MDGs and Labour Market Indicators: An Assessment for Pakistan

Internation Labour Standards Unit

**MINISTRY OF OVERSEAS PAKISTANIS &
HUMAN RESOURCE DEVELOPMENT**

1 Eradicate extreme poverty and hunger

2 Achieve universal primary education

3 Promote gender equality and empower women

4 Reduce child mortality

5 Improve maternal health

6 Combat HIV/Aids, malaria and other diseases

7 Ensure environmental sustainability

8 Develop a global partnership for development

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List of Abbreviations

AIDS	Acquired Immunodeficiency Syndrome
CFWs	Contributing Family Workers
DWCP	Decent Work Country Profile
EFP	Employers' Federation of Pakistan
EPR	Employment-to-Population Ratio
GDP	Gross Domestic Product
GSP+	Generalized Scheme of Preferences
HIES	Household Integrated Economic Survey
HIV	Human Immunodeficiency Virus
ILO	International Labour Organization
ILS	International Labour Standards
KILM	Key Indicators of Labour Market
KPK	Khyber Pakhtunkhwa
LFS	Labour Force Survey
LMI	Labour Market Indicators
LMIA	Labour Market Information and Analysis
MDGs	Millennium Development Goals
NIP	National Internship Programme
OAWs	Own Accounts Workers
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Paper
PWF	Pakistan Workers' Federation
SDGs	Sustainable Development Goals

Introduction

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The largest gathering of world leaders (189 countries) assembled in New York in September 2000 and ushered in the new millennium by adopting the Millennium Development Declaration, affirming their commitments to the key challenges that humanity faces in the 21st century. The Declaration was translated into a road map, setting out eight development goals, referred to as the Millennium Development Goals (MDGs), to be achieved by 2015. These goals, building on the agreements made by all countries at the United Nations in the 1990s range from reduction of poverty to half, to halting the spread of HIV/AIDS and to providing universal primary education as well elimination of gender disparity at all levels of education.

Recognizing that decent work is a fundamental goal in its own right, a new target (1B) was introduced under the first Millennium Development Goal (Eradicate extreme poverty and hunger) in 2008 – "to achieve full and productive employment and decent work for all, including women and young people". This target for the first time recognized that, for the large majority of people, labour is their main and only asset, and thus overcoming poverty and hunger requires opportunities for decent work. In other words, labour markets play an essential role in the achievement of the first Millennium Development Goal and, as such, assessing progress towards this goal necessitates rigorous monitoring of labour markets.

The new target (Target 1B) is monitored using four employment indicators on economic as well as labour market performance of a country. Some of the indicators guide us about the volume of employment in an economy while others provide information on the quality of employment (whether work is "decent"). Another employment related indicator on gender equality in the labour market, established already under Goal 3, is also made part of the current report. The necessary information on these labour market relevant goals (MDG1&3), targets (1B & 3.2) and five indicators is found in Box 1.

It must be emphasized here that the five employment indicators are a first step towards monitoring the employment-dimension of the Decent Work Agenda. The 2008 ILO Declaration on Social Justice for a Fair Globalization endorses Decent Work Agenda and its four essential pillars:

(i) International labour standards and fundamental principles and rights at work

(ii) Employment creation

(iii) Social Protection

(iv) Social Dialogue and tripartism

The Declaration recommends that ILO Members may consider "the establishment of appropriate indicators or statistics, if necessary with the assistance of the ILO, to monitor and evaluate the progress made toward decent work." The above referred indicators, among other statistical indicators, serve as the starting point for assessing the labour markets in all developing countries including Pakistan. Changes in one indicator often affect other indicators within the set. For example, labour productivity can be used to assess the extent to which an economy can provide and sustain decent employment opportunities. Thus, an increase in the labour productivity will, on the one hand, decrease vulnerable employment and working poverty while on the other, it will increase women share in paid employment. The higher productivity also affects employment to population ratio which goes down for youth as they spend more time in education and training system to develop their skills, which ultimately have a positive impact on future labour productivity.

Box 1

Millennium Development Goals and Labour Markets

MDG 1
Eradicate extreme poverty and hunger

MDG Target 1B
Achieve full and productive employment and decent work for all, including women and young people

Indicators
1.4 Growth rate of GDP per person employed (growth rate of labour productivity)
1.5 Employment-to-population ratio
1.6 Proportion of employed people living below US$1.25 (PPP) per day (working poverty rate)
1.7 Proportion of own-account and contributing family workers in total employment (vulnerable employment rate)

MDG 3
Promote gender equality and empower women

MDG Target 3A
Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015

Indicator
3.2 Share of women in wage employment in the non-agricultural sector

The Need for this Report

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Importance of statistical information cannot be emphasized more for development, equitable growth and planning as it facilitates evidence-based policies and judicious & timely decision-making to achieve goals set by the country. Reliable labour market information is pivotal for economic and social planning and is the cornerstone for developing integrated strategies to promote fundamental principles and rights at work, productive employment, social protection and dialogue, as well as to address the cross-cutting themes of gender and development.

