

Skills & Wages: A Neglected View

International Labour Standards Unit

Ministry of Overseas Pakistanis & Human Resource Development

Islamabad

A country's prosperity depends on the number of people working and how productive they are, which in turn rests on the skills they possess and how effectively these skills are employed. Skill are a foundation for decent work. Skill development has a central role in maintaining both productivity and employment growth. It fosters a virtuous cycle of higher productivity, more and better quality employment (free of exploitation), increased income and development (leading to a decrease in poverty). Skill development encourages domestic and foreign investment, leads to higher wages, expands labour market opportunities and reduces social inequalities.

The right to education is enshrined in article 25-A of the Constitution of Islamic Republic of Pakistan 1973. Article 37 of the Constitution further elaborates on the subject and urges to State to:

- (b) remove illiteracy and provide free and compulsory secondary education within minimum possible period;
- (c) **make technical and professional education generally available and higher education equally accessible to all on the basis of merit.**

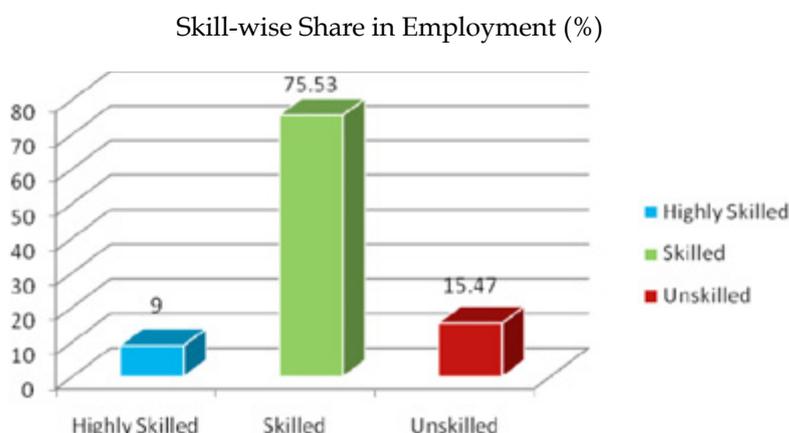
In order to fulfill these constitutional obligations, National Vocational & Technical Training Commission (NAVTTTC) was established through an Act of Parliament in 2011. An earlier form of NAVTTTC already existed in the shape of National Vocational & Technical Education Commission (NAVTEC) since 2005. NAVTTTC is the apex body at national level to regulate, facilitate and provide policy direction in the realm of vocational and technical training in the country.

The extent to which NAVTTTC has succeeded in meeting its mandate is not the topic of discussion here. What we aim to analyse in this brief is situation of skills in Pakistan, corresponding wage rates and the impact of such wage rates on workers to develop further skills. We use data from Labour Force Survey (LFS) 2013-14 (most recent data available) for analyzing the skills profile of the country. Labour Force Survey divides occupations in nine major occupational groups which can be reclassified in three board groups based on the level of skills required for these professions/ occupations. Box 1 explains the classification into "highly skilled", "skilled" & "unskilled" categories.

Occupational Classification by Skill Levels	
Highly Skilled	Managers; Professionals; Technicians and Associate Professionals
Skilled	Clerical Support Workers; Service and Sales Workers; Skilled Agricultural, Forestry and Fishery Workers; Craft and Related Trades Workers; Plant and Machine Operators, and Assemblers
Unskilled	Elementary Occupations

Box 1

Of those employed (56 million), 42.6 million are in the skilled professions, 8.7 million in the unskilled profession and 5 million in the highly skilled professions. Women constitute nearly 20% of all these categories.



Graph 1

Occupation-wise Share in Employment (%)

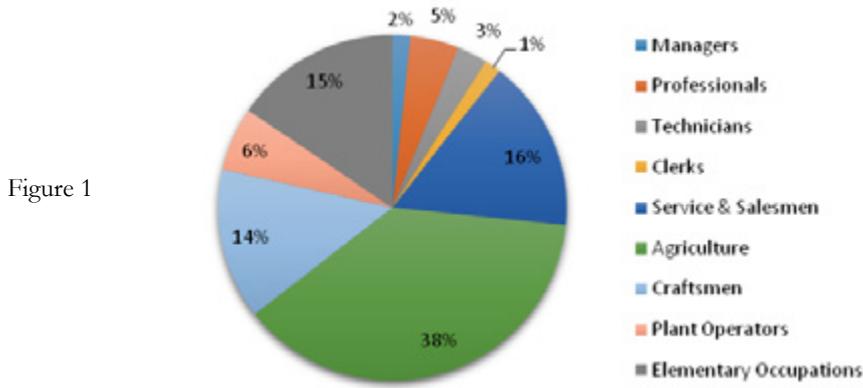


Figure 1

The occupation wise share in employment (Figure 1) indicates the occupations where our work force is most concentrated. More than four times of highly skilled workers (managers, professionals and technicians) are employed in agriculture, forestry and fisheries. The craftsmen & related trade workers are less than those engaged in elementary occupations. Managers, professionals, technicians and plants operators combined still number less than those engaged in occupations requiring limited skills.

Figure 1 is indicative of serious shortage of people with strong cognitive skills as it clearly tells us where most Pakistanis are working. Skill building is a process and not an isolated event. The three important types of skills include creative & cognitive skills, personal & social skills, and vocational & job skills. No nation has produced a highly qualified skilled workforce without first providing its people with a strong education. Education allows both the horizontal and vertical social mobility and allows people to come out of poverty. The analysis of LFS data indicates that with higher educational achievement, not only wages increase but workers also have an array of occupations to choose from. Those with a Degree (bachelors and higher levels) education are employed in highly skilled and skilled professions (98%).

