in increasing the per hectare yield which is relatively low. The cultivation of basmati/sugarcane, for example, to high yield/high quality rice areas and to high yield/high sugar content sugarcane regions will increase the output even with the same quantity of

inputs. A policy to encourage the use of approved varieties in the designated zones will be the right step.

- **Modernization of agro processing:** It will help in controlling the wastage and improving the quality of output. Further, modernization having backward and forward linkages will create employment opportunities in both agriculture and industrial sector.
- **Diversification towards high value crops:** To increase the income of farmers, a mechanism for diversification towards high value crops such as oilseeds, flowers, vegetables, etc. has to be developed.
- **Timely availability of quality inputs:** Ensuring timely availability of quality inputs including fertilizers and pesticides at convenient places and competitive prices and access to institutional credit for production as well as marketing will help farmers to increase output. The proposed "GTs" can be effectively utilized for this purpose as well.
- **Establishment of land bank:** The productive use of unutilized government land can increase output if it is provided to the landless farmers on contract basis or through a long term lease/loan. A land bank may be established with branches in each district having government land. The bank can loan out the land to those who show interest in acquiring it for short-term or medium-term basis on some nominal cost.

In addition Ministry of Food, Agriculture and Livestock (MINFAL) can focus on the following to enhance the agriculture produce for growth and employment generation.

- Improvement of post harvest handling technologies,
- Development of early maturing and disease resistant varieties of rice and cotton,
- Development of heat and salt tolerant varieties of wheat,
- Development of disease resistant high yielding sugarcane varieties with high sucrose contents,
- Production technology of medicinal plants, and
- Improvement of existing and development of new low cost agricultural machinery.

The importance of educating farmers about the efficient use of inputs, crop diseases and other relevant issues to increase productivity is well understood. The need for linking research findings/results with extension is also clearly realized in raising productivity and creating employment opportunities for skilled agricultural and non-agricultural workers. This is the area that can, among others, be looked into rather effectively by the first and second tiers of the proposed "GTs".

4.3 Horticultural Crops

Main fruits produced in Pakistan are citrus, mangos, dates, guava and apples. These account for over 75 percent of the total annual production of about 6 million tons. In the category of vegetables, potatoes, chilies, onions and tomatoes constitute over 70 percent of the production of 5 million tons. Out of more than $70 billion international trade of fruits and

vegetables, Pakistan's share is merely $120 million. In recent years, ornamental crops and nursery raising have emerged in importance; Pakistan's share as yet remains negligible.

It is also a matter of concern that our horticulture exports fetch a less price than many other countries. Pakistani mangoes, for example, are exported at the rate of $158 per ton while the same is exported at the rates of $685, $875, $830, $500 and $586, etc. per ton by Mexico, Philippine, Brazil, India and Thailand, respectively. Similarly, per ton value of Pakistani dates is $430 while it is $2251, $2000, $1350 and $5000 per ton for Tunisia, Libya, China and Italy, respectively.

4.3.1 Policy Areas

Significant potential to increase production of fruits, vegetables and other horticulture products exist in the country. Properly tapped would result in generating productive employment through backward and forwards linkages both in rural and urban areas. Interventions are needed on the following:

- Most of the horticultural crops have low yields, short shelf life and inferior quality especially their suitability for processing,
- Post harvest losses range from 12-40 percent of output amounting to 50 billion rupees annually. They are attributed to non-standardized nursery plants, non-availability of disease free seeds, poor management and poor cultural practices,
- Inadequate grading, poor quality packaging and limited cold storage facilities are the other hurdles to the export of horticultural products,
- Only a small proportion of the total production of vegetables and fruits are processed and major part is consumed or exported in raw/fresh form, and
- Due to improper certification facilities for organic horticulture crops, our exports are not earning premium prices in the international markets.

4.3.2 Policy Recommendations

The essential infrastructure required for higher growth of horticultural crops includes:

- **Refrigerated transportation and cold storage:** Establishment of cold storage and refrigerated transport facilities by the private sector at the major production areas, consumer centers and export points is a pre-requisite. An incentive package needs to be developed for ensuring greater participation of the private sector. The second tier of the proposed "GTs" can also be used for the cold storages.
- **Proper packaging:** Proper cleaning, grading and packaging indeed fetch a higher value of the horticulture products. The processes involved are also labor intensive.
- **Certification**: Certification of fruit plants and registration of private fruit nurseries are necessary for improving quality, establishing uniform and disease free orchards, and ensuring quality of products especially for export market.
- **Hybrid seeds:** Development of insects and disease resistant hybrid seeds and new varieties for vegetables and flowers with longer shelf lives and suitable for processing are required for the value addition.

An integrated and well coordinated approach to implement these recommendations carries large employment dividends. Picking, cleaning, grading and packaging for example are labor intensive. Better processing indeed would fetch a higher price both locally and globally.
It would be desirable if the agriculture research focuses on: i) hybrid seed development for vegetable and flowers, ii) development of seedless "Kinno", iii) improving shelf life and quality of mango and other important horticulture crops, iv) introduction of new horticultural crops and plants such as avocado, palm oil, olives, etc, v) improvement/development of post harvest handling technologies for important horticultural crops, and vi) organic farming especially for exports

4.4 Livestock Development

Livestock farming contributes substantially to employment and income generation for rural population; 30-35 million people living in rural areas are engaged in livestock rearing and 30-40 percent of their income comes from selling livestock products. Milk, meat and eggs are the most important products of livestock sub-sector. Its share in agricultural value added is 39 percent. Meat production increased at the rate of only 2.7 percent during the last decade. However, the carcass yield remains low and static over the last 10 years. Poultry sector has played an important role in food supply through an annual increase of 12.7 percent in meat and 93 percent increase in eggs production during the last decade.

4.4.1 Policy Areas

Besides generating employment opportunities, the large scale production of livestock can help in stabilizing prices of meat, eggs, milk and milk products. The major constraints limiting livestock production include shortage of fodder coupled with its poor quality, poor genetic potential, nondescript breeds, long gestation period, long calving interval, low adoption of artificial insemination and vaccination, inadequate health care, poor management practices, inadequate marketing facilities and heavy initial investment.

We have 30 percent deficit in feed resources to sustain the existing livestock. Thus animals are underfed and merely body maintenance requirements are being met with little left to be converted into milk or for rapid body growth. Green fodder along with roughages (crops by-products), weeds and grasses are being fed to the animals with little supplement from home grown grains, kitchen wastes, concentrates/commercial livestock feed, etc. The roughages and fodders have poor nutritional value and digestibility.

Pakistan has good milk yielding local breeds like Nili Ravi (in buffalo) and Sahiwal (in cow) but neither public nor the private sector took any significant initiative to improve the breeds through selection (or breeding) and maintaining the purity. No wonder, an investor is handicapped in getting animals of needed breed.

4.4.2 Policy Recommendations

Good genetic potential, availability of feed resources, improved husbandry practices, effective disease control and aggressive marketing are the determining factors for the

development of livestock. Increasing meat supply requires local breed with high meat yield per animal. The following steps can help in developing the livestock sector.

- Greater and effective dissemination of incentive package for big commercial livestock farming; the proposed “GTs" can be rather effectively used for this purpose,
- Effective animal disease surveillance system and modernization of diagnostic facilities and establishment of Foot and Mouth Disease vaccine production facilities preferably at different tiers of the proposed “GTs”,
- Provision of chillers at lower tiers of proposed “GTs”, and
- Marketing facilities particularly through proposed “GTs".

Livestock for Hajj: An Innovative Program for Livestock Development

There is a huge export market for Pakistani livestock especially in the Middle East, Afghanistan and other neighboring countries. Pakistan can also benefit from the huge demand of sacrificial animals during the Hajj season. Every year millions of Hujjaj-a-karam (Pilgrims) from all over the world visit Saudi-Arabia to perform Hajj. One of the obligations of this religious duty is to sacrifice one animal to complete the ritual. Saudi Arabia imports millions of animals every year just for this purpose. Most of the animals are imported from New Zealand, Australia and America. We need to explore the possibility to export animals for this purpose or take part in some other way. So far, we have no share in the Saudi imports of sacrificial animals but a big share in sending Hajjies. Every year more than 100,000 Pakistanis perform Hajj on official arrangements while at least half of this number performs on their own arrangements.

There is a need to develop a strategy to take part in this annual event by raising animals of good quality. At the first stage, we can negotiate with Saudi authorities to let us supply animals only for Pakistani Hajjies. We can also explore the possibilities of arranging sacrifice in Pakistan for Pakistani Hajjies. Once entered this market, we can increase our share with more commercial farming and this can become a permanent source of export earnings.

4.5 Milk Production and Processing: White Revolution in Waiting

Pakistan is one of the leading (5^{th} in the ranking) milk producing countries in the world. It has a vast potential to produce and export many of the milk products: cheese, ice cream, indigenous dairy products, butter, and liquid and dried milk. The processed milk products include pasteurized milk, ultra high temperature (UHT) treated milk, condensed milk, dry milk powder, yogurt, butter, cheese and some other products. With the increase in the population, the demand for milk and milk products is rising rapidly within country and all over the world.

4.5.1 Policy Areas

The annual growth of milk production during the last two decades of over 6 percent notwithstanding, national average of milk yield remains quite low. The quality feed is expensive and animals are not fed properly. A large quantity of milk is used or processed within households and only a small proportion (less than 2 percent) of the total milk produced is being processed at the dairy plants.[5] The raw milk marketed through a large chain of intermediaries often lack quality mainly because of non-adoption of clean milk production practices at the farm level, lack of chilling facilities, use of substandard containers and adulteration. Higher frequency of milk collection due to inadequate chilling facilities, increasing energy costs, inefficient milk collection, processing, and distribution system and costly packaging result in high prices of processed milk and milk products relative to the fresh milk or traditionally processed milk products.

There is a large employment potential in milk and milk products if developed on commercial lines. Currently out of 38 major commercial dairy plants with 2.18 million liters of daily capacity, only 13 plants are in operation with milk processing capacity of over one million liters per day.[6] Presently, only 40 percent capacity is utilized due to depressed demand for processed milk and milk products. About half of the available milk to the industry is processed into UHT milk, 40 percent into powdered milk, and the rest into other milk products like pasteurized milk, yogurt, cheese, butter, etc.

Despite a fairly long list of processed products, the diversification (flavor and fat based), byproduct extraction and value addition has been low.

4.5.2 Policy Recommendations

The following actions are recommended for the development of dairy sector in the country.

- Promotion of clean milk production at the farm level in the short and medium run,
- Promotion of milk chilling at the village level or at the first tier of the proposed "GTs",
- Encouraging formation of co-operatives by farmers,
- Reducing milk collection frequency in the long run,
- Developing a mechanism for greater use of pasteurized milk in the short run,
- Introducing UHT milk and promoting its demand through programs like food for school children in selected areas,
- Product diversification towards high value addition and extraction of byproducts,
- Food safety regulations incorporating complete milk quality standards and strict implementation to protect consumers, and
- Imposing a ban on selling unprocessed open milk in selected cities by the year 2010 and a complete ban in other parts by 2015.

[5] In India about 12 percent milk is being processed and that too in the organized sector.
[6] In addition, two military dairy plants are in operation on non-commercial basis.

4.6 Fisheries

The development of this sector on commercial lines possesses immense potential for employment. Pakistan is blessed with both marine and inland fisheries resources which support a wide variety of fish of nutritional significance and economic value. Although share in overall GDP is currently small (0.3 percent) but its contribution in export earnings (US$160 million) and employment in the coastal areas is substantial (400,000 fishermen and their families)[7]. During 2005-06, fish production in the country was estimated at 581,000 metric tons, of which, share of inland fisheries was 175,000 metric tons. The exports during the year were 105,000 metric tons.

4.6.1 Policy Areas

The major problems and bottlenecks limiting fish production in the country are: i) inadequate institutional and infrastructural facilities, ii) lack of trained manpower, iii) shortage of quality fish seed, iv) non-availability of modern fishing gears, v) aquatic toxicity, vi) shortage of proper storage and marketing facilities, and vii) inadequate extension facilities. The sector is developed on old marine fish harvesting technology and as yet has to adopt international standards in post harvest handling and processing. The catches are not properly chilled, quantity and quality of ice used on board and at the harbors is inadequate and use of unclean water for washing shrimps are the main source of hygienic problems.

4.6.2 Policy Recommendations

More employment opportunities can be created through higher value addition in fishery products through:

- Improvement of fishing boats and nets,
- Better fish handling, processing and marketing practices,
- Encouraging private sector for the development of aquaculture (Indus River and its tributaries, a large canal irrigation system, natural lakes and storage reservoirs besides farm fish ponds of varying sizes can generate high value added in the sector),
- Priority needs to be given to the commercial shrimp aquaculture on Sindh Coast near Indus Delta,
- Strengthening/establishment of shrimp/prawn hatcheries,
- Establishment of a network of diagnostic laboratories, and
- Development of fish feed industry.

4.7 Conclusions

The agricultural sector and allied industry (livestock, poultry and dairy) accounting for the bulk of the employed would continue to keep its importance in determining employment and poverty levels. However, we have a choice; keep it a low yield, low quality and low value added sector or to make it a thriving sector with value addition and product diversification? A thriving agriculture and allied industry would also be able to reduce pressure on rural to urban migration and corresponding increases in low productivity informal sector employment in urban areas.

[7] The share of fisheries in the total employment is only 0.2 percent in 2005-06 (LFS 2005-06) that too has come down from 0.3 percent from 1996-97.

The agricultural economy still needs to play an important part in increasing productivity and incomes while maintaining its labor absorptive capacity; this needs to be adequately tapped. The set of policy areas identified and recommendations made in fact are a pointer to the potential that can be effectively realized. Seen together with GTs and AHANA, a mechanism is developed for rural transformation and modernization.

5

Employment Expansion in Industrial Sector

5.1 Introduction

Despite being important for the economy, Pakistan's industrial sector, as yet, has neither diversified nor introduced modern technological processes of significance. Currently, this sector is dominated by the traditional food and textile products that are largely based on low technology. Hence not only the value addition is small but the benefits drawn and contributions made are far less than the potential. Such an observation notwithstanding, industrial sector possesses significant potential for growth, modernization and employment expansion. This is nevertheless contingent upon greater integration with global market, increased factor productivity and gradual shift to higher end products.

The trends in the world trade show that out of 66 categories of products 22 have increased their shares in the total value during 1992 to 2004. The winning products relate to: i) electric appliances, ii) telecom and recording devices, iii) medicines and medical devices, iv) business and data processing devices, and v) land transportation devices. These industries use sophisticated technologies and employ well trained and skilled workforce. Only two products from Pakistan i.e. "furniture-ware/bed-ware" (9^{th} in Pakistani exports) and medical devices (10^{th} in Pakistani exports) are among the "winning industries" but their share in

Pakistani exports is very small (1.4 percent and 1.2 percent, respectively). On the other hand, many primary and low value added products experienced a decline in their share. Among those losing industries, "yarn and textile" and "apparel" accounting for 71 percent of Pakistani exports, recorded the largest decline in their shares.

The way forward for Pakistan is to align itself with the emerging trends and investment in the "winning industries". These industries have potential to generate more employment opportunities and take economy into higher growth path. Being endowed with a large size of the workforce, we would need to simultaneously focus on the promotion of labor intensive industries, especially the traditional export oriented and those having backward and forward linkages by enhancing productivity and competitiveness. A clear and convincing "road map" of the policies together with commitment of their continuity is a "pre-requisite" for the growth of industrial sector.

5.2 Textile Sector

Textiles and clothing are the leading industries of Pakistan. With a 24 percent share in value added of the manufacturing sector, the textile industry employs 38 percent of the workforce in the industrial sector and constitutes roughly 70 percent of total exports. Because of the employment potential, there is a need to strengthen the competitiveness of the textile sector. The necessary steps needed are highlighted below:

5.2.1 Apparel Industry

Low value added textile products being exported currently would have to be changed by increasingly exporting high value added products whose share is rising in global trade. The higher share (54 percent) of blended fabrics, with more than 85 percent cotton, is exported without any processing thus fetching low unit price. To capture a greater share in the rapidly expanding global market for high value added textile products, the textile industry must move up the value chain and increase the share of high value added garments and made-ups in its export portfolio.

The most promising area for employment generation in textile sector is the apparel industry with huge global market and rising annual share. The exports can be maximized by moving up to the value chain both within and across all the sub-processes of the textiles sector.