The crafting of decent work policies in today's world presents a major statistical challenge. Better and timely statistics on all the dimensions of decent work — employment, fundamental rights at work, social protection and social dialogue — are needed more than ever. The sound data collection is not only imperative for effective policy making for the governments but the social partners also need good statistics to influence policy directions.

The year 2015, being the last year for the MDGs, acquires significance in assessing realistically Pakistan's progress in meeting the various targets under the MDGs' employment related indicators as well as to take a stock of the areas where the progress is not up to the expected level.

There are many good reasons warranting reports like this to be produced at this moment. First, as said above, 2015 signifies the end of MDG era and also the ushering in the Sustainable Development Goals (SDGs) era. The report can serve as end line/ evaluative report of our achievements with regard to the employment related targets and can also act as a baseline for indicators (yet to be adopted) under Goal 8 of SDGs (Decent work and economic growth). Second, Pakistan is currently holding consultations on the third Decent Work Country Program (2016-2020) which must be based on updated and relevant statistics. Third, Pakistan has

been awarded GSP+ status by the European Union (in 2014) and first review report on the implementation of 27 human rights, labour and environmental rights conventions is due at the start of 2016. This report can serve as a source for the Government to report its progress on labour market issues and take some corrective measures in the policy matters, where needed.

All of the above are strong enough reasons for strengthening LMI&A system in the country. Government of Pakistan direly needs to strengthen its analytical base for creating and implementing national development plans and priorities. With the indicators in ensuing pages and monitoring them on a regular basis, evidence based policy making can be strengthened in the country.

Data Sources:

Unless cited otherwise, the data mainly comes from various Labour Force Surveys, conducted by Pakistan Bureau of Statistics. GDP data is obtained from Economic Survey of Pakistan published by the Finance Division. The estimates of poverty headcount ratio by international poverty line are taken from world development indicators.

Labour Market Information and Analysis Systems in Pakistan

3

The promotion of decent work has been adopted as an explicit goal by the Government of Pakistan, which is reflected in all the major policy documents, including the Poverty Reduction Strategy Paper (PRSP II), the Framework for Economic Growth, the Labour Policy 2010, and the Vision 2025 (which focuses on improving the labour market efficiency while safeguarding the workers' rights). The decent work agenda in Pakistan was promoted with the Decent Work Country Program (DWCP) 2006-09, developed by the Government and ILO, in close consultation and collaboration with the Employers' Federation of Pakistan (EFP), the Pakistan Workers' Forum (PWF) as well as other relevant stakeholders. The first DWCP was succeeded by the DWCP II (2010-15), which carried forward the decent work agenda for Pakistan, factoring in the new ground realities in the wake of 18th Amendment to the Constitution. The DWCP II targeted the four broad priority areas, as identified in the original DWCP, which included:

1. Labour law reform

2. Employment generation through human resource development, with focus on employable skills

3. Social protection expansion, including in the informal economy

4. Tripartism and social dialogue promotion

While discussing the DWCP II, the constituents identified "limited capacities to analyse and use labour market information for more productive and better remunerated employment that supports economic growth and social progress" as a key decent work challenge. Enhancing institutional mechanisms to improve the quality of labour market data and information is one of the priority areas for ILO intervention under this new framework. Currently, the consultative sessions on finalizing the third DWCP (2016-20) are underway.

IMPERATIVENESS OF LMI&A SYSTEM

The promotion of decent work (and reduction of decent work deficits) can be done using a range of policies, programs and activities. Examples are public works programs, legislation and regulations concerning labour utilization and working conditions, education policies and skills development programs, social security legislation and support for social dialogue between workers, employers and the government. Furthermore, macroeconomic policies including fiscal, monetary and trade policies have important effects on labour markets and are instrumental in achieving decent work objectives.

Designing the right policy mix for achieving required labour market outcomes depends on the state of the labour market in an economy. Labour markets, on the other hand, are dynamic and continuously changing in response to the economic conditions. The formulation of policies to promote decent work, therefore, requires an up to date Labour Market Information and Analysis (LMIA) system, based on a set of key indicators to provide a quick diagnostic understanding of any labour market.