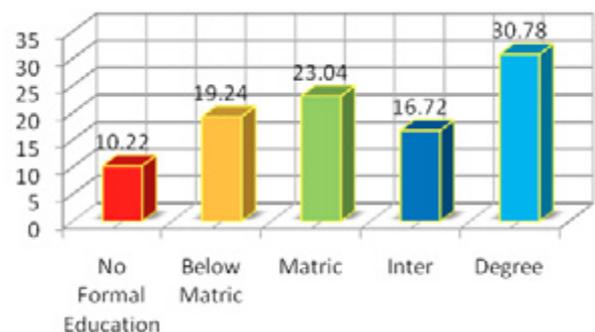
If we analyse the earnings of employed labour force by skill level, it is evident that 25% of the workers employed in highly skilled occupations were earning less than the minimum wage announced for unskilled workers. It must be reminded here that minimum monthly wage for unskilled workers in 2013-14 was Rs.10,000. Here, we also observe greater gender wage gap. Among 100 highly skilled male workers, 19 were earning less than Rs.10,000 while in female workers, the ratio is more than double (43 out of 100). Among the skilled workers, those earning less than the minimum wage for unskilled workers are 45%. This ratio is 42% in male skilled workers while rises to 84% among the

female skilled workers.

If we look at the sectoral distribution of employed workers by skill level, it becomes obvious that highly skilled women workers are concentrated in two professions (91% engaged in education and health & social work) while male highly skilled workers are engaged in manufacturing as well as education and health sectors. Among the male skilled workers, majority are engaged in agriculture (41%) followed by wholesale & trade (22%) and manufacturing (16%). On the other hand, women skilled workers are mostly engaged in agriculture (81%) followed by manufacturing sector (15%). Although highly skilled women workers are employed more and more in education and health & social worker sectors, however women are exploited the most in these two sectors as 88% of the highly skilled women workers were earning less than minimum wage (Rs.10,000) in 2013-14.

Another aspect of skill level with respect to educational attainment and wage level was examined and it appears that a great percentage (31%) of highly skilled workers with a 14 years or higher level of education earns less than the minimum wage announced for unskilled workers. Women again are concentrated in this category.

Highly Skilled Earning Less than Rs. 10,000/Month



Graph 2

Policy Implications

The above information has greater policy implications that we would usually imagine. It not only tells us about the state of skills in the country but also the reasons why we are in the low-skill trap.

Breaking out of low-skills trap is not only simply a matter of investing in education and skill development. The real challenge lies in changing the mindset and establishing such institutional mechanisms which would recognize the value of investing in people and give fair treatment to all without any discrimination. The wage rates are abysmally low, even 25% of the highly skilled workers are getting less than the minimum wage announced for unskilled workers. What kind of a signal is that to skill acquisition? Yes, hundreds of studies can be produced on positive correlation between the higher education achievement and wage levels however a worker experiences reality which is quite harsh. A worker would struggle for skill improvement only if he is ensured that higher skills will lead to better work opportunities under decent working conditions. Much of this depends on the Government's willingness and ability to implement its minimum wage and payment of wages laws. Unless compliance with these laws is ensured through an effective and reformed labour inspection system, workers will avoid developing further skills and those who do will move out of the country for better work opportunities, eventually causing the brain-drain.

The data from Enterprise Surveys (focusing on factors shaping the business environment) conducted by World bank indicated that 24% (of the 1247 firms surveyed) have identified inadequately educated workforce as a major constraint (ratio being 20.8% in manufacturing sector and 27.6% in services sector). We are of the view that employers are not declaring actual skill shortages in the country since they are using turn of the century production and work organization methods. In the absence of trained manpower, the producers would make stop-gap arrangements leading to sub-optimal decisions and low levels of productivity which in turn can lower wage rates. The Global Competitiveness

Report 2014-15 also describes "poor work ethic in national labor force" as one of the most problematic factor for doing business in the country. We need to build skills in our workforce to compete at the global level. For such skills, more investment is needed in the early years of schooling throughout the country instead of just creating some islands of excellence.

Although article 18 of the Constitution of Islamic Republic of Pakistan allows everyone to choose his/her profession however the LFS data clearly indicates that women workers are concentrated in certain limited professions (health, education, agriculture, manufacturing, public administration). Government needs to take steps for increased women participation in other sectors of economy. The other policy implication from above data is the widening gender pay gap especially in low skilled professions. It amplifies the need for a stand-alone anti-discrimination law which guarantees equal treatment and non-discrimination in the course of employment and occupation (in all employment related matters), on the ground of race, religion, caste, sex, colour, creed, marital status, disability, trade union membership, residence or place of birth, and payment of equal remuneration for work of equal value to men and women employees.

It must be indicated that although minimum wage rates for different skills levels are announced by the Provincial Governments through Minimum Wage Boards, there is lack of implementation of such rates which according to our view is hampering skill acquisition of our workers and keeping the economy in the low-skills trap. Ministry of Overseas Pakistanis & Human Resource Development along with Provincial Labour Departments must work in collaboration with national bodies working on skills including National Vocational & Technical Training Commission so that our skilled workers are not exploited and lose the incentive to build skills and serve the country. One step in this regard could be sharing of trainees' data by NAVTTC (employment levels and wages earned by the trainees).