5.2.2 Policy Areas

The growing number of new styles and collections is reducing the product life cycle and time from design to delivery. Skill shortage, especially in apparel designing and stitching, has hampered the growth of the sector to exploit its potential. The quality of the fashion garments and accessories need to be high to compete globally. For that fabric has to be of good quality. The value chain analysis shows that low quality is introduced in every process and we cannot single out one main reason. Starting from picking and storage, contamination

is introduced in cotton due to non-standardized methods. The low count yarn produced by the spinning industry and the fabric produced on power looms by low skilled machine operators trained through the traditional *Ustaad-Shagird* system are the other causes of low quality. The dyeing of fabric does the rest.

5.2.3 Policy Recommendations

The apparel industry needs to improve product quality, move up the value chain, lay technological foundations, and strengthen global business operations to generate more employment opportunities as well as becoming a global player. Emphasis should be placed on the promotion of value added products especially in new designs and products. To facilitate transformation of the textiles sector into a strong, dynamic and internationally competitive industry the suggested policy interventions are:

- Facilitate the industry to attain and sustain a dominant position in the made-up garments,
- Revitalize the institutional structure to strengthen skills and capabilities of human resources,
- Enable the industry to move into a higher technological orbit, and
- Encourage the active public-private partnership.

Encouraging Joint Ventures

The apparel sector would benefit more than other segments of the textile industry from foreign investment. Joint ventures with foreign apparel manufacturers would put our industry in the international supply chain, bring in new technology and even help in introducing Pakistani brands in the global market. The Trade Development Authority of Pakistan (TDAP), the Board of Investment (BOI) and the Textile Ministry can play an effective role in encouraging joint ventures in the textile sector.

Marketing Support

Aggressive marketing of textile products in the global market is essential for the promotion of this sector. The image of Pakistan as supplier of quality products can be promoted through regular participation in international product exhibitions and trade fairs. Single country fairs, road shows and exhibitions can also be arranged to promote Pakistani products. The TDAP should workout a "country specific strategy" for each product for effective international marketing. It should also help the private firms in their endeavors to build image and brand name.

This document strongly recommends establishment of a "Corporate Marketing Company" as a public-private partnership to provide professional marketing support to the entrepreneurs in the apparel sector. The TDAP may be asked to help in its establishment.

Textile Cities and Strengthening of Textile Clusters

The rapid promotion of textile sector needs a coordinated infrastructure of policy, plans and programs. The implementation of such policies and programs will be more effective if most of the industry is located within a specific geographical area. The textile sector consists of a large number of SMEs and these clusters are mostly located in Faisalabad, Lahore and Karachi. Declaring them as "Textile Cities" will help in bringing necessary infrastructure (physical and human) and facilitate implementation of policies. The clusters are important to provide cost-effective solution to deliver targeted technical assistance for upgrading technology, management and marketing.

Common Facility Centers (CFCs)

Many SMEs lack modern design and production capabilities. To facilitate such enterprises, there is a need to establish CFCs in the proposed "Textile Cities". By providing essential machining facilities and other common services, these centers would help in gaining greater competitive strength and developing collective efficiencies. These centers can encourage cooperation between firms in upgrading technology, organizing consultative meetings and disseminating information.

Co-operatives for Power/Auto Looms Sector

The power/auto looms sector - fragmented and small size - makes it difficult for the operators to upgrade their processes and technologies and to take advantage of the supporting services provided by the public sector. It is, therefore, proposed that the informal sector should be supported through the formation of co-operatives i.e. Common Manufacturing Facilities (CMFs) with multiple ownerships. Such co-operatives may be provided with easier access to credit, technical and marketing support services.

Human Resource Development

Higher productivity and product quality is crucially linked with the technical and vocational competence of the workforce. Textile sector specific skills development/up gradation centers need to be established in "Textile Cities". In addition, there is also a need to increase enrollment in the existing institutions run by the TEVTA and others. Appropriate incentive mechanism needs to be developed motivating private sector to invest in on-the-job training to upgrade the skills of their workforce.

Technological Up-gradation

The low-tech production facilities in textile sector need up-gradation particularly in the weaving, garments and made-ups sections. Policy measures are also needed to strengthen support institutions in undertaking R & D especially in scientific and technological areas.

A technology up-gradation fund is proposed to be created. This fund should exclusively focus on the "textile industry". This fund should also endeavor developing public-private partnership.

5.3 Leather Industry

It is the second biggest export-oriented industry in the manufacturing sector and third in the overall exports of Pakistan. Footwear, leather garments, leather gloves, handbags,

laptop bags, purses, key chains and wallets are the major leather products. The leather sector contributes around 5 percent to GDP, 7 percent to the exports and provides direct employment to around 250,000 workers. With a global leather export market of $20 billion, Pakistan has all the potential in significantly raising its current share of just 3 percent (total exports of leather are around $ 0.6 billion).

5.3.1 Policy Areas

The leather tanning industry produces about 6 million hides and 36 million skins annually which fall short of the local industry demand. A higher proportion of these hides and skins get damaged due to improper slaughtering and preservation techniques, and diseases. About 130 different chemicals used in leather processing are imported. Moreover, shortages of skilled manpower are also acting as constraint. The leather industry is mostly under-developed and lacks marketing links.

5.3.2 Policy Recommendations

To expand the leather industry and generate more employment opportunities, following policies and programs are proposed:

- Pakistan's export of leather to European Countries is declining due to shifting of tanning industries to China, Korea and other Asian countries. To successfully penetrate in the export market and raising share, Pakistan has not only to reduce the cost of production and make it comparable with the "competitors" but equally important is to raise productivity,
- Duties imposed on raw materials, considered high, are acting as a major constraint for exporting leather shoes and meeting increasing global demand. Duties on tannery machines, spare parts and raw materials should be reduced or even made duty free for enabling greater Pakistani exports,
- Lowering of tariffs would bring a change in relative prices of products across the chain; reallocate resources to greater production, technological innovation and new production structures,
- Special incentives need to be provided for setting up industries for the manufacture of international quality trimming, accessories, component and inputs required by the leather industry, and
- Declaring Kasur and Sialkot as "Leather Cities" to promote leather industry.

Export of high grade leather leaves only low grade leather for Pakistani leather garments which are losing grounds to products from China and other countries. Tariff on export of finished leather needs to be sufficiently high so that its domestic availability is not affected thus helping local industry to produce good quality leather products.

5.4 Chemical Industries

It is a multi-dimensional industry having links with a number of other industries. Development of chemical industry therefore can create employment opportunities for both

skilled and unskilled workforce. Currently it is only a packaging, mixing and blending industry. Most of the chemicals used in the industry are imported which constitute, on average, 15 percent of total imports. Development of the chemical industry depends upon the movement into higher value-added products in upstream and downstream activities, feed stock availability, technology and skilled manpower.

5.4.1 Policy Areas

Production of chemicals from the domestic resources of natural gas, petroleum and coal carry a vast potential of value-addition which has yet to be realized. The only exception is the use of natural gas to produce fertilizers. The "Naphtha Cracker" is however essential in the development of petro-chemical sector. The factors responsible for non-development of petrochemical industries include:

- High depreciation of plant and equipment, costly spares and replacements, low capacity plants; batches type operation and not a continuous process, and low productivity,
- Energy-intensive chemical industry and high power prices,
- Non availability of feedstock for a reasonable size of basic petrochemical production,,
- Market size limitations, and
- Limited local manufacturing, engineering and design, and technical back-up facilities.

Inorganic Chemicals

The agricultural raw materials are not fully utilized in value added products while mineral raw materials are not exploited due to lack of infrastructure. There is a need to develop chemical industry based on agricultural and mineral raw materials. These raw materials are available in abundance in Pakistan. The processing industry based on these raw materials has vast potential. The agro-based raw materials and by-products include molasses, bagasse, rice husk, vegetable seeds, starches, cotton linters, wheat straw, wood, animal fats and bones.

Organic Chemicals

Pakistan has inadequate crude oil resources but a good quantity of associated gases like Ethane, Propane and Butane produced from the oilfields in the Punjab and Sindh. Currently, there are 0.6 trillion cubic ft (17.8 million TOE) reserves available and the production rate is 40 billion cubic Ft (1,143,000 TOE) per annum. These gases can be transformed to ethylene and propylene, etc.

5.4.2 Policy Recommendations

Specific policy measures needed for each sub-sector of the chemical industry to fully tap the employment and development potential are as under:

Fertilizers

Urea accounts for 71 percent and DAP 15 percent of total fertilizers consumed in Pakistan. The National Fertilizer Development Center (NFDC) has estimated a growth rate of 2.5 percent for urea and 5 percent for DAP over the next ten years. There is a need to exploit the full potential of existing fertilizer industry. Necessary incentives need to be provided in view of heavy investment required in this sector.

Pesticides

The import of pesticides exceeded Rs 7 billion during 2005-06. It is not possible to manufacture all active ingredients in the country because of the absence of petrochemical base and the lack of required R & D facilities. Some ingredients, especially the basic chemicals, can be produced and used in pesticides for cotton crop. Several smaller plants need to be set-up to produce and formulate different types of synthetic insecticides, fungicides, herbicides, rodenticides, fumigants, weedicides and organic (plant-based) pesticides for domestic and export needs.

Fermentation Products

Large quantities of organic biomass such as molasses, starches, cellulose, shrimp shells, etc are produced in the country. These can be used as raw material to produce value added chemicals, such as: industrial alcohols, citric acid, acetic acid, etc. both for domestic and export markets.

These industries are generally low-tech and low cost in nature, and Pakistan has definite comparative advantage over other countries. – this potential needs to be effectively tapped

Essential Oils

There is a wide range of essential oils used in perfume and food industry. Leaves and flowers of natural plants, the raw materials for these oils, are available in abundance in Pakistan. Due to the availability of flora and fauna, production of essential oils should be encouraged to substitute import of perfumes which are more than Rs 0.5 billion per year. High quality essential oils can also be exported.

Organic Chemicals from Molasses

About 2 million tons of molasses are available per annum and about 1 million ton is exported at a nominal rate of about Rs 2,000 per ton. Molasses is a by-product of local sugar industry and can be converted to value-added organic chemicals. The conversion of molasses to ethane can be the first step towards value addition in sugar industry. Industrial alcohol, acetic acid, oxalic acid, citric acid, acetone, ether and pharmaceuticals can be produced from molasses.

Smokeless Coal for Fuel

Smokeless coal can be produced by proper blending of coal, calcium oxide and bagasse - all are abundantly available in Pakistan. This mixture does not produce smoke or smell and therefore it is more appropriate as domestic and industrial fuel.

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Naphtha Cracker

A world-scale cracker should be established in Pakistan, along with major down-stream plants in the first phase. This should be followed by setting up additional plants. Raw materials made available by naphtha cracker include ethylene, propylene, butadiene, butylenes and aromatic hydrocarbons. With these building blocks, a large number of chemicals can be produced, which include plastics, synthetic rubbers, fertilizers, explosives, solvents, dyes, pharmaceuticals, etc. This will allow establishment of a fully integrated chemical industry in the country.

Human Resource Development

Human resources would need to be developed to efficiently operate chemical related processes and improve productivity levels. There is a need for upgrading and periodically updating the skills through the process of continuous exposures and training tools. The interaction among the operating technical manpower of various chemical industries to exchange/share experiences would be quite helpful.

Detailed study of each of the identified product - a pre-requisite for tapping the potential - needs to be undertaken. Thus analyzing in detail current situation, policies, state of HRD, issues and bottlenecks and making concrete remedial measures with a clear road map.

5.5 Pharmaceutical Industry

This industry, meeting 80 percent of domestic requirement, draws investment of around Rs.3 billion annually. Pakistan has attained a high degree of self-sufficiency in the formulation and packaging of finished pharmaceutical products. However, the basic manufacturing of ingredients is very small; about 90 percent of active ingredients are imported.

We need to develop capacity of the essential ingredients especially where local resources are available. The industry has a vast potential for employment generation due to its links with other industries.

5.5.1 Policy Areas

Although the market of pharmaceutical industry is expanding at the rate of 20 percent per annum, about half of the population has so far no access to modern medicines. The size of domestic market being small, the industry has to enter and compete in the export market, especially in the area of bulk drugs, where competitiveness is almost purely determined by economies of scale. Successful penetration in the global market is thus a challenge that to be successfully met by the domestic pharmaceutical industry. In the context of globalization, intellectual property rights will formulate the rules. Indeed, serious efforts are required to build up pharmaceutical sector as an important source of export earnings.

5.5.2 Policy Recommendations

The major thrust of the policy can be on: pharmaceuticals and drugs, diagnosis pharmaceuticals, phyto-pharmaceutics, veterinary pharmaceutics and alternative medicines

(Homeopathy, Biochemical). Pakistan is rich in resources, which can be used for the production of pharmaceutical raw material both for domestic consumption and for export market. These include:

- Animal by-products (Source of Gelatin, Insulin)
- Fermentation process (Source of citric acid, lactic acid)
- Biomass production
- Minerals (Source of calcium resource)
- Monoclonal antibodies
- Hybridization
- Production of vaccines

Proper utilization of these resources can help in developing this sector as well as resulting in substantial savings in foreign exchange. We need to focus on:

- Manufacturing of drugs based on slaughterhouse waste, such as: plasma substitutes, insulin, pituitary extract, oxytocin, etc.,
- Manufacturing of the fermentation products,
- Inorganic drugs such as magnesium trisilicate, aluminum hydroxide gel, attapulgite, ferrous salts, kaolin, sodium alginate, etc.,
- Phyto-chemicals such as opium derivatives (codeine, papaverine, morphine), sylimerin, aescin, isaphagula husks, etc. - plants need to be cultivated and standardized on scientific grounds, and
- Organic drugs based on imported intermediates.

UNIDO and UNDP have identified about twenty essential drugs for developing countries with details of the manufacturing plants and their sources of supply, these need to be adequately tapped.

High Quality Raw Material (Medicinal Herbs)

This could be the starting point for investment in R & D. We are among the major exporters of raw herbs and medicinal plants. However, most of these plants are exported without any quality standards and at very low prices. R & D investment in this area should focus on assessing and improving the quality of currently available raw materials, cultivation and conservation techniques, and organic farming.

Standardized Extracts

Standardized extracts are value added products of medicinal plants. Pakistan needs to invest on developing cost effective extraction technologies, raw material analysis and standardization methods for commercialization.

Evidence Based Herbal Medicines

True benefit of value addition can only be utilized through export of finished herbal products. However, a suitable place in the global market for products of Pakistan origin can only occur when they are supported by extensive pharmacological and clinical evidence. In

addition, these products can also play a vital role in meeting domestic health care needs at affordable prices.

Adequate funds should be allocated and efficiently utilized for conducting pharmacological and clinical investigations on various medicinal plants which could lead to new products or strengthening the scientific basis of existing products.

Tibb-e-Unani Medicines

Tibb-e-Unani medicines provide a unique advantage of traditional medicine system for which all the inputs are available locally. Developing these medicines on scientific lines will create a "niche" market for the unique Pakistani products and services similar to Herbal Medicines from China and Ayurveda from India. Expanding herbal medicines sector and creating employment opportunities, however, is crucially linked with greater and effective penetration in export market. Some steps in order are:

- Cultivation, conversation and collection of medicinal plants,
- Testing laboratories of international standards on toxicology, clinical efficacy and follow up. The toxicology laboratories should be capable to issue the suitability certificate of the medicine and its critical impurities, and
- Standardization and marketing of quality herbal extract for exports.

Laboratories need to be established and approved by WHO so that they can:

- *Certify test samples for export in various disciplines,*
- *Certify test samples from market to evaluate quality,*
- *Monitor and evaluate the status of laboratory in the region,*
- *Provide training to the technical staff, and*
- *Provide toxicity testing facility.*

Appropriate training on rational use of drugs should be provided to all healthcare personnel involved in the diagnosis, prescribing, dispensing and administration of drugs.

5.6 Engineering Goods Industries

This sector demonstrates strong backward and forward linkages essential for rapid economic growth and employment generation. It currently employs around 600,000 workers and contributes significantly to the GDP. We save approximately US $3.75 billion per annum through import substitution. The performance of the engineering sector is however less than satisfactory. Its share in meeting local demand is merely 25 percent and with the growing domestic demand imports have almost doubled over last 8 years. Our share in the world exports of engineering goods of US$ 6 trillion is only US$ 0.27 billion.