The identification of labour market issues in an economy fundamentally rests on the availability of (reliable) data, information and analysis. Labour market information and analysis (LMIA) provides an essential basis for employment and labour policies, and informs the design, implementation, monitoring and evaluation of policies that are better focused and targeted.
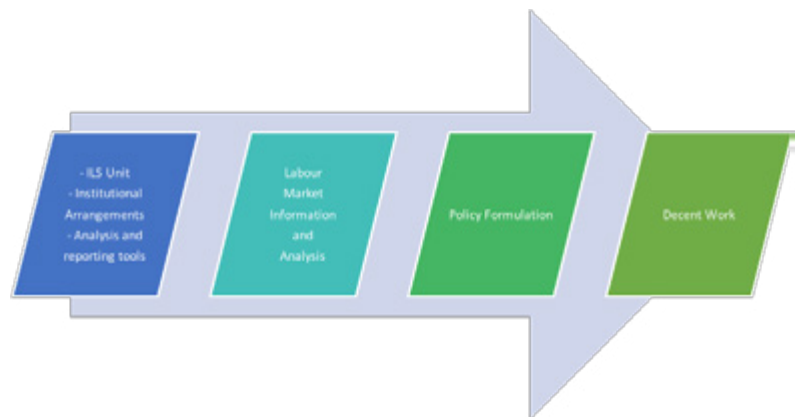
LMI&A UNIT

In 2006, a Labour Market Information and Analysis Unit was set up at the erstwhile Ministry of Labour, Manpower and Overseas Pakistanis to provide up-to-date and timely

labour market information and analysis, based on internationally accepted concepts and Key Indicators of Labour Market (KILM). The Unit produced an annual analysis on the state of the labour market in the country in the form of Pakistan Employment Trends reports, which were published to inform policy makers and other relevant stakeholders about labour market changes and trends. However, in consequence of the 18th Amendment to the Constitution in 2010, labour administration became an exclusively Provincial subject. Although the Ministry was later created with a different nomenclature however it dissolution resulted in the loss of institutional capacity build over years of hard work. However, since the Federal Government is responsible for reporting on international labour standards (entry 32 in Part I of the Federal Legislative List) and formulate policies and plan for labour market revitalization at the central level, it is important that the LMIA system be recreated and rejuvenated. Labour market information in the country suffers from a range of shortcomings, including the lack of institutional coordination, insufficient analytical capacity and lack of labour market monitoring tools. Consequently, employment policy formulation is unduly hampered but opportunities do exist for the achievement of improved labour market outcomes.

INTERNATIONAL LABOUR STANDARDS UNIT

Under the ILO funded project, 'Strengthening Institutional Capacity for increasing compliance with ILS in Pakistan', an International Labour Standards Unit was created in 2014 to support the Ministry of Overseas Pakistanis & Human Resource Development in better understanding of the labour market situation through available data and information, develop tripartite mechanisms for labour law reform and application and establishment of strong horizontal and vertical linkages with the line Ministries and Provincial Labour

Departments.

The role of the ILS Unit in the promotion of decent work is illustrated in diagram below. The three components of the LMIA system can be seen as inputs into the production of Labour Market Information and Analysis. LMIA, together with other inputs from the government and stakeholders in the social and economic environment, is used to formulate policies which in turn are expected to contribute to the achievement of decent work objectives in Pakistan.

Labour Productivity

<div style="text-align:center">4</div>

Labour Productivity is an important element in economic and social transformation of a country. It has central importance in sustaining growth, reducing poverty, narrowing inequality, and improving living standards of the population. Work may have intrinsic value for many of us however the basic reason behind engaging in work is to give an income to one's own and family's well-being. The Target 1B refers to the "productive employment" since only the productive work has the power to raise the living standards of the people and lift them and their families out of poverty.

For developing countries like Pakistan, creating productive jobs for growing labour force is fundamental in reducing poverty and improving living standards. However, growth in labour productivity may not necessarily lead to increased human development. Labour productivity is an important indicator to analyse whether the economy is building the pre-conditions for a sustainable development in the country. It is also a key factor in wage determination and can be used by social partners as a reference point in collective bargaining.

The labour productivity primarily depends on the amount of capital, use of technology, physical and institutional infrastructure, social attitudes, work ethic, skill level (educational and training levels), health of workers and to some extent the level of unionization in the country. The exposure to trade can also increase the productivity of an economy. Competing with foreign firms in export markets pushes enterprises to use modern technology and best practices in production (example of East Asian countries).

