

## Chapter 6 | LABOUR, EMPLOYMENT AND SKILL DEVELOPMENT

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Pakistan Vision 2025 seeks a society in which all citizens have equal opportunity to improve their quality of life. This requires strengthening human and social capital, which will allow the population to optimally contribute to and effectively benefit from economic growth. Employment opportunities are important not only for increasing national production levels, but also to raise the family income and consumption, ensure the self-esteem of individuals, reducing income disparities and thus overall improvement in the social fabric of society. Unemployment is not merely an economic but also a social and political problem. Skill development plays a critical role in productive employment; therefore, improved training and skill development is also essential part of the productive employment strategy. Keeping in view the emerging demands of skilled manpower in national and international markets, particularly the opportunities opened up due to China Pakistan Economic Corridor (CPEC) projects, the present government has emphasized on youth skill development and Technical, Vocational Education and Training (TVET) sectors.

### Box-1

#### Sustainable Development Goals (SDGs) <sup>1a</sup>

The Sustainable Development Goals (SDGs) are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. SDGs goal 8 deals with inclusive growth and productive employment.

“Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.”

In developing countries, the middle class now makes up more than 34 per cent of total employment – a number that has almost tripled between 1991 and 2015. However, we are seeing slower growth and not enough jobs to keep up with a growing labour force. According to the ILO, more than 204 million people were unemployed in 2015.

The SDGs promote sustained economic growth by encouraging entrepreneurship and job creation. The goal is to achieve full and productive employment, and decent work, for all by 2030.

The global unemployment rate stood at 6.1 per cent in 2015, down from a peak of 6.6 per cent in 2009, mostly owing to a decline in unemployment in the developed regions. Unemployment affects population groups differently. Globally, women and youth (aged 15 to 24) are more likely to face unemployment than men and adults aged 25 and over. The unemployment rate among women is higher than that of men. In almost all regions, the rate of youth unemployment is more than twice that of adults.

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<sup>1a</sup> UNDP official website

## Performance review 2016-17

With existing population growth rate of 1.9 percent there is annual addition of about 3.75 million in population and 1.2 million in labour force. Labour force participation rate indicates supply of labour and proportion of people active in economic activities. Pakistan ranks 9<sup>th</sup> in terms of its workforce. Whereas in term of population, it ranks sixth largest country in the world. This implies low participation as per latest Labour Force Survey (2014-15). Overall crude participation rate in the country is 32.27 per cent; male and female participation rates are 48.08 per cent and 15.81 per cent, respectively. It indicates that only 1/3<sup>rd</sup> population is active in economic activities while remaining about 2/3<sup>rd</sup> population is dependent on their bread- earners. Furthermore, about two-fifths of workforce is illiterate which hampers learning skills and productivity.<sup>2</sup>

### Employment situation

The unemployment rate is persistently decreasing as shown in the table-1. It stood at 5.94 per cent in 2014-15. This is partially contributed by the declining participation rate which is at the lowest ebb in recent history. After 2015, Labour Force Survey (LFS) has not been conducted due to on-going population census activities. However, on the basis of latest survey 2014-15, overall participation rate has decreased from 32.88 per cent in 2012-13 to 32.27 per cent in 2014-15, showing 0.61 per cent decrease in two years. Male unemployment rate has decreased from 5.41 per cent to 4.98 per cent while female unemployment rate has decreased from 9.0 per cent to 8.97 per cent during the period concerned. In absolute numbers, overall unemployed persons have decreased from 3.73 million in 2012-13 to 3.62 million in 2014-15. Male unemployed number has decreased from 2.49 million to 2.31 million. Whereas, female unemployed has increased from 1.24 million to 1.31 million during the period concerned. Net jobs of 1.41 million have been created during 2013-14 and 2014-15.