5.6.1 Policy Areas

Low technological base and low value added production largely confined to the agro based industry are the characteristics of Pakistan's engineering industry. The causes of slow growth are:

- Ad-hoc approach in policy formulation and preferences for imports of turn-key plants and machinery,
- Priority to less value addition areas for investment and tariff support and lack of adequate incentives to attract investment in high value added sectors,
- Unfavorable cost structure due to lack of economies of scale in production, , high inventory carrying costs, low labor productivity, high utility costs and high cost of local inputs particularly steel products,
- Poor quality culture,
- Lack of R & D, design and support facilities resulting in the inadequate vending/sub-contracting facilities, and
- Lack of entrepreneurship and management skills.

5.6.2 Policy Recommendations

We may draw upon the experience of Malaysia and Korea by developing strong engineering base through different measures. Establishment of the Engineering Development Board (EDB) is a right step for providing policy direction and impetus for growth of the engineering sector but a lot is still needed for achieving the potential growth rates. These include:

- A long term industrial policy with clear goals, targets and sector specific incentives,
- An attractive incentive structure for Pakistani firms to have joint ventures with large multinational corporations, such as: GE, Alstom, Sulzer, Siemens, Mitsubishi, Hitachi, Sony, Phillips, LG, etc to invest in Pakistan and make Pakistan member of the global supply chain,
- Renegotiate existing agreements with foreign partners to permit exports (of tractors, cars, etc.) from Pakistan,
- Reform taxation system to ensure effective implementation of R&D tax benefits and timely tax refunds, and
- Remove discrepancies/anomalies of preferential treatment for duty free imports of products.

Human Resource Development

The most important step for the promotion of engineering sector is to allocate more resources to basic, technical and engineering education. Neither the existing institutions are adequately catering the need of the industry nor are they fully equipped to develop the requisite skilled and professional woman and manpower for producing quality products. Therefore the graduates of these institutions are not in line with the industry demand. Hence, HRD for the engineering sector is a pre-requisite.

HRD Boards

Autonomous HRD boards are proposed for each of engineering sector with close collaboration with engineering universities and industry to cater for the industry needs. These boards should comprise of members from the engineering industry, academics and government. The main objective of the Board would be to provide guidance to the academic institutions of the programs needed by the industry. They decide on research grants, student support programs through independent contracts, consulting tasks, co-operative projects with public funding, industry sponsored graduate fellowships, part-time degree programs, student internships, short-courses and workshops.

Internship Program

To have a practical knowledge, engineering students, after completion of course work, should be given one year mandatory internship in the industry. Fifty percent of the internship cost should be paid by the industry and rest may be picked up by the government. The program should be part of the NIP but run by the HRD Boards in different sectors. This will further strengthen the collaboration between industry and universities.

Young Engineers Overseas Training Program

Under the funding of the Higher Education Commission (HEC), Young Engineers Overseas Training Program may be launched for young and bright engineers to provide a dynamic and futuristic technical manpower to the engineering sector. These engineers should be placed in the best universities of Japan, Korea, China, Russia, Europe and USA to get training on the latest technologies.

State of the Art Training Institutions

At least one state of the art institute may be developed for each sector of the engineering industry under the PPP. Such institutes should be equipped with the latest technology so that students can have the opportunity to operate these machines. The HRD Boards are suggested to manage these institutes in close collaboration with the NAVTEC, NTB, TEVTA and SDCs.

Short Term Foreign Consultant

The HRD Boards may also invite foreign consultants of different fields on short term basis to train Pakistani engineers and introduce process efficiencies by upgrading skills and technology.

5.7 Surgical Instruments, Medical Devices and Appliances Industry

This is our important export industry; contributing around US$ 200 million to the exports and providing direct employment to 50,000 workers. The industry can generate more employment opportunities through a growth policy.

5.7.1 Policy areas

The industry is developed on old techniques and produce low value added products of inferior quality. There is no product and market diversification and it caters to the needs of limited markets of the West. This industry can be transformed into a modern medical devices and appliances industry by developing and integrating multiple technologies.

5.7.2 Policy Recommendations

- A clear vision to move industry into higher technology orbit through product diversification,
- Value addition in disposable instruments category that constitutes majority of the production,
- Diversification towards high value added instruments to increase penetration in the European market,
- Diversification towards the development of allied products e.g. plastic disposable products, hospital textiles, hospital furniture, etc,
- Diversification towards non-steel medical devices and electro-medical appliances,
- Exploring non-traditional markets i.e. Middle East, Japan, Africa, South America, and
- Developing Pakistan as the supplier of surgical instrument kits.

First Aid Box in Every Vehicle

A mandatory first aid box in every vehicle is of vital importance for meeting emergencies. It also helps in promoting health education. A policy in this regard would also help in expanding the local industry. The box may contain very important medicines useful in accidents and for some minor sicknesses. The size of the box should be according to the capacity of the vehicle. It can be introduced in phases: first, in all public transport and trucks plying on motorways, second; in all vehicles plying on motorways, third; in all vehicles on national highways, and last; on all vehicles plying on local routes.

5.8 Electric Fan Industry

It is labor and skill intensive industry with low capital-output ratios. Having an export potential, this industry is also witnessing growing local demand. It contributes around US$ 25 million to GDP and provides direct employment to 25,000 workers. The current exports of the sector are less than US$ 10 million.

5.8.1 Policy Areas

Product diversification is important for meeting domestic and foreign demand. Further penetration in the global fan market is linked not only with diversified product base but with a competitive industry as well.

5.8.2 Policy Recommendations

- Diversify and broaden the product range towards plastic and decorative fans,
- Aggressive marketing of the products to penetrate in the American, European, Middle Eastern, Latin American and African, and
- Ensure maximum utilization of existing installed capacity through technological up-gradation.

5.9 Ceramics Industry

This industry contributes about US$ 46 million to the GDP and provides direct employment to around 20,000 workers. With the growth of housing sector, demand for ceramics has increased sharply. Total exports are meager US$ 6 million. Tiles and sanitary industry at present have 83 percent share in the domestic market. The growth and employment potential of industry needs to be effectively tapped.

5.9.1 Policy Areas

"Standardized quality and competitiveness" are the key words in increasing the share of ceramic products including sanitary wares in the domestic and international market.

5.9.2 Policy Recommendations

The sector can be promoted by introducing process efficiencies leading to technological up-gradation and enhancement of competitive advantage. Similarly, sanitary wares industry can gradually increase its exports performance through improved product quality by adopting efficient production processes. The sector, however, needs a detailed study to improve its performance and growth prospects for employment generation.

5.10 Machine Tools, Molds and Dies Industry

The sector though quite small in size and contributing around US$10 million in GDP besides providing job opportunities to around 15,000 workers is important. In fact, it is basic to the development of engineering sector. Hence, it needs to be properly developed.

5.10.1 Policy Areas

This sector - developed on the "misty" culture - characterizes inadequacy of care in measurements, product quality and durability. There is insufficient knowledge of tools and mold manufacturing techniques and material due to the non-availability of machining and manufacturing facilities. The use of obsolete machines is pervasive.

5.10.2 Policy Recommendations

Cost competitive and dynamic machine tools, molds and dyes would go a long way in making engineering sector competitive in the world market. This would only be possible by integrating new technologies and keeping pace with the technological advancements in line with the global manufacturing trends. To promote this sector, some of the recommendations are:

- Establishment of National Molds and Dies Institutes in major industrial cities,
- Increasing production of quality molds, dies, jigs and fixtures including software, CAD, CAM and CAE data processing,
- Development of common facility centers (CFCs) capable of providing services in areas like, surface treatment/texturing, hardness, rapid prototyping, reengineering and scanning, and
- Aggressively developing export markets.

5.11 Automotive Industry

The automotive industry has potential for growth and employment because of its greater backward and forward linkages. The global exports of auto sector are over US$ 600 billion; our share is approximately $50 million. The domestic market is expanding with rising income levels and auto financing facility extended by banks. Since 2000-01, there has been a rising trend in the capacity utilization and the industry at present is operating at full capacity. The sector employs about 300,000 workers and that is expected to rise sharply due to a positive outlook of the industry. A long term auto policy has been approved by the Cabinet.

Pakistan Motorcycle Industry

The Motorcycle industry is growing steadily. It has greater linkages with the vendor industry that shows its potential for growth. This sector contributes US$ 200 million in GDP and provides employment to more than 100,000 workers.

Tractors and Tractor Parts

We being an agricultural country have a large market for tractors. The total capacity of the industry is 45,000 tractors per year but only 78 percent of the capacity is utilized. The tractor density is low (one per 98 hectares) in Pakistan compared to India (one per 83 hectares). It is believed that one tractor ((50 hp) is required for 30-35 hectares of land for optimum farm performance.[8] The sector contributes US$ 200 million in GDP and provides employment to more than 50,000 workers.

Auto Parts Industry

The auto parts industry is $125 billion market dominated largely by the industrialized countries. The share of Pakistan in the total exports is only $25 million. Our auto parts consumption is huge but the local production is only 12 percent of total sales. The industry estimates total sales of Rs 36 billion of auto parts of which local industry share is only Rs 4.5

[8] A power level of 50 hp is economically feasible for 50 ha of land.

billion. The auto parts vendors are also showing steady growth and becoming the most dynamic sector in Pakistan's manufacturing sector. The industry has generated 110,000 jobs, paid Rs 5 billion as levies, exported $25.03 million and saved foreign exchange of Rs 23 billion. As the production of automotive is increasing in Pakistan, the auto parts vendor industry is also expanding. The components produced in the country range between 55-70 percent of total CKD kit. The policy of localization can help this sector to generate more jobs.

Detailed studies are warranted for the automotive industry to identify issues, quality development, standards, domestic and international market potential, the employment potential, and a mechanism for successfully tapping the "potential".

5.12 Electronics Industry

It has emerged as an important industry having strong links with many important industries. The electronics activity in the country mostly consists of repair and assembly of electronics equipment. Some manufacturers are producing small electronics gadgetry including security systems, pay phones, electronic signboards, stabilizers, uninterruptible power supplies, inverters, radio and cassette players and dish receivers. There is enormous scope for indigenous development and manufacturing of electronic equipments in Pakistan. It can also be an important source of employment for the educated and skilled.

5.12.1 Policy Areas

We lack core competencies in electronics including highly qualified manpower and R&D capabilities. The existing industry is fragmented and lacks critical mass. Further, there is no domestic supply chain for electronics manufacturing.

5.12.2 Policy Recommendations

Electronics is a highly innovative field where new developments are taking place at a very fast pace. The industry is driven by demand for products that are smaller, lighter, cheaper and better than the ones they replace. The policy focus should be to:

- Build on the existing capabilities in electronics,
- Attract FDIs in electronics sector to facilitate the transfer of technology,
- Strengthen the capability in assembly and testing of electronic components, and
- Support the development of indigenous supply chain.

Promoting Existing Industry

The electronics activities are mostly confined to assembly and repair. A few manufacturers are making a narrow range of electronics gadgetry. The Government can encourage these businesses by removing the customs duty on the import of electronics components. There is no dual use of these components and cheap import will enable the industry to increase its scale of operations.

FDIs in Electronics

The Government has already announced lucrative incentives for foreign investors. However, the response of foreign investors remains lukewarm not least because of the concerns about business climate and security. It is, therefore, essential to further focus on creating business-friendly environment.

Technology Incubators

The objective of the technology incubators is to help identify opportunities and to assist project teams in the transformation of research projects into new businesses. We need to establish technology incubators through university/government/private sector collaboration. These incubators should aim at providing support to technology start-ups in terms of initial funding and facilities, business plan and strategy, and professional services.

Human Resource Development

Electronics is a knowledge intensive industry and there is an acute shortage of electronics engineers and technicians especially in emerging technologies, such as: Digital Signal Processing (DSP), Optics, Digital Communications (DCs), Microelectronics and Microwave. The production of graduate engineers and technicians is not demand driven, with the result that most employers find fresh recruits needing considerable time before becoming productive. To address these problems, the following programs are recommended:

- **Electronics education**: Compulsory electronics education should be introduced at secondary level as an integral subject of "science group", together with appropriate teaching kits for laboratory work.
- **Internship Program:** To have a practical knowledge, electronics students, after completion of course work, should be given one year internship in the industry. Fifty percent of the internship cost should be paid by the industry and rest may be picked up by the Government. It should be part of the NIP but run by the HRD Boards.
- **Special Support Grants:** Government should provide support to educational institutions through special grants to initiate and/or strengthen their programs in the advanced areas of electronics such as micro-electronics, optics, DSP and DCs.

5.13 Mining and Quarrying

Linked with other industries, this sector has significant development, employment, and export potential. Currently, however the share of this sector in the GDP is just 2.6 percent; it provides employment to approximately 45,000 workers. Though direct employment is low, the sector carries greater indirect employment opportunities.

5.13.1 Marble

We have vast reserves of marble including stone of the highest international standards. These include "Ziarut White" and "Burma Teak" marbles. The net production of dimensional stones is over 70 million tons. The most of the estimated reserves of 3 billion tons are located in the NWFP and Balochsitan. With the current extraction rate of approximately 900,000 tons,

these reserves are expected to last for 175 years. The sector provides about 25,000 direct and indirect jobs. Majority of the mining operations are micro in size very few have the capacity to produce up to 100 tons per day. Likewise, the processing plants are predominately micro and operations are small. However, in spite of the problems, most of the firms are profitable.

5.13.1.1 Policy Areas

Currently, we are a very minor player in the global trade of marble as we lack skilled workforce, machinery and infrastructure necessary to command the highest prices for exported marble. A key factor underlying this is the uncertainty and insecurity of mineral extraction rights. Uncertain land tenure, inappropriate extraction techniques, skill shortages, substandard finishing and transport are the major problems confronting this sector.

5.13.1.2 Policy Recommendations

A number of steps are proposed to promote the marble sector; they are also employment augmenting.

Model Mines

The main issue in the mining sector relates to skill shortages and lack of technical know how in modern extraction methods. Establishment of "model mines" in the PPP with the latest methods and machines would be an important step. The purpose of such mines will be to provide a high tech marble mining and processing facility that can be used as a platform for training quarry masters and as a demonstration project for the mining and processing industries.

Wastage Control

Although a large proportion of the wastage is attributable to current extraction methods and hence the mineral rights issue, there are areas where improvements can be made. Average quarry wastage in the world is 41 to 50 percent of the gross amount produced; however, in Pakistan quarry loss regularly approaches 70 percent. Taken together with the high amount of waste in the processing industry, total wastage of the marble stone from extraction to final consumer can be 85 percent. This is a colossal waste and needs to be controlled with modern extraction techniques and transportation equipment. Training of mine workers is essential to control the waste.

Marketing

Marketing is a very weak point for the industry. Very few Pakistani producers go to trade shows. Since exhibiting at trade shows is one of the most important forms of marketing products internationally, it needs to be taken up by the TDAP on priority basis.

Marble City

Recognizing the importance of this sector, the Government has established a "marble city" at Hub Chauki. It now needs to be fully developed on priority basis with operationlizing "one window" and creating the entire necessary infrastructure including state of art training facilities.

5.14 Other Minerals

Pakistan has a number of natural resources which can contribute significantly in the economic development and employment generation. Some of them are discussed here.

Iron Ore and Copper

Pakistan has over 430 million tons of iron-ore reserves but annual extraction is less than 50,000 tones. Copper and gold reserves are available at Koh-i-Dilal, Ponkit, Pashin, Pharra Koh, Samkoh and other mountainous regions. Iron ore is needed for steel making whereas copper is important ingredient for the engineering and electrical industries. There is a need to expand exploration activities for iron ore and copper as well processing to draw maximum benefits. The possibility of value addition in these minerals is 80 percent which can lead to expansion in industry.

Magnesite

Large reserves are available in Balochistan (in Muslim Bagh and Khuzdar) and in NWFP (in Kunhar and Abbottabad). However, we no have no plant for the manufacturing of refractory bricks. The bricks are used in cement, steel, foundry and other heat installing units. The heat intensity of the magnesite refractory bricks is high and it increases the productive capacity and life of kilns.

Phosphate

About 24 million tons of potential reserves are available in Hazara district. Its development can help in increasing production of chemicals particularly chemical fertilizers. Technology acquisition and adoption, and later commercialization are the “key”

Gypsum/Anhydrite

We have gypsum reserves of 5-6 billion tones; extraction is only about 328,000 tones. It can be used as soil conditioner for the correction of sodic salts, treatment of low quality tube-well water, canal and distributaries lining, and in construction industry. In medicine, it is used for sterilization, reduction in disease particularly Malaria, TB and Hepatitis. Currently, production methods are defective, inefficient and expensive with no quality control.

China Clay

The country has about 4.9 million tons of resources but annual production is a mere 54,000 tones and we are importing China Clay for industrial use. A policy is indeed needed for increasing domestic production to domestic needs as well as entering export market. The main users of China Clay are Ceramics, Paper Filing and Coating, Paints, Rubber, Agriculture and Pharmaceuticals.