Well implemented occupational safety and health provisions and workers' access to healthcare can help ensure that workers stay healthy and productive. As for unions, both types of views exist. The opponents claim that trade unions introduce rigidities and

hinder productivity growth by hampering change while the proponents argue that strong unions and social dialogue rather promote productivity by giving workers a stake in the enterprise success.

As described in earlier theories of development, with the development in an economy, there is generally a shift from less productive (subsistence agriculture) to sector (manufacturing) with high value added per worker. Given that a large share of employment is still in agriculture (43.5%), improving productivity in that sector can bring direct benefits for workers in the rural areas. It must be emphasized here though that despite being the sector engaging the highest percentage of workforce, agriculture's share to GDP is only 21%.

The labour productivity, measured as gross value added per person employed, in 2013-14 was Rs.180,684. The sectoral labour productivity is highest in Services sector (Rs.307,341), followed by Industry (Rs.166,387) and Agriculture (Rs. 87,916). The labour productivity growth rate (from

2012-13 to 2013-14) is 3.10% which is an encouraging trend, however, the "gross value added per hour worked" indicates a negative trend and rather shows that productivity growth has been negative.

Both methods provide an indication of productivity growth, but the "per hour" measure does have advantages especially in a country like Pakistan where nearly 90% of the employed persons are working more than the 35 hours, which are considered as full-time work. The per hour measure shows that instead of increasing employment, same workers are being made to work extra hours thus decreasing the productivity. The high demand for skilled labour, especially in high technology sectors (part of services sector), with significant economic growth but limited supply of qualified, workers, is reflected in long working hours for the ones who are employed and skilled enough, to work in these, sectors, in order to fully utilize the capacities of modern technology. Our analysis indicates that sectors with high proportions of workers with more than and equal to 10 years of education, labour productivity is low due to excessive working hours of workers.

As indicated above, the most common way to measure labour productivity is either as gross value added "per person employed" or gross value added "per hour worked". Both methods provide an indication of productivity growth, however the "per hour" measure does have advantages especially in a country like Pakistan, where more than 80% of the employed are working more than 35 hours per week (considered as full-time work).

A "per worker" measure of productivity would suggest that output per worker increased; by comparison, the "per hour" measure would accurately say that labour productivity decreased. Labour productivity here corresponds to the gross value added "per hour worked" or "per person employed"

,and is presented in the national currency (Pakistani Rupee) at constant factor cost (2005-06 prices), which is the total production value minus the value of intermediate inputs. Value added, referred to as "gross domestic product" (GDP) in the national accounts, represents the compensation for input of services from capital (including depreciation) and labour directly engaged in production.

It is interesting to note that the labour productivity growth seems to be positive (3%) over 2012-13 to 2013-14 when measured through per person worked formula. However, if the gross value added per hour-worked method is used, it rather shows that value added per hour of work decreased in Agriculture and the increases in growth rate of labour productivity are not as robust as they seem. The total economy's growth rate of labour productivity is -0.16.

As is indicated in the table (), more educated workers are employed in the services sector however this is also the sector which has excessive working hours (49 hours or more). We are of the view that due to the excessive working hours in the service sector, labour productivity is low in this sector. Employers must be required to avoid employing workers for excessive hours and the labour laws must clearly specify the maximum hours of work including overtime hours per week. Government also needs to promote freedom of association and unionization in the country as well as social dialogue which can have positive effect on the labour productivity in the country. The Enterprise Surveys as well as the Global Competitiveness Report (2015-16) mention inadequately educated workforce as well as poor work ethic in national labor force as the most problematic factors for doing business in the country. It is interesting to note that nearly 28% of the service sector firms identify an inadequately educated workforce as a major constraint. This ratio is 20% in the manufacturing sector. Inculcating work ethic in the labour force requires transformation in

the mindset. Importance of hard work must be taught during early years of education. In order to raise labour productivity, Government must enact a standalone law on Occupational Safety and Health in order to avoid accidents at workplaces by adopting a vision zero on workplace accidents.

In the context of a globalizing world, a key factor for productivity growth is the availability of workers with appropriate skills and investments in modern technologies. Without adequate education and skills of the labour force, Pakistan will keep trapped in a vicious circle of low education, low productivity and low incomes, which makes it hard for the people to escape poverty. The upgrading and enhancement of skills as well as improved access to skills for women and men are needed to enter a virtuous circle of higher productivity, employment, incomes growth, and development. (This point has more been expounded upon in Skills & Wages Policy Brief).

Employment-to-Population Ratio

5

Employment-to-population ratio (EPR) provides information on the ability of an economy to create jobs for its people. EPR is more insightful indicator than unemployment rate in Pakistan (and all developing countries) where no one can afford to remain unemployed for long. The EPR represents the share of unutilized labour in an economy. A high ratio indicates that a large portion of population is employed while a low ratio indicates that a large share of population is not directly involved in market related activities since they are either unemployed or out of the labour force.