**Table-1**  
**Labour force and unemployment**

Year	2012-13		2013-14		2014-15	
	Million	%	Million	%	Million	%
Labour Force	<b>59.74</b>	<b>32.88</b>	<b>60.10</b>	<b>32.28</b>	<b>61.04</b>	<b>32.27</b>
Male	45.98	76.97	45.65	75.96	46.38	75.98
Female	13.76	23.03	14.45	24.04	14.66	24.02
Total	<b>59.74</b>	<b>100</b>	<b>60.10</b>	<b>100</b>	<b>61.04</b>	<b>100</b>
Employment	56.01	93.76	56.52	94.04	57.42	94.06
Male	43.49	77.65	43.33	76.66	44.07	76.75
Female	12.52	22.35	13.19	23.34	13.35	23.25
Total	<b>56.01</b>	<b>100</b>	<b>56.52</b>	<b>100</b>	<b>57.42</b>	<b>100</b>
Unemployment	3.73	6.24	3.58	5.96	3.62	5.94
Male	2.49	66.76	2.32	64.80	2.31	63.81
Female	1.24	33.24	1.26	35.20	1.31	36.19
Total	<b>3.73</b>	<b>100</b>	<b>3.58</b>	<b>100</b>	<b>3.62</b>	<b>100</b>

**Source:** Labour Force Survey 2013-14 & 2014-15, Pakistan Bureau of Statistics

<sup>2</sup> Labour Force Survey for the year 2015-16 and 2016-17 has yet not been published by Statistical Division.

## Employment by status

As per LFS 2014-15 in the last two years, share of self-employment has increased and unpaid family helpers decreased in overall employment, as a result of government policies towards skill development and provision of loan to youth under Prime Minister's Youth Programme. The share of self-employed has increased from 33.6 per cent in 2012-13 to 36.1 per cent in 2014-15. However, the share of unpaid family workers has decreased in the total employment from 26.3 per cent to 23.8 per cent in the same period. Percentage-wise share of employment by status is given in the table-2.

LFS 2014-15 shows that Employers are just 1.4 per cent of total employment whereas, self-employed, unpaid family helpers, and employees are 36.1 per cent, 23.8 per cent, and 38.7 per cent respectively. The share of self-employed has increased from 33.6 per cent to 36.1 per cent in 2014-15. The share of unpaid family helpers in total employment went down from 26.3 per cent to 23.8 per cent in this period. To enhance the share of self-employed in total employment, efforts are needed to impart market based skills development as well as incentivizing to promote entrepreneurship. This warrants alignment of the curriculum to market demand and overhaul network of technical and vocational educational institutions.

**Table-2**  
**Employed: Distribution by Employment Status**

Employment by Status	2012-13	2013-14	2014-15
	% of Total	% of Total	% of Total
Employers	1.3	1.1	1.4
Self Employed	33.6	35.4	36.1
Un- paid Family Workers	26.3	24.4	23.8
Employees	38.8	39.1	38.7
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Source:** Labour Force Surveys of relevant years

## Employment trends by sector

Agriculture sector provides employment to 42.3 percent of the population, however, its share in total employment marginally reduced from 43.7 per cent in 2012-13 to 43.5 per cent in 2013-14 and 42.3 per cent in 2014-15 (Table-3). The main reason of this change is due to technical transformation as labour is being replaced by machine. On the other hand share of manufacturing sector gradually increased from 13.3 per cent in 2012-13 to 14.2 per cent in 2013-14 and 15.3 per cent in 2014-15. It implies that the economy is undergoing certain structural changes and further indicates that during last couple of years most of the share left by agriculture was taken by manufacturing. However share of services and construction sector is almost stagnant during this period. The prospects of finding productive/decent employment are much higher in manufacturing and services as compared to agriculture. It is an established fact that investment in manufacturing is the best route to development and necessary pre-condition for sustained economic development.