Coal

We are sitting on coal reserves of 185,173 million tons with mine-able reserves of 1,982 million tons. Thar reserves in Sindh Province are 175,506 million tons out of which 1,620 million tons are mine-able. This coal having sulfur of less than 3 percent and ash content with a range of 2.9 to 11.5 percent appear suitable for production of petrochemicals. The country needs to fully utilize this resource.

5.15 Energy

The supply-demand analysis demonstrates a growing power shortage; it will continue to pose a serious challenge to the industrialization and modernization drive. In fact, shortages have adverse effect on economic growth. Therefore, it is important to enhance production by increasing the supply of power from traditional sources like hydel, thermal and nuclear and from sources like building micro/mini hydel power units, solar and wind power. Building new dams to increase hydel power is essential for the survival of our industry and sustaining economic growth. This would need to be supplemented by building small hydel and coal fired thermal power generation plants. The development of alternative sources of energy i.e. winds and solar energy can help to reduce power shortages at the local level.

Compressed Natural Gas (CNG), an important alternative energy resource, is emerging as efficient and pollution free fuel. The use of CNG at higher scale will be the right policy and it will reduce inflationary pressures substantially by reducing the transportation cost and reliance on imported POL which is among the main causes of inflation. Switching to CNG is also good for employment because it will create more demand for CNG pumps, mechanics, kit installers and other professionals.

5.15.1 Policy Areas

Currently a number of agencies are involved in issuance of NOC for CNG stations. There is no clear cut policy about CNG.

5.15.2 Policy Recommendations

The policy focus should be to promote CNG usage among motorists and public transport through aggressive measures. This can be achieved by adopting the following steps:

- Time bound program for buses and trucks to convert to CNG,
- Tax on CNG related equipments, such as: CNG kits and compressors should be abolished,
- Public sector universities and R&D institutions should be given research grants for the development of CNG equipment of international standard,
- A clear policy is needed to establish CNG stations. Distance-specific permission of CNG station is needed to avoid concentration in a particular area and expand CNG usage. This policy will increase the coverage and encourage more people to convert to CNG, and

- The subsidy on the gas to increase the spread between CNG and petrol prices to encourage more people to use CNG.

CNG Technology Development Center (TDC)

CNG Technology Development Center should be established in PPP to develop local CNG kits by doing reverse engineering. Up-gradation of the existing kits by making them more fuel efficient, development of smaller and light weight cylinder with bigger storage capacity following the safety standards could be some of the tasks of the TDC. The Center should also look into the development of compressors and other CNG equipments; its funding should be generated through the levy of one percent technology tax on total sale of the CNG and collected through monthly gas bills. The Government can provide matching grants to encourage PPP. The best graduates of the engineering universities having relevant degrees should be recruited in the Center with fixed term employment and on competitive salaries.

5.16 Conclusions

Currently, dominated by the traditional food and textile products, the industrial sector demonstrates significant potential for growth, modernization and employment expansion. It has to diversify and introduce modern technological processes. Increasing integration with global market, a must, is critically linked with higher factor productivity and gradual shift to higher end products. In the world trade, out of 66 categories of products, 22 have increased their shares and the winning products relate to: i) electric appliances, ii) telecom and recording devices, iii) medicines and medical devices, iv) business and data processing devices, and v) land transportation devices. Many primary and low value added products experienced a decline in their share. Among these losing industries, "yarn and textile" and "apparel" accounting for 71 percent of Pakistani exports, recorded the largest decline in their shares.

The way forward for us is to align our industry with the emerging trends and investing in the "winning industries" with greater participation of multinational corporations. Such an emphasis notwithstanding, we would need to simultaneously focus on the promotion of labor intensive industries, especially the traditional export oriented and those having backward and forward linkages by enhancing productivity and competitiveness. A clear and convincing "road map" of the policies together with commitment of their continuity is a "pre-requisite" for the growth and diversification of industrial sector.

Encouraging joint ventures, promoting local brands, providing marketing support and even establishment of cooperatives for some, developing common facility centers (CFCs), establishing human resource development boards, internship programs and establishment of industry specific cities are the cross cutting themes for the industrial sector modernization and transformation.

These are the necessary building blocks for putting Pakistan on a sustainable growth path that is employment augmenting. In fact, enormous employment dividends would occur in the area of domestic commerce and services.

It is strongly urged to establish study groups and/or task forces with the task of identifying bottlenecks, developing remedial measures, employment potential, action plans and even road map for each of the industry. The PPC may act as "initiator, facilitator and coordinator".

6

Employment Expansion in Services Sector

6.1 Education Sector: School Education

Education sector is one of the most important and dynamic sectors having immense potential for employment, promoting social goals and moving country on the sustainable development path. Teachers are the most important input in the promotion of quality education. Currently 3.1 percent of the total employed labor force consists of teachers and there is hardly any change in this ratio in the last ten years (LFS 2005-06). The key objectives of the education sector reform program include: improving access to "quality universal primary education" through improvements in infrastructure, teaching material, and through PPP. Measures to improve quality of secondary education include: strengthening of teachers' training, revising national curriculum and text books, and establishing a National Education

Assessment System. Increasing adult literacy, supporting technical education in secondary schools and mainstreaming "madrissah" education through the introduction of general education subjects are the other initiatives.

6.1.1 Policy Areas

For the long term growth, we have to rapidly develop our human resources by investing in almost all of the social indicators - population, education, health, and nutrition. Pakistan has to stay competitive in the global economy that demands skilled manpower to adapt to the rapidly changing technologies. Although the education is a high priority area in social sector development program, the delivery of education services is still inadequate. It is expected that the effectiveness of the service delivery will improve with the completion of the devolution program. In the meantime, expanding the coverage of successful PPP initiatives could also improve access to and quality of service delivery in education.

6.1.2 Policy Recommendations

Strengthening the system further and achieving objectives of universal education along with generating employment is linked with - besides increase in the budget allocation for the education sector and its better utilization - to the following measures:

- Education system reform to make it more purposeful, dynamic, employment oriented and ready to take economic challenges,
- Integration with leading educational system in the world. An institutional collaboration with leading educational systems should be developed to share their experience through exchange of teachers and students,
- The stream of technical and vocational education being introduced at school should be well designed and need to be area-specific,
- A chapter on "entrepreneurship" is added at each level in post primary education for motivating and promoting entrepreneurship. Prophet Muhammad's saying is important in this regard which can be used as slogan for entrepreneurship development i.e. nine times (Rizq) in business as compared to job,
- Improving governance in the education sector by further strengthening the existing mechanism aimed at more effective management and performance of teachers and by monitoring teachers' competencies and absenteeism in public school system,
- Instituting the effective mechanisms for monitoring outcomes/impacts (drop-outs, completion rate, etc),
- Establish research and development departments at national level to study the world trends and develop educational programs accordingly,
- Teaching should be made more attractive so that good minds are attracted,
- Priority should be given to the teachers' training and refresher courses should be made integral part of teaching career,
- A reward system should be launched for most productive teachers by giving them rapid promotion or increments on the best results,
- One teacher one class: It should be made mandatory for teachers to have one class at one time. The shortage of teachers can be addressed by hiring more

teachers - indeed, this carries considerable potential for employment of educated in particular for women, and

- School buildings should be used for adult literacy in the second shift or in evenings.

Transportation for School Children

Transport facility can play a big role in increasing enrolment, discouraging absenteeism and curtailing drop out rate especially among girl students who also quit schools due to the long distances. The facility may also be extended to teachers. This facility will serve two purposes, security (very important issue for girl students) and a reason to attend school. Besides social benefits and achieving Millennium Development Goals (MDGs), this initiative has a big employment potential at local level. The local bodies should manage the transportation but the funding should be provided by federal government from development budget.

Public Libraries and National Centers Project

Increasing awareness, literacy and providing a platform to the local population for networking, a public library and national center should be established in each city and small town, even at the first tier of proposed GTs. The public libraries should have an affordable annual membership fee and user charges for auditoriums. These libraries and centers should be multipurpose and focal points for all national level events, public gatherings, seminars and training courses. These can be established with the collaboration of education departments and the HEC. Besides promoting social agenda of the Government, these libraries and centers have potential to generate employment at local level.

6.2 Telecom Sector

The telecom sector of Pakistan has shown a sharp growth over the last few years. We have currently over 50 million cellular subscribers. The country, however, still lags behind many of the comparable economies in terms of fixed line density (number of fixed phones per 100 inhabitants), mobile penetration (number of mobile subscribers per 100 inhabitants) and internet usage. Since substantial population is still devoid of telecom services, there exists an enormous potential for growth of telecom sector and employment opportunities. We must develop and maintain a high quality telecommunication infrastructure for the provision of affordable world class telecom facilities. The IT and telecommunication sector has to go a long way to increase the tele-density and access to quality service to the subscribers.

6.2.1 Policy Areas

Under national IT policy, the Government is reducing user cost, extending the services to smaller cities and towns, reducing the prices of personal computers and creating awareness of IT and internet in the general public. If we take into account the present trend of growth of

telephone network i.e. 15 percent, the overall additional demand is projected to be exponential. The telecom sector is facing number of challenges which need immediate attention. Some of them are:

- Low tele-density especially in rural areas,
- Low service standards,
- Lack of disaster recovery, data warehouse and dearth of international call centers,
- Lack of network security, strategy and awareness,
- Lack of R&D in the telecom sector for indigenous production of telecom equipments. Moreover lack of co-ordination for the sharing of experience among the telecom R&D and manufacturing companies as well as universities, and
- Low broadband penetration and high frequency charges.

6.2.2 Policy Recommendations

The main policy focus is to further enhance the role of private sector in the provision of telecom services. The public sector to confine its role primarily in the direction of: regulation, provision of tax and other incentives, and creating conducive environment for private sector. Some of the steps necessary for this purpose are:

- Expansion of the broadband connectivity for increasing trade, employment opportunities and exploration of the possibility of cooperation with the other countries,
- Reduction in tax on telecom equipments to encourage private sector to participate in telecom sector development,
- Strict monitoring of license obligations for developing the rural area communication networks. Currently, incoming calls are not allowed on payphones,
- Introduction of the 3rd party validation with the help of private sector to check on the service standards and develop strategy to improve the services,
- Investment in R&D for introduction of new technologies with network solutions will be a good step forward. R&D Fund could be used for the customization of the product so as to enhance the capability of the manufacturing industry, and
- Development of the local vendor/support industry e.g. the plastic industry that should be developed so as to provide quality support products for the main industry.

6.3 Information Technology (IT)

The IT industry, particularly software industry, has enormous potential to grow and provide remunerative employment. The worldwide IT services market is growing at the rate of 8 percent in real terms and expected to reach about $ 910 billion by 2010. Of this, about 54 percent will consist of hardware maintenance, IT management and other services. The IT policy has focus on: i) E-governance, ii) IT industry development, iii) IT education and school level knowledge, and iv) targeted IT HRD. For promotion of the industry, more than 2000

cities, towns, villages are connected through internet. The target is to increase the software exports from the current level of about $50 million to $5 billion by 2010-11 and to increase IT professionals to 53000 per year in 2010-11. The main initiatives of the IT development program of the Government include: facilities for quality computer education and training at affordable rates, enhancement of internet infrastructure, efficient internet services at low rates, establishment of software technology parks and data networks, incentives for software exports and computer hardware manufacturing, overseas marketing of software, and the provision of legal cover to the electronic transactions enabling implementation of e-commerce.

6.3.1 Policy Areas

Software development primarily depends upon the qualified professionals. The estimated growth rate of 20 percent per year in the domestic software market would require over a thousand software engineers every year. Currently, however, about 150 software engineers are produced by the reputable academic institutions and another 100 to 150 are being trained on the job by software houses and user organizations. It is important to point out that about 400 to 500 software engineers are produced in other institutions that lack basic facilities and suitably qualified faculty. These low quality graduates fail to meet the market requirements. The overall productivity of the sector is low along with the salary structure of software professionals as compared to the equally qualified professionals in the competing world and therefore "brain drain" is taking place. Moreover, our software industry has not invested enough in the IT sector and the market is characterized by old technologies leading to low charge rates. No wonder, our companies compete in lower value-added segments of the global services market.

6.3.2 Policy Recommendations

It is expected that a substantial part (approximately US$ 70 billion) of the legacy services such as maintenance of mainframe and client server systems will be outsourced globally. The migration to new generation systems will generate new generation services including internet application integration services, ERP/EAS services, maintenance of packaged applications and implementation of components/packages. Out of the US$355 billion market of new generation services, 50 percent is expected to be outsourced.

Pakistan's share in this market will depend primarily on the availability of software professionals. The policy interventions should be in HRD, infrastructure development, regulatory framework and software and hardware industry development. An IT development board is proposed to deal with these issues

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- **Establishment of IT Development Board:** An IT Development Board with autonomous status needs to be established. The board, consisting of representatives from public and private sector, should be empowered to implement the IT policy as well as deal with day to day emerging issues. The board also needs to be entrusted for devising incentive structure for the promotion of IT industry.

- **IT Centers:** To further promote IT sector, state of the art IT centers with all IT related services should be established at different locations in every city and first tier of the proposed "GTs" with high connectivity in private sector. The Government can

facilitate the setting up of the centers with offering some incentives. A model IT center can be established as a pilot project and carefully evaluated for replication.

6.4 Housing and Construction

The housing and construction sector has the largest scope for expansion and generating employment as currently there is severe shortage of (about 6 million) housing units in the country. An employment elasticity of 0.89 and largest links with other industries is an indication of very high growth and employment potential of the sector. The industrial linkages include bricks, cement, steel, paints, varnishes, electricity cables and fittings, sanitary ware, tiles, mining (construction stones, marbles and other ceramic materials), electronics, household appliances and other construction material industries. An estimated 500,000 housing units are demanded annually but the supply is only of 300,000 units. Ministry of Housing has devised the policy of "Housing for All" and the Government has declared housing construction as priority area but a number of problems are hampering the development of this sector.

6.4.1 Policy Areas

A shortage of about 6 million housing units and additional annual unmet demand of about 200,000 units is an important policy area which can boost economic activities and generate significant and fairly dispersed employment opportunities. A number of issues are to be resolved to accelerate and maintain the momentum in the construction sector. The main policy area, however, is none other than intervention in the input markets of the housing construction.

Housing Finance

Limited availability of finances is affecting the supply of houses.

Land Market

Distortions in the land market due to unregulated working of the housing societies, ambiguity in property rights, lack of implementation of property laws, and red tape are affecting the efficiency of land market. All these factors with lack of consumer protection laws have also contributed to the escalation in real estate prices.

Construction Quality

Lack of standards and limited enforcement of existing materials standard coupled with inefficient design manufacturing has affected the quality of construction.

Input Quality

Low productivity due to inadequately trained labor, lower quality of inputs to work with and lack of training facilities results into the low construction quality.

6.4.2 Policy Recommendations

The policy should concentrate on supply of affordable housing to meet the growing demand, particularly in urban areas; it should not exclude poor. Policies related to slums will have direct impact on poor. For example, in China, as part of the new housing policy for the

poor, the Government has set up maximum level of housing for the poor in the urban areas, up to 60 percent (of local average) subsidy for housing area. In the next step housing assistance for the urban and rural residents will be provided. We can also adopt this policy framework to control the distortions in the housing market and ensure "Housing for All".

The intervention in the input markets of the housing construction to rationalize input prices can give a big boost to the construction industry. Following steps can help in promoting the housing and construction:

Housing Finance

House building has a low import component and a high unskilled/semiskilled labor component, demand of housing is income elastic, and the removal of institutional and financial obstacles to house and apartment purchase would actualize a large latent demand for housing (from those who can afford to pay without subsidies) and through linkages to other sectors generate a large indirect demand for labor. Although, the Government has taken a number of steps to increase the availability of finances but it is still below the required funds and carrying a higher cost. An easy way is the collaboration of banks with housing societies on the pattern of the Defense Housing Authority Islamabad (DHAI) and Askari/Alflah Bank. A policy of low interest rates should be initiated for house financing.

Smooth Functioning of Land Markets

In order to reduce distortions in the land market, following steps are critical:

- Ownership rights are defined clearly,
- The working of the housing societies are regulated,
- Tax laws and other standards - with clearly defined and implemented property rights – are enforced,
- Transparency in the procedures for the disposal of government land, and
- Laws for consumer protection are formulation and implemented.