Like Working Poverty, EPR does not say anything about the type or quality of work involved. EPR actually measures the fullness of employment as formulated in the Target, "achieve full and productive employment and decent work for all, including women and young people."

EPR offers insight into the volume of employment in an economy. Full employment, as mentioned above, does not mean an EPR of 100% as that would resemble a situation of forced labour where everyone above a certain age is forced to work. As a general rule, the EPRs that are much higher or lower than 60% are likely to indicate issues in the functioning of labour market.

The unemployment rate and EPR both offer insights into the underutilization of labour. The unemployment rate captures only a small share of unutilized population. The total share of unutilized labour potential is captured by subtracting EPR from 100. A country with high unutilized labour potential must take measures to decrease unemployment and increase employment opportunities. It must be emphasized here that the labour underutilization rate is 50% in Pakistan.

There is a positive correlation between EPR and the Vulnerable Employment as well as EPR and Working Poverty rate. With

no social protection available, especially in the event of unemployment or long term sickness, poor in the developing countries are forced to engage in low quality jobs. And since salaried employment is not readily available, more and more workers seek income through own account work or work without pay within a family establishment (contributing family workers).

The access to education has negative impact on the EPR of young people (15-24 years) since with increased access to education, more young people postpone work to complete education first. On the contrary, where education options are limited, youth-EPR would be higher since young people take up any work available instead of staying in school to build capital. The current EPR for youth in Pakistan stands at 38% which is reasonable and indicates that youth have access to education and are building their skills. Since the EPR for young people has shown a declining trend over the last two years, government policies should focus on school to work transition (strengthening of NIP or launching of similar programs), rectify the mismatch in labour supply and demand through integration of work study programs into education system and expand or upgrade the informal apprenticeship system.

Indicator 1.5

Employment to Population Ratio

$$EPR = \frac{\text{total employment}}{\text{working-age population}} \times 100$$

Total Employment: sum of people above a certain age (15+) who worked or held a job during a specified period, i.e., last week

Working Age Population: population above a specified minimum age and below a specified maximum age

The women EPR, like their labour force participation rate, is affected by religious, cultural and social norms. It is interesting to note that female EPR has increased from 13.7% (1999-2000) to 22.75% (2013-14) which is indicative of cultural transformation in hiring of women for different kinds of employment. In order to maintain and further enhance this trend, the gender equality in access to employment must be ensured. The policies to encourage female employment, anti-discrimination (by enacting a stand-alone legislation on anti-discrimination) and awareness raising must be developed and implemented.

In Pakistan, the employment-to-population ratio (EPR), which shows the share of working-age population that is employed, rose steadily from 46.5 per cent in 2001–02 to 49.8 per cent in 2006-07 however it has moved up and down around this rate in the next 7 years and is now at 50.07 per cent. The higher EPR the rural sector is evidence of a more robust growth in the rural sector of the economy with more and more employment opportunities being created in the rural areas. In terms of the provincial disaggregation, it can be seen that the EPR has been the highest in the province of Punjab, followed by Sindh and has been the lowest in KPK, where only 40.50 per cent of the working-age population was actually employed in 2013-14 (Table 4 & 5).

The gender analysis of the EPR shows large disparities between men and women in terms of employment. The EPR for males was at 77.6 per cent in 2001–02, and stood at a similar level in 2013-14 (77.26 per cent). On the other hand, the EPR for females was abysmally low at 13.6 per cent in 2001–02, which subsequently rose to 22.75 per cent in 2013-14. The gap between male and female thus narrowed from 64 to 54.51 percentage points over the period under review. A high EPR for males also indicates that males may have to work through low quality as breadwinners (a cultural requirement).

For youth (15-24 years), the EPR also increased between 2001-02 and 2006-07 (from 35 to 40.9 per cent) however it indicates a declining trend (currently at 38.45 per cent) which means higher participation of youth in education instead of work. Also in the case of youth, the data indicates that more employment opportunities are created for youth in the rural areas. It is however interesting to note that the gender gap in the youth EPR was nearly 53 per cent in 2001-02 which has now decreased to 38 per cent. Like the 15+ EPR, the youth EPR is the EPR has been the highest in the province of Punjab, followed by Sindh and has been the lowest in KPK, where only 28.14% per cent of the working-age population was actually employed in 2013-14. Balochistan's situation needs more analysis since both its 15+ and youth EPRs have decreased by 3 per cent and 10 percent respectively between 2012-13 and 2013-14.