**Table-3**  
**Employment Share by Sector**

Employment by Sector	2012-13	2013-14	2014-15
	% of Total	% of Total	% of Total
Agriculture	43.7	43.5	42.3
Services	35.7	35.0	35.1
Manufacturing	13.3	14.2	15.3
Construction	7.3	7.3	7.3
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Labour Force Surveys and Economic Survey 2014-15

### Youth employment

The youth (age 15-24) comprises more than 40 million of the total population and this remarkable young age structure needs to be channelized as powerful force for economic development through proper education and training. Under the Prime Minister Youth Program the government announced various schemes for youth in September 2013; comprising of Youth Business Loan Scheme, Youth Skill Development Programme, Youth Training Programme, Free Loan Scheme and Fee Re-imbusement Scheme for Less Developed Areas. These initiatives were designed to create a culture of entrepreneurship by making available all the required ingredients to the youth for starting their own business and enhancing their technical know-how and skills for gainful employment. The defined objectives of this package were enabling vulnerable youth and poor segments of population to get good opportunities for gainful and decent employment.

### Informal and formal employment

Employment trends show that the informal sector is the largest employer of the workforce. Out of the total employed workforce, 42.27 per cent are engaged in agriculture sector while remaining 57.73 per cent are employed in non-agriculture sector (Table-4 below). The informal workers are usually deprived of basic rights and majority of them is employed as contractual labour directly or through sub-contracting practice.

**Table-4**  
**Informal and formal employment**

Sectors	2012-13		2013-14		2014-15	
	Million	%	Million	%	Million	%
Agriculture	24.84	43.71	24.82	43.48	24.60	42.27
Non-agriculture	31.99	56.29	32.26	56.52	33.59	57.73
Formal	8.44	14.85	8.52	14.93	9.21	15.83
Informal	23.55	41.44	23.74	41.59	24.38	41.90

Source: Labour Force Surveys

### Women employment

Pakistan has a Gender Development Index (GDI) ranking at 121 out of 155 in the 2015<sup>3</sup>. However, it is encouraging sign that female participation in the labour market is increasing with the passage of time. Female unemployment rate slightly increased from 8.74 per cent

<sup>3</sup> The 2015 Human Development Report (HDR) by UNDP.

in 2013-14 to 8.97 per cent in 2014-15 contrary to contraction in unemployment at national level.

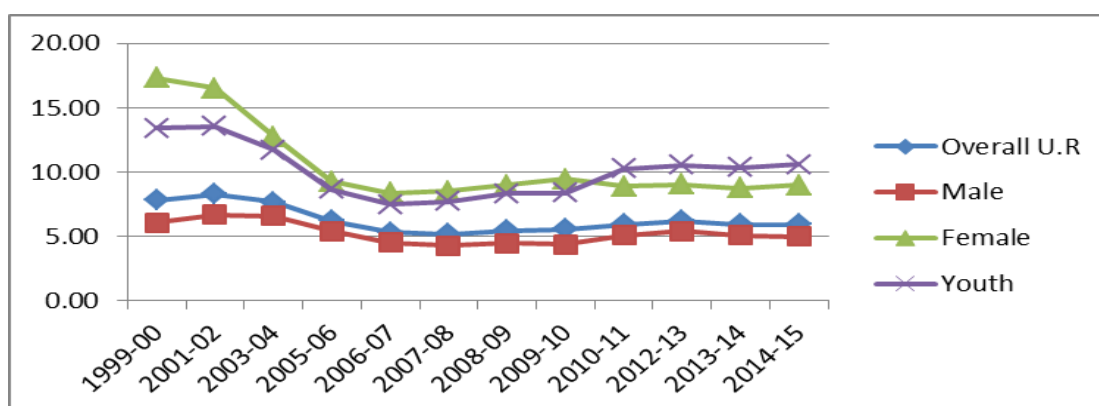
Gender equality is an essential basis for peaceful, flourishing and sustainable world. Providing women with equal access to education, health care, decent work, and representation in political and economic decision-making processes can lead towards sustainable economies and benefit societies at large.

Pakistan is the signatory to the Convention on the Elimination of Discrimination against Women, as well as the Millennium Development Goals (MDGs) and the Sustainable Development Goals (SDGs) that have commitments on improving women's socio-economic conditions in the country and promote gender equality. Legislation against gender-based violence has improved in Pakistan between 2000 and 2016. The government is committed to facilitate the women so that they can play a positive role in the development of the country and special initiatives have been taken to ensure the women empowerment<sup>4</sup>.