Housing Societies

Development of housing societies and construction of new houses is important to reduce pressure on existing housing stock. The role of the Government is to ensure the time-bound availability of infrastructure by housing societies and allocation of a certain number of plots for low income people. The issuance of NOC to a housing society should be linked with these commitments. A general check list should be made available to land developers and the housing schemes to develop the schemes on modern lines with the availability of all amenities. The check list may include the information on the following:

- Number of plots by size,
- Cost estimates for construction of different sizes of housing units,
- Time required to completely develop the area by making available civic amenities, such as; electricity, gas, telephone, water and sewerage,
- Mandatory provisions for facilities like road links, schools, colleges, hospitals and commercial areas, and
- Type of financing plans available to the owners.

Low Cost Housing

The development of "ferro" cement for low cost and mass housing can reduce the construction cost substantially. This is a low cost technology and it is developed and used in other countries. Low cost can help in achieving the goal of "Housing for All". Hence, import of this technology and commercial production of the material needs encouragement.

Kiln Clusters

To reduce the brick prices and save environment, brick kilns should be located in clusters in designated areas and away from cities. It will be ideal if these kilns are located closed to the energy source because that will further reduce the cost due to the economies of scale and scope. The area after use may be converted into recreation facility with a beautiful lake on the dig-up land. To further reduce the brick cost, development of energy efficient kilns is imperative because the current design of kilns is energy inefficient which is the main reason for high energy cost and brick prices.

New Cities

To reduce the pressure on cities, new cities with all civic amenities and good road networks need to be established. Proximity of motorways and national highways need to be a guiding principle for developing new cities. The National Housing Authority (NHA) should be entrusted with the task of designating areas and developing infrastructure in close cooperation with the concerned local bodies. The visualized benefits, among others, include: i) bringing down land prices especially in big cities, ii) solving over congestion of bigger cities, iii) cleaner environments, iv) creation of numerous economic activities, and v) generation of fairly dispersed productive employment opportunities.

"Apni Chhatt Sub Ka Haq"

Prevailing poverty has made ownership of house by many households a "dream". Many are forced to live in slums in major cities that besides putting excessive pressure on the existing infrastructure affecting the quality of life also carry health and social hazards. The Government intervention is needed to develop demand side programs to increase access to housing services, particularly among the poor. Housing assistance programs in this context can help to build asset ownership of the poor in addition to support to economic development.

***Regularization of Kachi Abadies**: The Government may consider allocating specific amount of funds in the "Khushal Pakistan" program to regularize - one time - existing "Kachi Abadies" in all major cities and provide them basic facilities, such as: electricity, gas, water, roads, schools, health and commercial areas.*

***Area Development Schemes:** On the pattern of Capital Development Authority (CDA), the Government needs to introduce area development schemes in all major cities through the City Development Authorities. Each of these schemes should contain a higher proportion of smaller plots for lower income groups. The allotment criteria should be transparent and local area residents given preference in allotment/balloting. The Authority should develop land, provide all amenities, develop standard housing maps with choices and facilitate construction. To expedite the construction activity, the Authority can go into a contractual arrangement with different companies to provide inputs in the area at affordable rates. A specific timeframe should be given for building house and transfer should be allowed after*

obtaining the completion certificate. This way, people will be encouraged to build houses and will not wait for windfall gain.

Housing for Public Sector Employees: *One of the biggest worry of Government servants is the ownership of a house. Many Government employees go without a house on their retirement and face numerous hardships. A housing scheme - voluntary and open to all Government employees - on the pattern of Defense Officers Housing Schemes can solve this problem. A modality of payment of installment and housing construction should be worked in a manner that by the time an employee retires he/she is able to get a house; remaining amount adjusted from commutation of pension funds.*

Housing for Private Sector Employees: *Many of the private sector employees also are unable to afford a decent house. Housing schemes for them that are self financed and may be similar to the pattern of public sector employees need to be encouraged. The Government can act as a necessary facilitator and regulator for such schemes, and also earmarking areas in different cities.*

Housing for General Public: *A housing program for the general public – on public-private partnership basis – also needs to be started. It should be launched in all major cities in which apartment blocks for 20-25 families are constructed.*

Pakistan Housing Development Corporation" (PHDC): *Establishment of Pakistan Housing Development Corporation" (PHDC) would go a long way in developing and facilitating housing schemes especially for the general public and private sector employees. An initial Government grant through "Khushal Pakistan" and may be even partially through provincial and local governments would an important and necessary facilitating step. Latter, the PHDC should work on self financing basis.*

6.5 Transport Sector

It is another important sector demonstrating significant potential for employment and development due to its direct and indirect linkages with all other sectors. An efficient transport system integrates markets, strengthens communication among people, lowers domestic production cost, ensures timely delivery of raw materials and promotes economic activities. The role of transportation in trade enhancement, tourism development, foreign investment and consequential economic growth is widely accepted. The sector contributes 11.1 percent to GDP, provides employment to 5.9 percent of the labor force and its share in the investment is 12.5 percent.

Relatively higher transportation cost in Pakistan is also acting as a constraint for the economic growth, competitiveness of Pakistan's exports, and improvement of peoples' lives besides generating employment opportunities to its potential. Major issues of the transport sector include: inadequate physical capacity and maintenance system, poorly targeted investment priorities, operational and financial inefficiencies of the public investment, lack of private sector participation and environmental impact.

6.5.1 Road Transportation

The road density, an important indicator of economic development, is low (0.32 km per sq km) in Pakistan as compared to neighboring countries. While Punjab and Sindh have high density, Balochistan has density of only 0.12 km per sq km. Road per population and road per vehicles point to a different story. Balochistan is the highest and Punjab is the lowest in both indicators.

6.5.2 Policy Areas

Insufficient Road Network

The current road network - despite registering an increase of 47 percent in the last ten years and a sizeable portion of the low type roads having been converted to the high type roads under the KPP - is insufficient to cater the needs of the growing population of the country. Pakistan needs at least another 100,000 km network of roads to increase the road density to be at par with developing countries of the region. Due to insufficiency of roads, 30-35 percent of perishable harvest is lost annually.

Deterioration of Road Infrastructure

The assessment of the roads done by a joint study of NHA and World Bank in 2000 indicated that 47 percent of national highways were in very poor condition and only 28 percent of the network was in good condition. The major causes of the deterioration of the road network include: a) rapidly increasing traffic volumes partly due to shift from rail to road, b) inadequate funds for maintenance, c) inefficient government institutions, d) overloading, and e) lesser involvement of private sector.

6.5.3 Policy Recommendations

For an efficient road network and employment creation, HRD is essential in all areas related to transportation. There is a need to train the staff in financial management, road management standard and systems and audit process. The following measures are also proposed:

- Develop an indigenous modern road construction machinery,
- Modernize maintenance system,
- Improving poor road safety records; major institutional strengthening of the road safety bodies is needed,
- Further encouragement and retention of private participation in road construction, maintenance and road safety, and
- Effective mechanisms of checking (and eliminating) overloading of vehicles - installation of weigh bridges and penalty to defaulters is important.

6.6 Urban Transportation

A growing urban population is leading to a commensurate rise in demand for transportation. Currently, private sector dominates in providing transport services which are administrated and regulated by the Provincial Transport Departments, Provincial Transport Authorities and Regional Transport Authorities. After the devolution in 2001, City/District

Government is responsible for urban transportation at the local level. The system is inadequate to cater the needs of the urban dwellers.

6.6.1 Policy Areas

The transportation service and infrastructure have not kept pace with the growing demands of urbanization. Further, ill management has plagued urban areas with slow traffic and congestion, frequent accidents, air pollution and high vehicle maintenance costs due to poor road conditions. The causes for these problems are:

- Drastic increase in the number of vehicles,
- Inefficient, overcrowded, unreliable public transport service, lack of service quality standards and poor traffic regulation,
- Poor alignment, insufficient and inconsistent road width and road side encroachment, and
- Lack of funds for maintenance and up-gradation of facilities such as traffic signals, roads, sidewalks, intersections, parking spaces and drains.

6.6.2 Policy Recommendations

Mass Transit System

The major aim is to develop a good urban transport system to provide fast, reliable, comfortable, safe and affordable services to urban residents. Development of an integrated mass transport system in Rawalpindi/Islamabad, Lahore, Gujranwala, Sialkot, Faisalabad and Karachi in the first phase is proposed.

Revitalization of Karachi Circular Railway

The Karachi Circular Railway, originally put into operation in 1964 as part of Pakistan Railway system, ceased operations in 2000 due to deterioration of facilities and services. This needs to be "restarted" with greater participation of private sector.

Lahore Light Rail Transit System

The light rail transit system has been conceived but never initiated. The time has come to implement such a project to keep pace with the growing needs of the city. Based on the experience gained, such system needs to be replicated in other cities.

A study group/task force is proposed to look into the admissibility and work out modalities for concretizing the said systems/ projects.

6.7 Domestic Commerce

Domestic commerce though possessing large potential for employment generation and growth nevertheless has been an ignored sector in Pakistan. Organized domestic commerce does demonstrate huge potential, among others, for local products development, better quality and standards, and even affordable/cheaper goods. Currently, about 14 percent of the workforce are earning livelihood from this sector.

6.7.1 Policy Areas

Promotion of domestic commerce is crucially linked with a simultaneous focus on tackling issues confronting this sector. The problems that need attention are: real estate prices, ownership titles, supply chains, warehouses, refrigeration, transportation including refrigerated transport, smuggling, taxation structure, infrastructure, human resources, finance to small and medium businesses, and banking system in small cities, towns and village clusters.

6.7.2 Policy Recommendations

The importance of domestic commerce notwithstanding, this area has not been well researched. Thus, policy development is constrained with the lack of any meaningful feedback. The Ministry of Commerce (MOC) has started looking into this sector. However, the need is to pay a larger attention to this sector development on modern lines and in a well coordinated manner. Hence, a time bound "Task Force" consisting of experts and various stakeholders needs to be established by the MOC to study in detail prospects of domestic commerce, problems, possible solutions and implementation strategy.

It would be useful for the "Task Force" to also look into, compare and document the level of ease that people have in opening some businesses/shops as opposed to difficulties in starting businesses particularly that involve a manufacturing process. Impediments to do businesses are identified and suggestions made to rectify the situation.

It is also proposed that a "Domestic Commerce Promotion Authority" (DCPA) is set up by the Government with the sole objective of promoting businesses and trade. Its main task should be to act as a lobbyist for the promotion and modernization of business and trade in the country. The DCPA would also: i) facilitate business start ups, ii) help in developing necessary infrastructure, and iii) act as a source of information, counseling and guidance.

The goal of DCPA should be to create an environment whereby an intending businessman simply walks into the designated facilitating officer and leaves with options and readily available facilities through an operationalized "one window". The proposed "GTs" can be an important facilitating partner.

6.8 Tourism

Tourism - displaying greater links with many other sectors of the economy - is also an important sector for a fairly dispersed employment generation. Indeed, Pakistan provides a vast potential for its growth and employment generation because of the numerous tourist attractions for local and foreign visitors. A blend of old and modern culture, scenic valleys, high peaks, religious sites (for Muslims, Sikhs, Buddhists, and Hindus), historic places, ruins of ancient civilizations such as Indus Valley civilization and Ghandara civilization, Mughal architecture and best beaches present a good collection of tourist attractions.

6.8.1 Policy Areas

The marketing of Pakistan is the most neglected area of tourism. Reliable tour operators and guides, and impregnated security system are the important tourism promoting links missing in Pakistan. Promotion of tourism demand a simultaneous focus on: i) infrastructure, such as good road network, safe and cheaper transportation means, ii) quality hotels and restaurants, iii) tourism related facilities, such as: hiking, trekking, skiing, gliding, surfing kits, fishing equipment and laundry, iv) development of a good quality souvenir market and v) information. The sports clubs providing different sports and gaming facilities such as bowling, horse riding and water sports would also act as necessary attraction.

6.8.2 Policy Recommendations

Besides promoting Pakistan's image as tourist friendly country, all efforts should be directed to develop the tourist market by attracting local tourists and improving upon the facilities to attract foreign tourists.

Local Tourism

To attract and promote local tourism industry, a number of steps are proposed:

- Conducted tours and safaris,
- Packaged tours for different tourist sites,
- Special incentive packages to set up hospitality businesses at tourist attractions, preferences to local area people but open to all citizens,
- Training programs for tourism related businesses,
- Availability of all facilities in the area so that people plan for longer stay,
- Development of recreational facilities at affordable rates at the tourist sites for children, adults, males and females,
- Internet cafes, pay phone booths, libraries, bank kiosks, guide maps and other facilities for the convenience of tourists,
- Availability of recreational and gaming equipments on rent/purchase, and
- Arrangements of special programs, fairs, exhibitions and festivals to attract more tourists.

International Tourism

In addition to the steps proposed above, following additional measures would be needed to attract foreign tourists. Besides conducted tourism packages, following would also need to be looked into:

- A small booklet introducing Pakistan and its tourist attractions needs to be prepared and distributed in the PIA international flights; it should be in addition to the "Hamsafar", the PIA monthly magazine,
- Attractive packages for Pakistani families living abroad to spend holidays and other festivals in Pakistan,
- Painting tourism related slogans, special announcements and programs on the PIA planes to attract international tourists,
- Special kiosks at airports, major railway stations and bus terminals (if possible) with representatives from tourism departments equipped with flyers, maps and other material to guide and facilitate tourists,

- Targeting tourists from Japan, Korea, Malaysia, Hong Kong, Taiwan, Singapore and Arab countries will be more plausible at present time. A large number of tourists are flocking to tourist destinations from these countries. If we attract a fraction of these tourists, that will be an important beginning,
- Developing collaboration with tourism agencies of different countries, and
- Developing regional tourism packages.

6.9 Conclusions

The spread of services sector is very large and covers, among others, activities related to: i) education, ii) health, iii) tele com and IT, iv) transport, v) housing and construction, vi) domestic commerce, and vii) tourism. In fact each of these areas demonstrates significant employment growth and development potential.

The recommendations made when seen together with those dwelled in the preceding chapters are the necessary building blocks for putting Pakistan on a sustainable growth path that is employment augmenting.

While, the focus is stressed on each one of them in terms of adequately responding to the issues raised and measures suggested, this document nevertheless urges greater focus on "domestic commerce, and housing and construction" owning primarily to: a) the need for immediate employment generation, b) realizing in the short term development outcomes, and iii) greater backward and forward linkages. Indeed, employment and development outcomes would be fairly large and dispersed.

A multi disciplinary study group/task force is proposed to look into the admissibility and work out modalities for concretizing each of the proposals made. The PPC may act as "initiator, facilitator and coordinator".

7

Targeted Measures: Guaranteed Employment for All

7.1 Introduction

The discussion in the previous chapters have amply demonstrated vast employment potential that exists in the country. Translation of this potential into reality, indeed a challenge, would require concerted efforts in addressing the issues raised and recommendations made. This document indeed is cognizant of numerous initiatives in the form of: i) sectoral policies – SMEs, Housing, Education, etc, ii) numerous programs and projects being implemented under KPP and other programs, iii) the poverty reduction strategy entering now into its second phase, iv) reforms – currently second generation underway, iv) medium and long term framework - MTDF and vision 2030, and v) greater coordination and monitoring of goals and targets especially of those funded under PSDP. However, realization of our vision of achieving a "rapidly industrializing and modernizing country with equitable distribution of benefits" demands greater, concerted and coordinated efforts wherein decent and productive employment generation emerges as an important goal. The recent economic

performance has certainly created optimism in the overall environment and expected to create significant work opportunities in coming years, thus generating income and reducing poverty.

It is nevertheless stressed here once again that the underutilization of Pakistan's working men and women will continue to be an issue unless coordinated efforts are not put in place for their proper development and effective utilization. The issue that demands immediate attention relates to none other than those who are currently unemployed. What should be done for their employability and productive employment? The answer here is well targeted programs. This chapter takes up the important policy options in different economic areas to enhance the efforts for generating targeted decent employment.

7.2 Targeted Employment: Options and Programs

The issue of unemployment is amenable by a combination of policy instruments having direct and indirect impact on labor market. Public sector development schemes, for example, financed by the Government borrowings are considered to be the direct intervention in the labor market. These have been successfully used in many developed and developing countries. According to the Keynesian approach, "such schemes create employment directly during the construction process, indirectly through linkages to supplying industries, through the multiplier when workers spend their earnings, and dynamically when the assets that have been built (schools, roads, health centers, etc.) help to raise productivity and income in the area and when the increase in demand raises the incentive to invest. They are all self-liquidating, fading away automatically as the level of market demand for labor in the economy rises."