Working Poverty Rate

6

Of all the indicators under discussion, the working poverty rate provides the clear measurement of whether "productive employment and decent work for all" is achieved in a country.

Working poverty is indicative of lack of decent work and clearly shows that work (job) is not providing enough income to lift people and their families out of poverty. If an economy is developing, its share of working poor should decline, further accelerating the development process.

The definition of "working poverty" shows the intersection of poverty status and employment status in a country. By combining the labour market data (employment status) with poverty data, working poverty clarifies the nexus between poverty and employment. It also tells about the incidence of poverty in a country.

The poverty information comes from Household Integrated Economic Survey (HIES) while labour market information comes from Labour Force Survey. Working poor figures are based on poverty data, but also take into account specific labour market characteristics, such as the size of the working age population, the labour force participation rate and the unemployment rate. By combining these labour market factors with poverty data, working poverty estimates give a clearer picture of the relationship between poverty and employment, than is provided by using standard poverty data alone. Evaluating these two components side by side also provides a more detailed view of the incidence of poverty throughout Pakistan.

The official poverty line in Pakistan is calorie based, and consumption based absolute poverty is estimated after converting the household consumption level to adult equivalent based on recommended nutritional requirements of 2350 calories per person per day and providing almost

equivalent amount for other basic needs. The national poverty line last determined in 2010-11 was Rs. 1745 and the population below this poverty line was estimated as 12.4%. For international comparisons, a poverty line of $1.25 a day measured at 2005 international dollars (adjusted for PPP) is used. The poverty status is determined by total household consumption and household size. Employment status on the other hand indicates whether poor are considered to be working poor.

The household is the unit of reference, and the definition simply links household poverty to the number of employed persons in the household, rather than individual pay to the person employed.

The working poverty rate has linkages with other variables under discussion: a country with low labour productivity and high vulnerable employment would have higher percentage of working poor, as indicated by data in case of Pakistan (refer to the tables). The working poverty does not however measure "quality of work" as it looks

Indicator 1.6

Working Poverty Rate

$$WPR = \frac{\text{number of employed persons living in a household with per-capita consumption or income below the poverty line}}{\text{Total employment}} \times 100$$

Total Employment: sum of people above a certain age (15+) who worked or held a job during a specified period, i.e., last week

Working Poor: employed persons living in a household whose members' per capita income or consumption are estimated to be below the nationally-defined poverty line

Poverty Line: minimum level of consumption or income deemed necessary to achieve an adequate standard of living

at the income component of work only. The working poverty and its measurement has greater value for development of appropriate labour and economic development policies.

The poverty head-count ratio at $1.25 dollars a day was 21.04% in 2008 and it reduced to 12.7% in 2010. In October 2015, the World Bank raised its poverty line from $1.25 a day to $1.90 a day. With this change, the updated figure on poverty headcount ration interestingly reduces to 8.3%. The Government estimates of poverty in 2010-11 using Rs. 1745 as poverty line indicated the poverty headcount ratio as 12.4%.

In order to produce working poverty estimates, we use macro approach by having the lower bound and upper bound estimates of working poverty. The lower-bound estimate of the number of working poor is generated by multiplying the total headcount poverty rate for each country by the employed population in each country. This definition assumes that: (1) the poverty rate of the working-age population (aged 15 and above) is equal to that of the population as a whole; and (2) that the employment rate of the poor is equal to that of the non-poor.

An upper-bound estimate of the number of working poor, on the other hand, is generated by multiplying the poverty rate for each country by the country's working-age population. In addition to the first assumption of the lower-bound estimate, the key assumption underlying the upper-bound estimate is that all of the poor who are of working age are employed. The assumption is essentially that the poor cannot afford to be economically inactive. Using the lower-bound and upper bound estimate gives us the number of working poor which is 6.737 million and the working poverty rate comes around 11.92%.

Vulnerable Employment Rate

7

Vulnerable employment is a measure of individuals employed under relatively difficult circumstances. This indicator measures whether the work is decent or not. The vulnerable employment is a powerful tool to assess decent work deficits as it allows to observe the existence of dualistic labour markets (formal and informal sector).

The indicator of vulnerable employment is based on the status of employment indicator that distinguishes between three broad categories of employment. These are (a) wage and salaried workers also known as employees); (b) self-employed workers that include self-employed workers with employees (employers), self-employed workers without employees (own-account workers) and members of producers cooperatives; and(c) contributing family workers (also known as unpaid family workers).

The status in employment is defined on the basis of economic risks that workers face. One element of that risk is the institutional attachment between the person and the job, type of authority over establishment(s) and other workers the job holder has or will have because of explicit or implicit result of employment contract.