### Labour market trends

Analysis of unemployment trends of the economy is very important for policy formulation. There remained a steady increase in overall unemployment rate up till 2012-13. Subsequent to that, a falling trend was observed by 2013-14 onward due to economic stability and corrective measures adopted by the present government. Following graph shows the trend of overall unemployment from 1999-2000 to 2014-15.

**Unemployment trends (overall, male, female and youth)**



Source: Labour Force Surveys of relevant years

### Global/regional situation

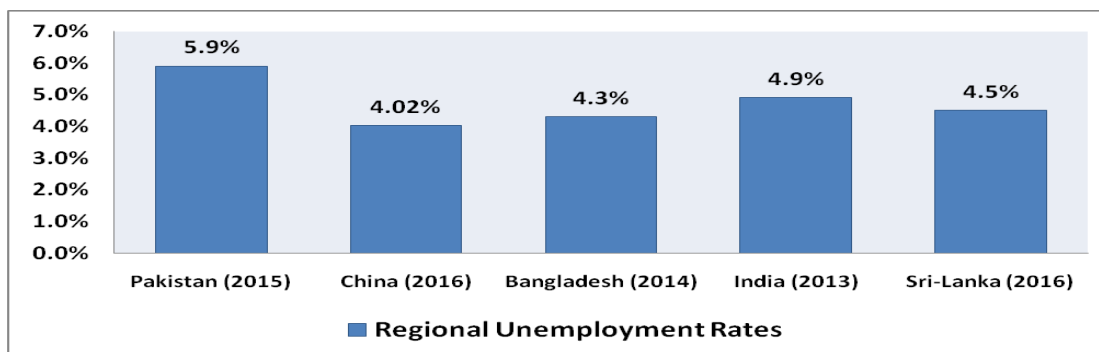
The global unemployment is expected to rise @ 5.8 per cent in 2017 as compared to 5.7 per cent in 2016, which implies addition of 3.4 million more unemployed people in global market (bringing total unemployment to just over 201 million in 2017).

The increase in unemployment rates in 2017 are driven by deteriorating labour market conditions in emerging countries due to impacts of several deep recessions in 2016. The unemployment rate in emerging countries is expected to increase from 5.6 per cent to

<sup>4</sup> SDG's, National Policy for Development and Women's Empowerment

5.7 per cent during this period. However, in contrast, unemployment is expected to fall in developed countries at the rate of 6.2 per cent in 2017 as compare to 6.3 per cent in 2016<sup>5</sup>.

The unemployment situation in different countries of the region during previous years is comparatively better than Pakistan. The unemployment statistics reveal that Pakistan's unemployment rate is higher than that of China, Bangladesh, India and Sri-Lanka. In China and Bangladesh the stimulus package included the infrastructure improvements, subsidy programmes, trainings and job counseling, which have been showing positive results.



Source: Employment/Statistics Departments of the respective Countries.

## Outlook 2017-18

Implementation of “Skill for Growth and Development; TVET Policy for Pakistan (2015)” in letter and spirit will help in overcoming the skills related problems. Government initiatives like CPEC, macro-economic stability, youth business loan schemes, promotion of overseas employment and encouragement of entrepreneurship will be helpful in achieving the targeted level of employment in the country as outlined in the Vision 2025 and 11<sup>th</sup> Five year Plan (2013-18). The National Skill Strategy (NSS) 2009, developed by the NAVTTC, emphasizes on creating a demand-driven training system responsive to requirement of the job market. After 2015, Labour Force Survey has not been conducted due to on-going population census activities. However, on the basis of last available LFS 2014-15, net jobs of 1.41 million have been created during 2013-14 and 2014-15. Labour Force Survey for 2015-16 onwards is awaited and hopefully that would show further improvements in job creation.