The PRSP also recognizes the need for holistic approach in reducing poverty with direct and indirect measures. In the short-run, targeted development programs are proposed for generating direct employment opportunities. A number of such programs are being implemented in Pakistan to create direct employment opportunities for different groups. Some of the targeted programs include:

- The President's Rozgar Scheme,
- Area Development Schemes under PSDP,
- Micro-credit schemes through Rural Support Programs (RSPs), Pakistan Poverty Alleviation Fund (PPAF), Khushali Bank, and NGOs,
- Prime Minister's One Village One Product Program, and
- National Internship Program (NIP)

It is important to look into the pattern of "employment" contribution by different sectors/industries over a longer period e.g. last ten years, Table 7.1. A careful look enables us to identify sector/industry that can be targeted for further policy interventions. Industries traditionally either remaining insensitive to employment or shedding their share are found to be the following:

- Construction, repair, maintenance of a: irrigation, flood control drainage, reclamation and hydro-electric projects, b) docks and communication projects, c) sports projects, d) sewerage, water mains and storm water drains, and e) pipe lines for transportation, projects,

- Crude petroleum and natural gas production,
- Crude metal ore mining,
- Other mining,
- Crude petroleum and natural gas production, and
- Crude metal ore mining.

Besides agriculture and allied sector, industries demonstrating employment potential and even raising employment over the years are: 1) manufacture of textile, wearing apparel and leather industries, 2) manufacture of fabricated metal products, machinery and equipment, 3) manufacture of non-metallic mineral products except petroleum and coal, 4) manufacture of chemicals and chemical petroleum, rubber and plastic products, and 5) manufacture of food. In services, the industries demonstrating employment growth are: a) social and related community services, b) personal and household services, c) real estate and business services, and d) recreation and cultural services. To them are added: building construction, transport and storage and retail trade.

Table 7.1
Employment by Industries from 1996-97 to 2005-06

Code	Industry	2005/06	2003/2004	99/2000	1996/97
0	Activities not Adequately Defined	0.0	0.1	0.0	0.0
11	Agriculture, Livestock and Hunting	43.0	42.8	48.0	43.8
12	Forestry and Logging	0.2	0.1	0.1	0.3
13	Fishing	0.2	0.2	0.3	0.1
21	Coal Mining	0.0	0.0	0.0	0.1
22	Crude Petroleum and Natural Gas Production	0.0	0.0	0.0	0.0
23	Crude Metal Ore Mining	0.0	0.0	0.0	0.0
29	Other Mining	0.0	0.0	0.0	0.0
31	Manufacture of Food	1.1	1.2	1.4	0.9
32	Manufacture of Textile, Wearing Apparel and Leather Industries	7.6	7.0	5.3	4.7
33	Manufacture of Wood and Wood Products Including Furniture	1.0	1.0	1.1	1.0
34	Manufacture of Paper and Paper Products, Printing and Publishing	0.4	0.4	0.4	0.4
35	Manufacture of Chemicals and Chemical Petroleum,, Rubber and Plastic Products.	0.6	0.6	0.5	0.5
36	Manufacture of Non-metallic Mineral Products Except Petroleum and Coal	1.1	1.4	0.8	0.4

37	Basic Metal Industries	0.2	0.2	0.4	0.3
38	Manufacture of Fabricated Metal Products, Machinery and Equipment	1.2	1.2	1.0	0.9
39	Other Manufacturing Industries	0.6	0.7	0.7	2.0
41	Electricity Gas and Steam	0.5	0.5	0.5	0.7
42	Water Work and Supplies	0.2	0.2	0.2	0.2
51	Building Construction	6.1	5.7	5.5	6.2
52	Construction, Repair, Maintenance of Streets, Roads, Highways and Bridges	0.0	0.1	0.2	0.3
53	Construction, Repair, Maintenance of Irrigation, Flood Control Drainage, Reclamation and Hydro-Electric Projects	0.0	0.0	0.0	0.1
54	Construction, Repair, Maintenance of Docks and Communication Projects	-	0.0	-	-
55	Construction, Repair, Maintenance of Sports Projects	0.0	-	-	0.0
56	Construction, Repair, Maintenance of Sewerage, Water Mains and Storm Water Drains	0.0	-	0.0	0.0
57	Construction, Repair, Maintenance of Pipe lines for Transportation	0.0	0.0	-	0.0
61	Wholesale Trade	1.3	1.2	1.0	1.5
62	Retail Trade	12.4	12.4	11.5	12.1
63	Restaurants and Hotels	1.0	1.2	1.0	1.0
71	Transport and Storage	5.2	5.0	4.6	5.0
72	Communication	0.5	0.7	0.4	0.7
81	Financial Institutions	0.3	0.3	0.5	0.6
82	Insurance	0.1	0.0	0.1	0.1
83	Real Estate and Business Services	0.7	0.7	0.3	0.3
91	Public Administration and Defence Services	2.5	2.5	1.9	3.0
92	Sanitary and Similar Services	0.1	0.1	0.0	0.3
93	Social and Related Community Services	6.0	6.3	6.6	6.0
94	Recreation and Cultural Services	0.3	0.3	0.2	0.2
95	Personal and Household Services	5.5	5.8	5.4	6.1
Total		100.0	100.0	100.0	100.0

7.2.1 Employment Augmenting Industries/Activities

It is worth mentioning that contrary to general perception, a number of industries above are found to be insignificant in terms of employment. This is the area that demands careful analysis to document constraints thereby potential is fully realized. Based on the consultations of the PPC in a number of cities with stakeholders, a large number of employment augmenting industries/activities are identified that can be picked up rather easily for targeted programs.

- Mobile phones, wireless loop, LDI companies and public call offices,
- Internet service providers and broad band service providers,
- Cable services,
- Private and non governmental educational institutions,
- Private and philanthropic hospitals and clinics,
- Medical laboratories,
- Agriculture farm machinery sales and workshop,
- Rural infrastructure,
- Fertilizer, pesticides, seeds and agro-chemical distribution,
- Dairy and milk processing packaging and marketing,
- Livestock, fisheries, fruits and vegetables,
- Advertising, marketing and creative services,
- CNG filling stations,
- Small hotels and especially restaurants,
- Information technology and internet related activities including call centers,
- Accountancy and management consultancy,
- Construction services particularly plumbers, electricians and masons,
- Tourism, and
- Traveling agencies.

7.3 Employment for All: Policy Initiatives

The analysis of the labor market done in chapter-2 does indicate that unemployment has different faces and we need to have a policy mix that deals with the situation. The core unemployed group is a serious concern and within core group, involuntary chronic unemployed need immediate attention. Although majority of the unemployed is interested in public sector employment but about 21 percent have preference for private sector jobs and about 7.5 percent are looking for self-employment. A group targeted program will be more appropriate in current situation to have decent employment.

7.4 Employment Schemes

The core involuntary unemployed group consists of about a million. To propose a scheme, it is imperative to look into different unemployed groups and their characteristics. The unemployed are mostly illiterate and unskilled (47.4 percent) and only 6.4 percent are

having degree level education. About 15.4 percent are primary pass, 10.2 percent are middle pass, 14.8 percent have secondary certificate and 5.9 percent have higher secondary certificate.

7.4.1 Extending the Coverage of National Internship Program (NIP)

According to LFS 2005-06 estimates, 200,000 graduates of different fields are unemployed. These graduates apparently lack resources, opportunities and experience that could have facilitated employment. This pool of high level manpower can be appropriately targeted by expanding the coverage of recently introduced NIP and making placements could be expanded to public and private sector organizations. The coverage can be expanded in phases, by targeting different disciplines, such as: i) S&T graduates, ii) IT graduates, iii) engineers, iv) agricultural graduates, v) business and commerce graduates, vi) graduates in arts subjects. It is urged that women are not less a-quarter of all placements.

The Modality would need to be worked out. The PPC, if needed, can help in developing such a modality together with the NIP secretariat.

7.4.2 National Training Program (NTP)

Enhancing employability of the educated unemployed, a national level training program - with a stipend and active collaboration of the industry representatives - needs to be launched. It should be in phases and training imparted needs to be different for different cities. The chronic unemployed groups with ten years and above education are to be targeted for this program. The qualifying conditions for this program could be:

I- Talented students who scored high grades in their education careers,
II- Unemployed for more than a year, and
III- Household earnings are below certain threshold level (those households who qualify for public assistance/Zakat or other charity may be considered)

This program can be gradually expanded to cover other groups qualifying the laid criteria. The NAVTEC in collaboration with the industry representatives, NTB, TEVTA and SDCs need to work out a modality for organizing training programs. The infrastructure of existing institutions needs to be fully utilized together with ensuring in-plant training in industry and work places.

7.4.3 Self Employment Scheme

About 115,000 unemployed (7.5 percent of core unemployed group) have shown interest in self employment. These persons, not a large number, can benefit from different self-employment schemes and also from "President's Rozgar Scheme" if the scheme is expanded to those areas in which unemployed are interested. It is urged that women account for half of the beneficiaries.

7.4.4 Private Sector Development

About 300,000 unemployed (33 percent of core unemployed) have shown their interest in the private sector jobs; full-time/part-time. Another 67,000 have also shown their

willingness to work with the industry on piece rate or contract basis. Sectors and activities identified above can be rather effectively targeted for private sector development.

7.4.5 Employment Guarantee Scheme (EGS) for Rural Areas

The public sector employment is ranked high among the preferences of the unemployed. However, under the current scenario it is not recommended to expand public sector just for the sake of creating jobs. Thus the focus here is on PSDP for creating employment opportunities at all levels. With the good economic performance, it is expected that the size of the PSDP will increase further and more schemes will be launched in future. The schemes under PSDP are very important in combating unemployment through direct employment creation.

The PSDP programs/schemes need to be linked with employment guarantee scheme (EGS) for rural areas. The EGS providing 100 days of guaranteed employment to unemployed in rural areas.

The EGS can be a revolutionary step and will create tremendous goodwill for the Government. It does not require additional funds and other infrastructure. The existing schemes can be linked with 100 days guaranteed employment for those who enroll for employment in a locality, say at the union council and/or local bodies. In case, local schemes are limited in generating employment, the schemes in neighboring areas can be looked for accommodating these unemployed. In addition there are large numbers of unemployed, who may not be able to get wage employment through targeted programs. Though the very process of economic development, considering an increasing size of the PSDP and the fact that 20 percent of the development budgets of local bodies by law is to be spent on smaller schemes proposed by the Citizen Community Boards (CCBs), a window of opportunity does exist for the launch of the "EGS" in rural areas linked with mandatory provisions of 100 days of wage employment, it would revolutionize the rural areas and small towns. It is urged that women account for not less than a-quarter of the beneficiaries.

The modality however would need to be worked out. The PPC intends to develop a modality wherein greater and effective PPP is ensured.

7.5 Conclusions

This chapter has essentially addressed itself to developing a framework for generating employment for the "core group" of unemployed. The issue of unemployment is amenable by a combination of policy instruments having direct and indirect impact on labor market. Public sector development schemes, for example, are considered to be the direct intervention in the labor market. They are all self-liquidating, fading away automatically as the level of market demand for labor in the economy rises.

In the short-run, targeted programs are important for generating direct employment opportunities. A number of programs are being implemented in Pakistan to create direct

employment opportunities for different groups include: i) President's Rozgar Scheme, ii) area development schemes under PSDP, iii) micro-credit schemes through Rural Support Programs (RSPs), Pakistan Poverty Alleviation Fund (PPAF), Khushali Bank, and NGOs, iii) Prime Minister's One Village One Product Program, and iv) National Internship Program (NIP).

Some of the measures suggested for the "core group" of the unemployed are: i) extending the coverage of National Internship Program (NIP) to different levels and type of educated unemployed, ii) launching a national level training program, NTP - with a stipend and active collaboration of the industry representatives – for enhancing employability of the educated unemployed,), iii) promotion of self-employment, iv) private sector development, and v) launch of an employment guarantee scheme (EGS) for rural areas.

8

Generating Productive Employment Supporting Measures

8.1 Introduction

Sustaining high economic growth with macro-economic stability holds the key in our quest for greater and productive employment opportunities, and in effectively tapping the vast employment and development potential that exists in the country. The second generation reforms aiming for greater macro-economic stability, good governance and continued strong macro economic fundamentals would have not only to be continued but successfully implemented[9]. This is a pre-requisite in creating an environment for greater, deeper and effective participation of the private sector in expansion of economic activities. These efforts

[9] The second generation reforms currently underway are: 1) strengthening institutions and building capacity, 2) building robust, competitive and innovative financial system, 3) further strengthening of tax administration and improving tax/GDP ratio, 4) reforms introduced/underway in judiciary, police and civil service, 5) promoting transparency in economic policy making, 6) further strengthening tax administration, 7) greater participation of private sector, improved competitiveness of industry and value added agriculture

to be equally matched by developing a mechanism wherein considerations on employment and human resource development are made central to macro and sectoral policies, and in setting sectoral priorities as well as allocation of resources.

We have as yet not been able to provide social protection to the population. Further, whatever institutions we have been able to establish with regard to workers' pension, social security and welfare are marked with administrative constraints. In this connection, we are to identify major issues being observed on the functioning and management of workers' pension and welfare funds and social security in the country. Equally important is to address ourselves in: i) bringing more workers under the Employees' Old Age Benefit Institution (EOBI) and Employees' Social Security Institution (ESSI) net, ii) making old age benefit coverage universal, and iii) making use of pension funds and social security contributions effective and productive.

Effective measures are taken and mechanism established in tackling poor ranking of Pakistan in the index for macro-economic environment, public institutions, business competitiveness, global competitiveness, growth competitiveness and human development.

A reformed system is put in place for generating detailed and disaggregated information on: i) pattern of employment and changes occurring in the labor market, ii) nature and extent of unemployment and under employment, iii) annual additions to workforce and their characteristics – education, skills, literacy, gender, areas, and iv) those absorbed annually and relation of work with their education, training and skills.

8.2 An Institutional Mechanism

A dis-connect between macro and sectoral policies, and users (employers) and producers (education and training institutions) of human resources in the country somehow continues, despite significant developments made in the area of better coordination.

A mechanism that i) carefully works out human resource (manpower) requirements emanating from a given set of policies – macro, sectoral, and even regional and local development - and transmits the same to education and training institutions, ii) ensures greater and effective linkages between providers and users of human resources, iii) demonstrates partnership between R&D institutions, universities and industry, and iv) ensures internship for the college and university students in the industry, service and trade both in public and private sector would need to be worked out and institutionalized.

A necessary factor in developing the "mechanism" would be to study and identify sectors, areas, activities and occupations displaying productive employment potential as well as their constraints. In fact the desired delivery would be: i) identification of location specific - say district and tehsil level - product lines/product mix as well as agro and cottage industries that have growth and employment potential, ii) pointing out issues and bottlenecks in utilizing this potential, iii) suggesting remedial measures, and iv) also pointing out existing schemes/programs. It would also help in determining the skill and training needs – locally, regionally and nationally. This would also result in carefully working out human resource

(women and manpower) requirements emanating from a given set of policies – macro, sectoral, and even regional and local development - and transmits the same to education and training institutions.

The need for a Cabinet committee on "Human Resource Development and Utilization (HRDU)" is clearly warranted; it needs to be established with Ministry of Labor, Manpower and Overseas Pakistanis acting as its secretariat. The Labor and Manpower Division however would need to be strengthened in terms of creating greater research capacity and capability. Merger of some of its institutions dealing with training and research would be an important step in this regard. In addition, an inter-ministerial coordination committee on HRDU is recommended at Federal and Provincial levels with the Labor and Manpower Division acting as its focal point.

The Planning Commission needs to have a "Human Resource Development and Utilization Cell" (HRDUC) with participation of concerned ministries, academia, experts, R&D institutions and industry representatives. The HRDUC ideally should look into: i) addressing the "dis-connect" and developing greater linkages, coordination and information sharing, ii) study and identify sectors, areas, activities and occupations having employment and development potential, iii) work out employment outcomes of development schemes, and iv) carry out exercises of manpower projections.

8.3 Gender Mainstreaming

Mainstreaming a gender perspective is a strategy for making women's as well as men's concerns and experiences an integral dimension of the design, implementation, monitoring and evaluation of policies and programs in all spheres so that women and men benefit equally and inequality is not perpetuated. The ultimate goal is to achieve gender equality. The advancement of gender equality is manifested in women's participation in decision making, transformations in institutions and organizational cultures, and collective actions to rectify the gendered practices especially in employment and labor market.