Since own-account workers and contributing family workers are less likely to have formal work arrangements, access to benefits (healthcare & unemployment benefits) and social protection programs as well as recourse to effective social dialogue mechanisms, these are more at risk to economic cycles and are recognized as "vulnerable".

The current data shows that nearly 60% of the employed workers are in vulnerable employment. A large percentage of vulnerable employment is indicative of existence of large agriculture sector and rural economy as well as limited formal economy. With the structural transformation in the economy (move from agriculture to manufacturing to services sectors), the share of employees increases while the share of OAWs and CFWs decreases. The low income countries like Pakistan have high share of vulnerable employment and low share of wage and salaried employment while the opposite is true of the high income countries. It is interesting to note that own-account workers are found both in large proportions in Agriculture and Services sector while the contributing family workers come mainly from Agriculture.

Nearly 60% of the employment is vulnerable employment (a combination of own account and contributing family workers). This has been the same since 2006-07 when the vulnerable employment rate decreased to 60.6% from 63.1% in 1999-2000. A gender gap is also witnessed in vulnerable employment's sub parts. Males are more in the own account work (40% vs 18.59%) while females are more as contributing family members (54.96% vs 15.12%). Own-account work is equally distributed in rural and urban areas (37.19% vs 31.36%) while contributing family work is found more in the rural areas (31.26% vs 9.07%) which indicates a high proportion of underemployed agriculture sector workers. At the sectoral level, the own-account workers are found equally in agriculture and services sectors while contributing family workers are mostly found in the agriculture sector. At the provincial level, in all the provinces except Punjab, there is a strong move from contributing family work to own account work in the last couple of years.

There are two issues while considering vulnerable employment rates: People at "risk of lacking decent work" are very often poorly skilled and do not bring the required qualifications, need to follow the classic economic development with shifts in employment from the agricultural sector into industry and service sectors, accompanied by increases in decent work opportunities.

Our analysis shows that workers with relatively at higher skill level (measured by five years or more of education) are found less in vulnerable employment than those who have less than five years of education. Moreover, own account work as such is not always vulnerable work. It has a highly heterogeneous status, often consisting of a mix of subsistence and entrepreneurial activities that can be found in all sectors, even in high-level jobs, where marketable skills are required. A key challenge in Pakistan would be to identify vulnerable groups in the labour market.

Secondly, the vulnerable employment indicator presumes that wage and salaried work is equal to decent work. This is however not the case in Pakistan where nearly half of the wage and salaried workers are irregularly paid employees with unfixed wages and salaries, who are likely to fall short of decent work objectives in terms of protection against dismissal, social protection or rights at work.

Indicator 1.7

Vulnerable Employment Rate

$$VER = \frac{(\text{number of own-account workers} + \text{number of contributing family workers})}{\text{total employment}} \times 100$$

Total Employment: sum of people above a certain age (15+) who worked or held a job during a specified period, i.e., last week

Own-Account Workers: workers who, working on their own account or with one or more partners, hold the type of jobs defined as a "self-employment jobs" and have not engaged on a continuous basis any employees to work for them.

Contributing Family Workers: *workers* who hold "self-employment jobs" as own-account workers in a market oriented establishment operated by a related person living in the same household.

Share of women in wage employment in the non-agricultural sector

5

The indicator measures the degree to which women have access to paid employment in industry and services sectors. With structural transformation in an economy, paid employment is created in new industry and services sectors which has the positive impact on women's financial autonomy, personal development and decision making.

The indicator also indicates the degree to which labour markets are open to women in industry and services sectors, which affects not only equal employment opportunity for women, but also economic efficiency through flexibility of the labour market and the economy's capacity to adapt to changes over time.

There is no optimal share for women in paid employment, and an assessment of the level and development of the indicator is made in conjunction with other labour market indicators. The share of women in total employment, unemployment and the economically active population should be taken into account in order to assess whether women are under or over-represented in non-agricultural wage employment. It is also important to consider information on employment by status in employment, because it is known that women are more likely to work as unpaid family workers. An increase in the value of indicator, meaning that more women have gained wage employment, often has a positive influence on poverty reduction. Creation of decent and productive work for women is a key strategy for the economic empowerment of women and their families. The women's share in paid employment has remained low (9-11%) which needs to be increased through corrective policy measures.