## Policy measures for improvement of labour market

### Macroeconomic stability and larger PSDP

Pakistan's economy has gained more strength during last two consecutive financial years due to better financial discipline and consistency and continuity in economic policies. Pakistan is now on the radar screen of global investors. After acquiring stabilization, government is now embarking on high growth strategy to create higher employment opportunities. Enhanced size of PSDP and bulk investment in CPEC will increase GDP growth, resulting increase in employment generation.

<sup>5</sup> World Employment Social Outlook Trends 2017 (ILO)

## **Energy improvement**

Energy is the lifeline of an economy and plays a vital role to sustain industrial, commercial and domestic activities. Because of the Government's concerted efforts, uninterrupted supply of energy to industry will eventually improve the employment prospects in the economy.

## **Employment generation in CPEC programme:**

Investment under CPEC is expected to be around US\$ 60 billion. This huge inflow of investment will generate massive economic activities and thereby employment opportunities. It is expected that CPEC impact on GDP growth would be around 1.5 per cent which will create around 1.5 million additional jobs. Apart from focusing on energy and infrastructure, special economic zones will also be established, which will create tremendous job opportunities and technological advancement.

## **Job creation through entrepreneurship:**

Key to mitigating unemployment especially among youth is to provide them the capability to create their own jobs; to move from pure concept of unemployment to the concept of entrepreneurship/ self-employment. Higher Education Commission (HEC) is preparing an action plan for introduction of entrepreneurship education in the curriculum.

## **Skill development**

It is a well-known fact that productivity, growth and economic well-being, all are related to human capital of a country. Employers always want to invest only in productive human capital or on efficient workers who possess good skill sets and competencies along with positive attitude for quality work and better service delivery. Thus, nature and quality of skill sets of an economy is the major determinant of its competitiveness, employability and quality of life of its people. For the reason, the concept of investing on human capital is gaining focus among other issues of the workforce all over the world.

The government has realized the fact that skill development can be one of the most important instruments for social and economic transformations of the society. Therefore, in Vision-2025 and 11th Five Year Plan, government is committed towards building the innovative society through knowledge, technology, and competition by realizing the vital need of investments in education and skill generation programme. The government is making efforts to invest more on educated and unemployed youth so that immense potential of youth can be transformed into valuable asset for the country. Presently, priority has been accorded to skill development by acknowledging supply of skilled labour force as a mandatory input for inclusive growth process. Further, China-Pakistan Economic Corridor (CPEC) has far-reaching impacts on national economy as it is offering a unique opportunity to effectively harness the demographic dividend. Moreover, regional demand of skilled workforce offers another opportunity to increase the flow of foreign remittances.

To achieve this objective, various Prime Minister's initiatives are being implemented all over the country to produce skilled workforce as per international demand and standards. National Technical Vocational Commission (NAVTC) and National Training Bureau (NTB) under Ministry of Federal Education and Professional Training are actively involved in imparting quality education and technical & vocational training throughout the country including Prime Minister's Youth Skill Development Programme. Ministry of Inter Provincial Coordination (IPC) is implementing Prime Youth Training Programme (National

Internship) to provide on-job internship for almost 150,000 unemployed youth all over the country. Training is being imparted in following areas: Hospitality, Agriculture, (dairy & animal nutrition management), Horticulture, Construction, Information Technology & Telecommunications, Skill for women, Light engineering, Paramedics, Services etc.

### **Performance review 2016-17**

During financial year 2016-17 an amount of Rs3,614.17 million was utilized under PSDP and Prime Minister's package. During 2016-17, "Prime Minister's Youth Skill Development Programme (Phase-III)" was launched by NAVTTC for unemployed and less educated youth. Under the programme, 23,671 individuals were equipped with hand-on skills in various demand driven trades. The objective of the programme is to create competent, motivated, entrepreneurial, adaptable, creative and well trained / skilled workforce for local and international market. Ministry of Inter Provincial Coordination (IPC) has to be trained 50,000 on job internees under "Prime Minister's Youth Training Scheme (NIP)". Under National Talent Pool's programme, around 1037 expatriate Pakistanis professionals have provided their commendable services across the world most prominently from U.S.A, Canada, U.K, Germany, Australia etc., in the fields of medicine, engineering, agriculture, basic or social sciences and Information Technology etc. About 29 of visits have been undertaken by highly qualified overseas Pakistanis under "President Programme for care of Highly Qualified Pakistanis (PPQP)". National Education Foundation is involved in delivering free general education and training to students from class IV to VIII under the project "Vocational Schools in Public Private Partnership (PPP)" at estimated cost of Rs50 million during the current financial year.