Our HRD scene, particularly at secondary schools and higher levels of education and training, is on the threshold of unleashing a revolution – an increasing "Feminization". The "females" in all probability would outnumber males in terms of enrolments and passed outs. While the overall proportion of girl students in the total enrolment of 33.4 million is over 43 percent, they outnumbered in Inter and Degree Colleges; 53.4 percent of 1.16 million students. Females account for a-third, less than a-third and about two-fifths of enrolment in Universities, Technical and Professional Colleges, and Vocational/Polytechnic Institutions, respectively. This enrolment when translated into passed outs, find female students even outnumbering males e.g. in 2004, the number of successful females in Bachelors examination was higher than males. The women also now outnumber in teaching staff; they are 51.3 percent.

In this backdrop, when we look at the current labor market practices, three-fifths of the employed women are working as "unpaid family helpers" (UPFHs), while 15 percent of them are "self employed" and only a-quarter are working as "employees". Further, more than two-

thirds of the employed women are in the agriculture sector. Full time government jobs are the option preferred by two-fifths of the women unemployed. About a-quarter of unemployed women have indicated preference for self employment. This is the current labor market reality and will have to be carefully integrated in our efforts for gender mainstreaming in the labor market.

Employment and working conditions in the public sector carry facilitates and protections largely unmatched by the other formal sector employers. Hence, it could be a "role model" for "women employment and career development". This document recommends that as a first step, action needs to be taken for an effective implementation of the ten percent quota of jobs reserved for women. This should coincide with filling – to the extent possible – all the vacant posts in the public sector; accumulated number at any given time runs into tens of thousands. In filling the vacant posts and enabling greater number of women's absorption, observance of regional quota may be relaxed for a given time period.

Workplace gender-related issues, such as: harassment, discrimination, equal pay for equal work, day care centers, availability of toilets, maternity leave and rationalizing the procedure are some of the important interventions.

The Public Sector Development Programs (PSDPs) have emerged as important players in setting the pace of growth, addressing poverty and social development. Numerous targeted programs – of income, employment, poverty reduction, education, literacy, health, water, local infrastructure, etc – owe their existence to the PSDPs. A gender dimension to program design and monitoring implementation would be an important step in gender mainstreaming the public supported/funded programs.

8.4 Development of a Comprehensive and Well Coordinated Labor Market Information System (LMIS)

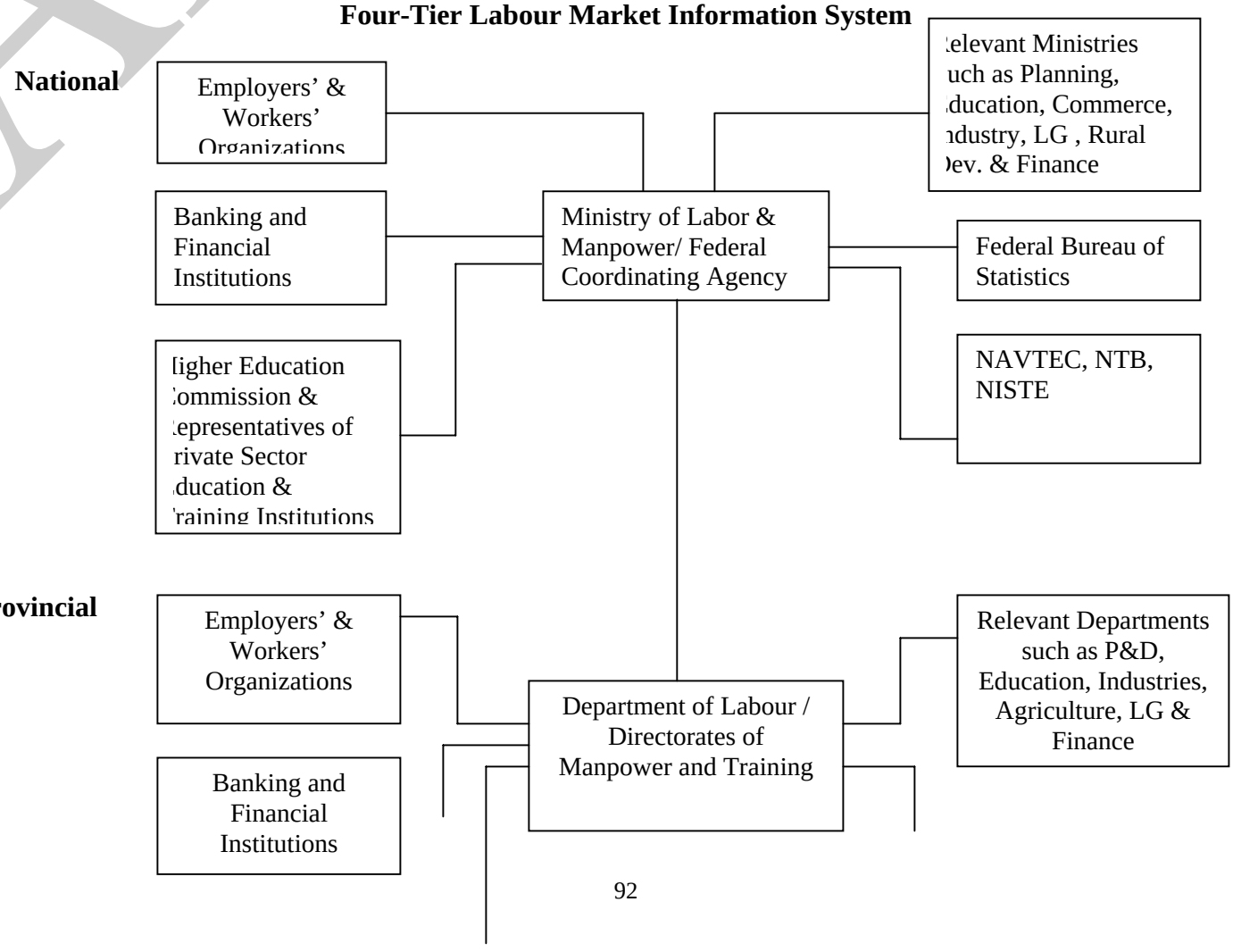
Effectiveness of an employment policy is crucially linked with sufficiently available, reliable and disaggregated information on the employed and unemployed. Information is needed on: i) unemployed: who are they; their gender, education and literacy level, where are they, how long they are unemployed, whether they have earlier work experience?, and ii) employed: their gender, their education and literacy level, where are they employed; activities and areas, relevance of education and skills with the work/job, how much time they took to get a job/work, is this their first job or they have changed jobs/work, and what is their wage/income level as well as working conditions?

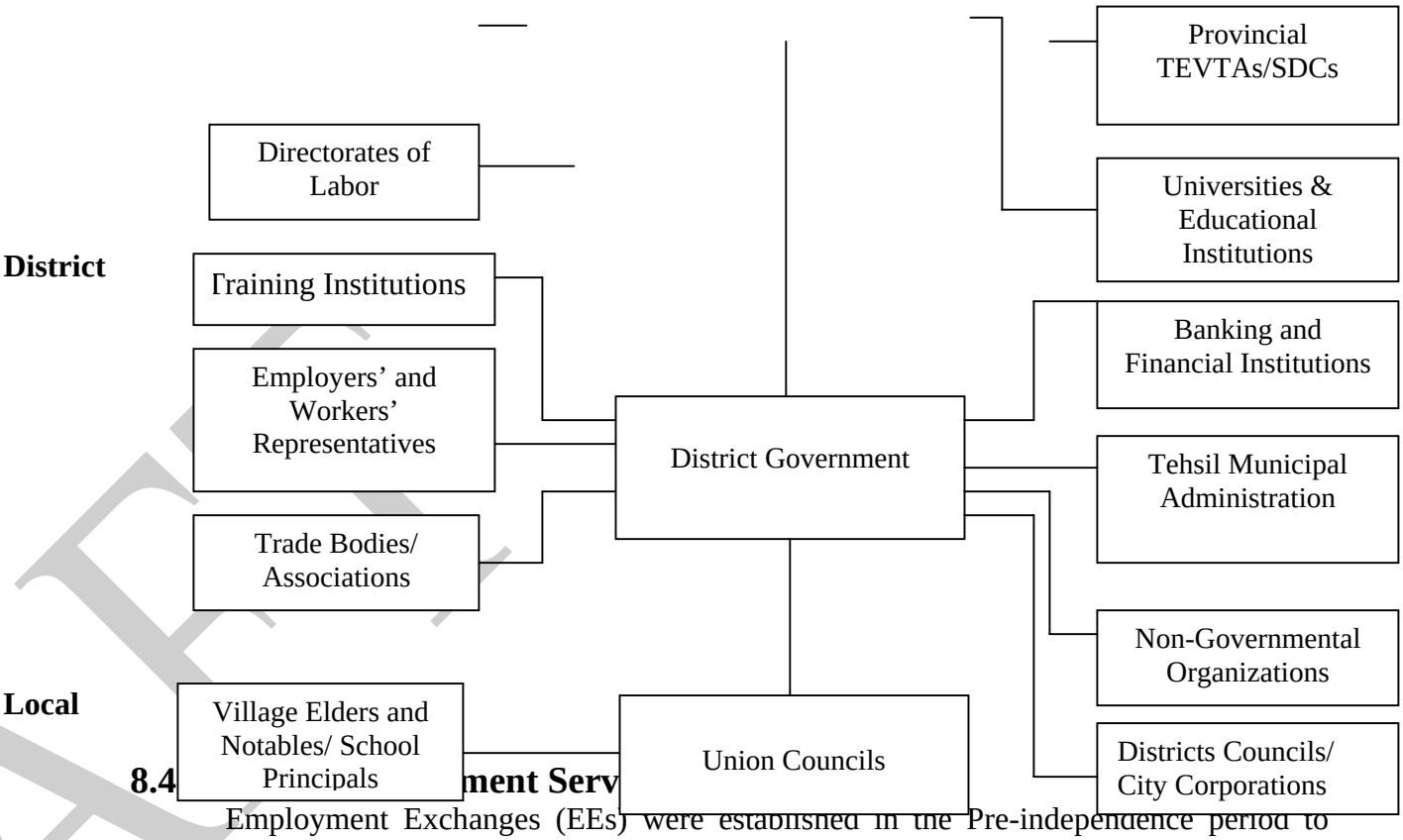
An exercise on proper development of human resources would also need the aforementioned information. This information would also be useful for vocational guidance and employment counseling. Employment services could also be rendered with the availability of such information.

A functioning Labor Market Information System (LMIS) is the key to an institutional mechanism looking into employment generation and human resource development. The LMIS is crucial for the policy makers/planners in getting feedback on the changing needs of the

economy and labor market as well as labor market monitoring, labor market analysis, employment services and placement, vocational guidance and employment counseling. It also needs to be capable of generating detailed and disaggregated information. A four-tier LMIS is suggested for this purpose with Districts (District Governments) being the focal point, Diagram 8.1. The framework for LMIS suggested here is considered to respond to these requirements. The suggested LMIS is cost effective and requires neither much additional financial resources nor a major restructuring of existing institutions.

Diagram 8.1
Four-Tier Labour Market Information System





8.4 ment Serv

Employment Exchanges (EEs) were established in the Pre-independence period to provide a rudimentary of employment services. In the post independence period, Directorates of Manpower and Training (DMTs) were created, employment exchanges being part of them. Employment exchanges were used for registration of the unemployed and also for placement. Data on registration and placement were complied and disseminated. DMTs started employment counseling and placed it in a way under the EEs.

The EEs, however, were not given necessary legal support whereby it was made mandatory for the employers to at least notify about their vacancies to them. Voluntary nature of notifications always remained a constraint on EEs' work. In the past doubts were cast on the utility of the EEs. In fact, they were wound up in the Punjab province in mid-1990s and reincarnation latter not only lost the "experienced" but is plagued with administrative and staff bottlenecks.

An institutional mechanism is needed to provide necessary employment services as well as monitor labor market developments at the local - at least district - level.

Labor market information, labor market diagnosis/monitoring and labor market intermediation are different aspects of the LMIS. This policy recommends 1) development of a 4-tier well coordinated and integrated – horizontally and vertically – LMIS, and 2) revival of the employment exchanges but with adequate participation of the private sector.

8.5 Establishment of Growth Triangles

The question regarding as how to effectively tackle the growth and development bottlenecks in rural areas and surrounding small towns was taken up in somewhat detail in Chapter-3. We have already recommended establishment of Growth Triangles (GTs) having three tiers namely: i) a Village Support Center" (VSC) - the first tier of "GT" to act as a focal point in a cluster of villages, ii) a multipurpose industrial and rural development support centers (MIRDSC) – the second tier - in a cluster of VSCs, and iii) a small industrial estate (SIEs) in a cluster of 10-15 MIRDSC – the third tier.

8.6 Labor Market Policies

Response to the employment challenge also needs to be accompanied by measures to improve the quality of jobs, productivity and conditions of work. The increase in informal sector employment and hiring of contract workers in the organized sector is termed as partly the result of a regulatory framework which places a high cost and imposes a lack of flexibility in hiring and dismissing workers, for those employing people in the formal or organized sector.

The Labor Protection Policy (LPP) 2006 covers five main areas, namely: 1) *basic rights*, such as, right to join a trade union and bargain collectively, equal treatment and non-discrimination, and absence of forced labor and child labor, 2) *working condition*s including minimum wages and above minimum wage issues, allowances and benefits, hours of work, over time work, rest breaks, leave arrangements including annual leave, sick leave and special leave issues, and job security provisions, 3) *working environment* including protection against occupational health and safety hazards as well as illness, 4) *social security* including protection against the effects of economic and social hardship resulting from a reduction in earnings due to work accidents/illness, unemployment and retirement, and 5) *living environment* including improved housing, and protection against adverse living conditions with regard to health and hygiene, diet, sanitation, water supplies and other matters.

The specific objectives of the Labor Inspection Policy (LIP) 2006 are: i) introduction of a range of innovative approaches to labor inspection that are flexible, transparent, fair, and impartial, ii) encouraging extension of labor protection services to persons engaged in informal sector, iii) promotion of effective labor inspection as a means of dispute prevention and conflict reduction within enterprises, iv) encouraging and supporting involvement of private sector in the provision of a range of inspection services, v) developing the capacity of labor inspectorates to assist in their transformation to modern, efficient, effective and respected institutions, and vi) developing capacity of workers, employers and their respective organizations to adjust to new approaches to labor inspection.

This document recommends development of rules and regulations for the effective implementation of labor inspection policy and labor protection policy.

Development of an efficient labor market based on social dialogue and strong supporting labor market institutions including employers' and workers' organizations is stressed by this document. This policy document while recommending this is cognizant of the commitment of the Government on creation of conditions for "decent work" and a number of initiatives taken to ensure well functioning labor market institutional framework that increasingly results in the creation of decent work. Provisions of Industrial Relations Ordinance (IRO) 2002 and making other legislations in conformity with international labor standards are being vigorously pursued. This document recommends concretization of different elements of the "decent work" that prepared and launched by the Government in close cooperation with the ILO in 2005, Box 8.1.

Box-8.1
Pakistan Decent work Country Program (DWCP)

The Pakistan DCWP was jointly prepared by the Ministry of Labor, Manpower and Overseas Pakistanis and the ILO Islamabad Office in close consultations with the national employers' and workers' organizations in May 2004. The four main decent work challenges identified in the Pakistan DWCP are:

- Standards and fundamental principles and rights at work, child labor and normative action;
- Employment policy support, knowledge skills and employability and employment creation;
- Social security and improved working conditions; and
- Building capacity of social partners and government institutions for constructive engagement in social dialogue.

8.6.1 Fixation of Minimum Wages and Extension of Minimum Wages to Rural Workers

The purpose of "minimum wage" is to: i) bring the lowest wages up to the general level of wages paid for similar work, ii) exerting upward pressure to the general level of wages, iii) eliminating unfair competition, and iv) a policy tool aimed at promoting rapid growth and equitable distribution of national income.

The obligatory nature of minimum wages looks into: i) factors such as the non-fulfillment of production quotas or non-compliance with quality standards by the individual worker, while appropriate elements in the determination of his/her actual remuneration should not affect the minimum wage, which is a just remuneration in return for work duly performed during a period, ii) where a minimum wage system is based primarily on piece rates, it must be ensured that, under normal conditions, a worker can earn enough to be able to maintain an adequate standard of living, and that his/her output, and consequently earnings, are not unduly limited by conditions independent of his/her own efforts, and iii) extending the minimum wage protection to all workers that includes home-based workers, domestic workers, apprentices and agricultural workers who often receive wages lower than the minimum wage.