The share of female wage employment in the non-agricultural sector is 10.64% as against 89.36% share of male employment. Women are represented more in the agricultural employment than in the non-agricultural employment(share rises to

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Indicator 3.2

Share of women in wage employment in the non-agricultural sector

$$\text{Share of women in wage employment in the non-agricultural sector} = \frac{\text{Number of women in paid employment in the non-agricultural sector}}{\text{total number of people in paid employment in the non-agricultural sector}} \times 100$$

Total Employment: sum of people above a certain age (15+) who worked or held a job during a specified period, i.e., last week

Wage Employment: refers to wage earners and salaried employees, or "persons in paid employment jobs".

Non-agricultural sector: industry and services sectors

39.14%) where female workers are engaged as contributing family workers. The share of female wage employment in the non-agricultural sector remained in the range of 9.5 to 11 per cent for the period under review, with a relatively higher proportion of urban women engaged in wage employment outside agriculture, compared to their rural counterparts. In terms of the provincial breakdown, the share of female wage employment in the non-agricultural sector is higher than 60% in all provinces. At the country level, the total wage employment in the non-agricultural sector is 18 million and the women share in that wage employment is only 11% (2 million). Even for those in the wage employment, only 60% of the female workers are in wage employment in non-agriculture sector are paid regularly. Workers paid by piece rate are 26% while casual paid employees are nearly 14%.

The Government should either subsidize childcare or provide affordable childcare to increase women labour force participation. Discrimination based on gender in hiring must be removed by enacting a standalone anti-discrimination legislation guiding

employment matters (catering to equal pay for equal work issues). It should also be prohibited for prospective employers to ask about a worker's family and marital status. Parents should be allowed to have flexible/part-time work schedules. Similarly, in order to raise female wage employment, Government must amend the maternity benefits law and instead of requiring an employer to pay the wages during maternity leave, should either get these paid from social security institutions for all types of workers or should share the burden with the employer. Similarly, maternity leave duration needs to be raised and a partially paid parental leave (longer duration) must be provided to enhance women participation in market economy.

Conculsion

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Since the target year for MDGs is about to end, it is essential to take stock of country's progress on employment related indicators. As described in the above pages, the current report reveals a mixed pattern - a combination of successes and failures, improvements and challenges. Although progress has been achieved in meeting some targets but translating economic growth into decent job opportunities has remained a challenge. Creating decent jobs calls for a structural transformation of Pakistan's economy with bold industrial policy promoting value addition and economic diversification.

The preceding chapters of the report reflect the challenges Pakistan faces, in order to achieve "full and productive employment and decent work for all including women and young people" in order to eradicate poverty.

There is no doubt, progress has been made over the last fifteen years towards achieving target 1B, but some challenges like the significant imbalances in Pakistan's labour market persist, and are evident among economic sectors, employment structure and productivity levels. It is well known, that economic development does not automatically lead to improvements in the quality of work and consequently to poverty reduction. There are several issues that deserve closer attention by policy makers and politicians:

1. While competitiveness is crucial for growth and development, especially in a globalizing world, productivity improvements should not be pursued through low cost labour. For a qualified and spirited labour force in the years to come, equal investment in education and technical vocational training for women and men is needed in order to achieve full and productive employment for all, in Pakistan. Unless these investments are made, Pakistan won't be able to reap full benefits of GSP-Plus if we aim to complete on the basis of low labour costs. As described in the report, both manufacturing and service sector firms identified inadequately educated labour force as a major factor hampering business growth in Pakistan.

2. It is apparent that Pakistan faces a special gender challenge. The analyses point to several persisting gender gaps, which need to be closed, in order to fully utilize Pakistan's labour potential. The gender issue as a cross cutting theme needs to be strengthened in policies, in order to improve the situation for women in the labour market with regard to labour market access and quality of jobs. The current gender pay gap is 40% in Pakistan and the current female-male wage ratio is 59%, which is quite low. The gender wage gap is highest in Industry (58%) and the lowest in the services sector (20%). The gender wage gap among youth is 40%. There is a dire need for *equal pay for equal work* legislation.

3. Since the working poor indicator is an important tool, in order to identify decent work deficits as well as lack of income poverty, serious efforts need to be undertaken to allow the calculation of meaningful estimates as soon as possible of national poverty line, working poor as well as the working poverty rates.

4. With almost six out of ten people in vulnerable employment situations, there is evidence that the decent work deficits in Pakistan are immense. Special attention needs the large share of female vulnerability (72 per cent) in 2013-14. Also of concern is the large share of youth vulnerability.

5. The movements of workers from low productivity employment to industry and services are not resulting automatically in a development process. Its speed and extent reflects both, the incentive and the ability of workers, to move toward higher productivity sectors. Better labour market information, regarding skill demand, job opportunities and provision of training for jobs available in various sectors, could accelerate the process.