Other Physical achievements are as under;

- Development of National Vocational Qualifications Framework (NVQF), 08 operational manuals of NVQF, curriculum for NVQF qualifications, teaching and learning material for NVQF qualifications, 61 competency standards and 61 curricula for various CBT qualifications, 61 assessment packages for various qualifications, teaching and learning manuals for 35 qualifications, competency standards and curricula for 12 trades for cooperative vocational training (CVT).
- Assessment of CBT qualifications, recognition of prior learning (RPL) and recognition of current competencies. Implementation of 10 CBT qualifications in 97 Institutes across the country.
- Trained 221 assessors for conducting formative and summative competency based assessment from across the country, 150 teachers for conducting CBT, 175 principals/managers, up scaled the capacity of institutes and up-gradation of labs/workshops.

### **Outlook 2017-18**

Although Pakistan has trained manpower of professionals and technicians yet more emphasis would be made on creating technical and vocational jobs to cater the domestic as well as international market needs in order to reap the demographic dividend of Pakistan. National Skill Strategy (NSS), developed by NAVTTC, emphasizes on creating a demand-driven training system responsive to requirement of the job market. The priority areas for skill development are well aligned with CPEC projects and indigenous clusters as well as exportability of skilled workforce to regional markets.



Focus is being made on skill development programmes/schemes based on public-private partnership (PPP) including following areas:

- Developing National Skills Information System, NVQF & RPL Assessment Procedures.
- Formalization of informal sector in promoting competency based trainings.
- Capacity building of existing TVET institutes.
- Establishment of Sector Skill Councils (SSCs).
- Skill Development in emerging technologies and trades in line with CPEC and cluster development in major areas i.e. agriculture, industry and mining.
- Increasing employability of madrasas graduates.
- Opportunities for creating TVET institutes in un-covered/less-developed areas of the country.
- Employability of youth through skills training including specific groups, informal economy and rural areas.
- Promotion of entrepreneurship through human resource development.

### Programmes

During year 2017-18 an amount of Rs. 17,212.73 million is allocated to finance skill development programmes including PSDP funded projects.

- **PM Youth Training scheme (National Internship Programme)** envisages training of 150,000 on job trainees in three years (2015-18). Phase –II of the programme will be launched during 2017-18 to provide on-job internship to 50,000 unemployed educated youth in 100 demand driven trades/courses and give the intern an opportunity to learn and develop skills for better employment.
- **Prime Minister Youth Skill Development Programme (phase-III)** with an estimated cost of Rs. 2,630 million, envisages to train 50,000 unemployed youth in market oriented trades/courses.
- **Prime Minister Youth Skill Development Programme (phase IV)** with an estimated cost of Rs.6196.50 million, envisages to train 100,000 young aspirants in demand driven market oriented trades/courses in various TVET institutions in collaboration with private sector all over the country.
- **Skill Development through Donor's Special Initiative** for 1100 FATA Youth at Public and Private Technical & Vocational Training Institutes in FATA & Khyber Pakhtunkhwa (Donor Funded).
- **Training course for 20-30 Master Trainers and 400 service refrigeration & air-conditioning (RAC) technicians** under execution of Ministry of Climate Change in collaboration with NAVTTC and National Training Bureau (NTB).
- **National Talent Pool** has planned to strengthen web portal and interface for collection and dissemination of data of high level manpower in Pakistan and abroad and arrangement of visits of expatriate Pakistani professionals for short to long term placement in various institutions of the country.