Labor market flexibility and protection is also linked with the minimum wages. While an employer sees it as a cost, a worker sees it as a compensation for the labor or service that has been rendered. The discussion in the preceding has demonstrated the importance of minimum decent wage for enhancing and sustaining productivity.

The wages in Pakistan, extremely low and at times amounting to be exploitative largely do not correspond to the value addition of the workers and marginal productivity.

Mandatory minimum wage that is applicable to all has to be made a reality in all work places. It may however be different for different areas. Fixation mechanism however needs to be tripartite.

8.6.2 Social Protection

This document strongly recommends for developing a mechanism that provides social protection to the population. We need to address ourselves as how to i) bring more workers under the EOBI and ESSIs, ii) make old age benefit coverage universal, and iii) make use of pension funds and social security contributions effective and productive.

This policy also highlights the need to identify and rectify major issues being observed on the functioning and management of workers' pension and welfare funds and social security in the country. It also stresses developing a mechanism for universal old age benefit coverage; the PPC would work out such a modality.

8.7 Human Resource Development (HRD) and Raising the Technical and Vocational Competence of the Workforce

The employability of the workforce is crucially linked with the level of vocational and technical competence. Further, with every step towards industrialization and modernization of production units and work premises, the demand for vocationally trained and technically educated manpower rises. Yet another outcome of such a transformation is the surge in demand for commercially educated and computer literate workforce. The development of service sector that invariably accompanies, rather expands, industrialization and modernization – as is being observed in the country - does require mid-level women and manpower duly possessing entrepreneurial, secretarial and other related skills. Even, the host of small-scale activities especially those in the field of businesses, services, transport and trades are enhanced and this also generates demand for commercially educated workforce.

The process of industrialization, efficient use of technologies and plants, and technology up gradation and adaptation are all dependent on the availability of a critical mass of vocational and technical competence of working women and men. Further, the very production process in the industrial sector is increasingly becoming technology intensive and skill based.

We developed, expanded and diversified vocational training, and technical and commercial education. The situation today is certainly far better than the one prevailing in the earlier periods. However, haphazard nature of development, lack of coordination, multiplicity, systematization, standardization and, importantly, quality and relevance of trained continue to remain main areas of concern on the system developed so far. Effective integration of the private sector in the vocational training and technical education is as yet to be seen. Apprenticeship training ordinance of 1960s, making mandatory for large-scale organizations to provide training in the identified skills, has not lead to desired results.

Attempts to rectify the situation by establishing center level committees with private sector participation and formation of SDCs did not yield desired results either. Mechanisms to assess demand for different skills and trades are almost non-existent. Response to local needs demands flexibility and autonomy to the training centers that as yet is lacking.

Besides the establishment of provincial authorities to rectify the situation, a NAVTEC has also been established. Technology subjects are being introduced in the general stream of education.

It is pertinent to state here that considerations on HRD and raising vocational and technical competence of the population and workforce though extremely important are taken up separately by the Policy Planning Cell as a sequel to this policy as well as migration policy. The HRD policy indeed would be based on an in-depth discussion on the current stage of HRD and concrete measures in raising vocational and technical competence of the workforce with greater and effective participation of the private sector.

8.8 Overseas Migration

Managing overseas migration has two dimensions. On the one hand it relates to maintaining the share in the traditional markets in the Gulf countries and also responding to the changing pattern in demand taking place over there. It also relates to exploring new avenues in the non-traditional markets in East and South East Asia, namely: Malaysia, Singapore, Hong Kong, Taiwan, Korea and Japan. To them can be added countries such as Australia and New Zealand that have introduced a point system for "immigration".

Disciplined, trained and motivated workforce is the key to keep the size of Pakistani workforce intact in the traditional markets and penetrating in the non-traditional markets. "Sufficiently trained" is emerging as a determining factor in the non-traditional markets. Timeliness in processing overseas demand with ensuring relevance and quality of the workforce is a critical factor in new markets such as Malaysia and Singapore. In fact, for the latter emphasis is placed on the basic understanding of the English even for production workers.

A related question is the (poor) working and living conditions of Pakistani workers overseas; more so in the Gulf countries.

Regular monitoring of the labor markets of the host countries, their development plans and different policies – industry, infrastructure, construction, etc - emerge as crucial.

The second dimension relates to the management of the "reverse flow" i.e. productive re-integration of the returning migrants with different skills and professions. Related to that is the productive utilization of the remittances that are now reaching US$ 5 billion.

How to respond to these all? What should be the role of Pakistani missions abroad? How the information is received, compiled, disseminated and used? How to ensure quality of training

and relevance of experience of the intending workers for the jobs overseas? How to eliminate malpractices and exploitation? What are the productive uses of remittances that are other than "buying a house"? What are the areas and activities where a returning migrant is re-integrated according to skills, education and experience? These are the questions that Policy Planning Cell is taking up after this policy.

8.9 Implementation Mechanism

Establishment of Policy Implementation Cell – responsible for implementation and monitoring - is suggested; initially as a project for three years. This Cell is proposed to take up the monitoring of other policies being prepared in the Labor and Manpower Division, such as HRD, Migration, etc. This document recommends enlarging the scope of the current Policy Planning Cell by renaming it as "Policy Planning and Implementation Cell".

For an effective implementation of the policy and ensuring greater linkages and coordination with other ministries/policies, establishment of inter-ministerial coordination committee is suggested both at the federal and provincial levels. Considerations on as how to integrate Districts and Union Councils are elaborated.

8.10 Pilot Projects

We realize the importance of cost effectiveness and sustainability of recommendations made. This document has made few important recommendations that essentially would be new projects. It appears more pertinent if the proposals like: 1) growth triangles, 2) transportation for school children, 3) public libraries and national centers, 4) IT centers, 5) employment guarantee scheme (EGS) for rural areas, and 6) labor market information system with districts (District Governments) as focal point are "pilot tested" before replication nationally.

Each province should have at least one "pilot project"; the distribution could be as under:

- Growth Triangles in a district of Punjab,
- LMIS in a district of Punjab,
- Transportation of School Children in a district of NWFP,
- Employment Guarantee Scheme in Rural Areas of a district in Sindh,
- Public libraries and national centers in a district of Sindh, and
- IT Centers in a district of Balochistan.

8.10.1 Financial Requirements

The six pilot projects are proposed to be implemented in six Districts. While existing infrastructure is to be used in the first instance; need for new structure however can not be

ruled out. However, cost of the creation of new structure is proposed to be met from the allocations under the already PSDP funded projects and more so that are at local level and involve public representatives.

The establishment of Policy Implementation Cell or conversion of existing PPC to Policy Planning Implementation Cell would also involve cost but this would be similar to the one for the "establishment of PPC project amounting to Rs. 39.144 million.

A block allocation of Rupees Five Billion would be necessary to initiate "pilot testing" of the six proposals.

Implementation modalities can be worked out by the PPC. While, selection of pilot programs for provinces are planned to be finalized in consultation with Provincial and District Governments.

8.11 Conclusions

The overall analysis of the growth-employment-poverty nexus clearly suggests that whereas growth is a necessary condition for employment generation and poverty reduction, it is not sufficient. Only if the pattern of growth embraces those sectors either demonstrating significant employment growth potential or where the poor are working and is accompanied by an increase in employment, reflected partly in increases in real wages as the labor market improves, will growth have a favorable impact on labor market and reducing poverty. This document has identified numerous areas that have either employment growth potential or where the poor work.

Supporting measures needed for drawing optimal benefits from the scores of recommendations comprise of the following:

- An institutional mechanism duly incorporating: a) HRDU Cell, b) HRDU Cabinet Committee, and c) Policy Implementation Cell,
- Development of a comprehensive and well coordinated LMIS,
- Establishment of GTs,
- Labor market policies duly incorporating flexibility with protection, tri partite mechanism for fixation of wages, universal access to old age benefits, and
- Pilot testing of some important proposals.

9

Conclusions

The most important fundamental right is none else than the availability of a productive work opportunity to the able and willing to work citizen of a country. The policy focus of the Government of Pakistan is creating conditions conducive for decent employment generation, poverty reduction and human resource development. Hence, focus is on employment and poverty reduction outcomes of macro and sectoral policies. The "centrality" of employment in economic and social policy making has also led to a greater focus on raising productivity as well as technical and vocational competence of the workforce. The policies are also matched with budgetary allocations.

However, unemployment and under employment is quite pervasive; the underutilized labor accounts for a fifth of the workforce. Lesser remunerative and low productive work currently affects a significant proportion of the employed. Poor working conditions in significant workplaces are also not uncommon.

Of the estimated over three million unemployed, a significant proportion is found to be: i) educated having matriculation and higher level of education – a scarce commodity in

Pakistan, and youth, ii) chronically unemployed (39.5%) i.e. unemployed for more than a year, and iii) active in the job/work search for over a year (21.3%). In the absence of any formal social security system, this places enormous pressure on the concerned households and individuals. It is also a drain on the already meager resources of the country.

Still agricultural sector absorbs largest proportion, while manufacturing sector accounting for 13-14 per cent falls even behind, slightly though, social and personal services and whole sale and retail trade.

Illiteracy, low level of education and poor level as well as poor vocational, technical, and professional competence are currently important facets of the labor market participants.

The problem is compounded further by inadequacy of detailed, reliable and dis-aggregated information on different labor market indicators. Even disaggregated basic information on labor market changes, education and skill requirements, and nature and extent of unemployment by education, gender, areas and length of unemployment is not available. Consequently, employment counseling, vocational guidance and employment placement are ineffective and even non-existent. While, the changes occurring in different labor markets and the consequent demand for educated and skilled is not properly monitored, education and training institutions continue planning and executing their programs. Mismatch of educated and trained is then the natural outcome. The education and training system also continues with qualitative and quantitative bottlenecks.

The current policy "focus" on employment, HRD and raising vocational and technical competence is the only way of ensuring a fairly dispersed, beneficial and sustainable development. This is indeed contingent upon developing greater and effective linkages between setting targets with regard to GDP growth rates, investment and saving levels, fiscal prudence, taxation and monetary policy as well as inflation with considerations on effectively harnessing development and employment potential. Moreover, it also demands an institutional mechanism capable to respond effectively to the challenges, goals and targets.

The rural areas and surrounding towns indeed demonstrate vast employment and development potential; alas largely remaining untapped. Main hindrances are none else than those related to marketing, and human and physical infrastructure bottlenecks. Numerous efforts have been directed but largely un-coordinated. Handicrafts and rural artisinary also suffer through these bottlenecks. The main thrust of this policy naturally aims to removing these lacunas thereby greater synergies are built through establishment of GTs as well as AHANA.

The agricultural sector and allied industry (livestock, poultry and dairy) accounting for the bulk of the employed would continue to keep its importance in determining employment and poverty levels. However, we have a choice; keep it a low yield, low quality and low value added sector or to make it a thriving sector with value addition and product diversification? A thriving agriculture and allied industry would also be able to reduce pressure on rural to urban migration and corresponding increases in low productivity informal sector employment in urban areas.

The agricultural economy still needs to play an important part in increasing productivity and incomes while maintaining its labor absorptive capacity; this need to be adequately tapped. The set of policy areas identified and recommendations made in Chapter 3, in fact, are a pointer to the potential that can be effectively realized. Seen together with GTs and AHANA, a mechanism is developed for rural transformation and modernization.

Currently, dominated by the traditional food and textile products, the industrial sector demonstrates significant potential for growth, modernization and employment expansion. It has to diversify and introduce modern technological processes. Increasing integration with global market, a must, is critically linked with higher factor productivity and gradual shift to higher end products. In the world trade, out of 66 categories of products, 22 have increased their shares and the winning products relate to: i) electric appliances, ii) telecom and recording devices, iii) medicines and medical devices, iv) business and data processing devices, and v) land transportation devices. Many primary and low value added products experienced a decline in their share. Among these losing industries, "yarn and textile" and "apparel" accounting for 71 percent of Pakistani exports, recorded the largest decline in their shares. The way forward for us is to align our industry with the emerging trends and investing in the "winning industries" with greater participation of multinational corporations. Such an emphasis notwithstanding, we would need to simultaneously focus on the promotion of labor intensive industries, especially the traditional export oriented and those having backward and forward linkages by enhancing productivity and competitiveness. A clear and convincing "road map" of the policies together with commitment of their continuity is a "pre-requisite" for the growth of industrial sector.

Encouraging joint ventures, promoting local brands, providing marketing support and even establishment of cooperatives for some, CFCs, establishing human resource development boards, internship programs and establishment of industry specific cities are the cross cutting themes for the industrial sector modernization and transformation.

These are the necessary building blocks for putting Pakistan on a sustainable growth path that is employment augmenting. In fact, enormous employment dividends would occur in the area of domestic commerce and service.

It is strongly urged to establish study groups and/or task forces for identifying bottlenecks, developing remedial measures, employment potential, action plans and even road maps for each of the industry. The PPC is well placed to act as "initiator, facilitator and coordinator".

The spread of services sector is very large and covering, among others, activities related to: i) education, ii) health, iii) telecom and IT, iv) transport, v) housing and construction, vi) domestic commerce, and vii) tourism. In fact each of these areas demonstrates significant employment growth and development potential.

The recommendations made in Chapter-4 when seen together with those dwelled in the preceding chapters are the necessary building blocks for putting Pakistan on a sustainable growth path that is employment augmenting.

While, the focus is stressed on each one of them in terms of adequately responding to the issues raised and measures suggested, this document nevertheless urges greater focus on "domestic commerce, and housing and construction" owning primarily to: a) the need for immediate employment generation, b) realizing in the short term development outcomes, and iii) greater backward and forward linkages. Indeed, employment and development outcomes would be fairly large and dispersed.

Gender dimension, this document recommends is the crosscutting theme that would need to be adequately attended to. Special focus would be required on workplace gender-related issues, such as: harassment, discrimination, equal pay for equal work, day care centers, availability of toilets, maternity leave and rationalizing the procedure, and importantly posting at the same station of working couple.

The issue of unemployment is amenable by a combination of policy instruments having direct and indirect impact on labor market. Public sector development schemes, for example, are considered to be the direct intervention in the labor market. They are all self-liquidating, fading away automatically as the level of market demand for labor in the economy rises.

In the short-run, targeted programs are important for generating direct employment opportunities. A number of such programs being implemented in Pakistan to create direct employment opportunities for different groups include: i) President's Rozgar Scheme, ii) area development schemes under PSDP, iii) micro-credit schemes through Rural Support Programs (RSPs), Pakistan Poverty Alleviation Fund (PPAF), Khushali Bank, and NGOs, iii) Prime Minister's One Village One Product Program, and iv) National Internship Program (NIP).

Some of the measures suggested for the core group of the unemployed are: i) extending the coverage of NIP to different levels and type of educated unemployed, ii) launching NTP with a stipend and active collaboration of the industry representatives for enhancing employability of the educated unemployed,), iii) promotion of self-employment, iv) private sector development, and v) launch of EGS for rural areas.

The overall analysis of the growth-employment-poverty nexus clearly suggests that whereas growth is a necessary condition for employment generation and poverty reduction, it is not sufficient. Only if the pattern of growth embraces those sectors where the poor work and is accompanied by an increase in employment, reflected partly in increases in real wages as the labor market improves, will growth have a favorable impact on labor market and reducing poverty. Supporting measures needed for drawing optimal benefits from the scores of recommendations comprise of the following:

- An institutional mechanism duly incorporating: a) HRDU Cell, b) HRDU Cabinet Committee, and c) Policy Implementation Cell,
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- Establishment of GTs,
- Labor market policies duly incorporating flexibility with protection, tri partite mechanism for fixation of wages, universal access to old age benefit, and

- Pilot testing of some important proposals.

The pilot projects are proposed to be implemented in six Districts. While existing infrastructure is to be used in the first instance; need for new structure however can not be ruled out. However, cost of the creation of new structure is proposed to be met from the allocations under the already PSDP funded projects and more so that are at local level and involve public representatives. However, a block allocation of Rupees Five Billion is proposed to be made for initiating "pilot testing" of the six proposals. Each province should have at least one "pilot project"; the distribution could be as under:

- Growth Triangles in a district of Punjab,
- LMIS in a district of Punjab,
- Transportation of School Children in a district of NWFP,
- Employment Guarantee Scheme in Rural Areas of a district in Sindh,
- Public libraries and national centers in a district of Sindh, and
  IT Centers in a district of Balochistan.

Implementation modalities can be worked out by the PPC. While, selection of pilot programs for provinces are planned to be finalized in consultation with Provincial and District Governments.

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