

**THE
FIFTH FIVE YEAR PLAN
(1978—83)**

BASIC ECONOMIC FRAMEWORK

(Part I)

**PLANNING COMMISSION, GOVERNMENT OF PAKISTAN
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CHAPTER I

BACKGROUND OF PLANNED ECONOMIC DEVELOPMENT

Pakistan has made concrete efforts to develop and modernise its economy so that it can become an instrument of continuous growth, providing the material means for improvement in the standard of living of the people. Work was initiated on a number of development projects in the early fifties, though formal planning did not begin until the mid-fifties. Three five-year plans were implemented during the period 1955—70, followed by an abortive attempt to implement the Fourth Plan starting from July, 1970.

2. Only limited progress could be made during the First Plan period, mainly because firm political support was lacking for the Plan. Nevertheless, it did prepare the ground for subsequent rapid growth during the Second and Third Plans. The growth in the sixties, however, was unbalanced in its effect on sections of society, sectors of the economy and geographical regions. This fostered tensions in the country and there was growing demand for enlarged emphasis on distributional aspects. The need was felt for much greater emphasis on regional and social balance in the development process.

3. During the period 1950 to 1970, the average growth rate in GNP was roughly 4.9% *per annum*. Population increased rapidly and at an accelerating pace. The population increase was 2.5% *per annum* during the period 1951 to 1961 and about 3% during the sixties. Given the increase in domestic savings, defence expenditure and growing concentration of economic power, improvement in mass consumption levels was relatively small. The growth rate was higher in the sixties (6.3% *per annum*) than the average for the period 1950—70; in industry it was based largely on a type of incentives for the private sector, which attracted criticism later for their social impact, and in agriculture on technological changes which were not fully institutionalised.

4. The hopes raised by significant improvement in the performance of the economy during the sixties were frustrated by the experience of the seventies. The disturbed political situation in the early seventies, leading to the separation of East Pakistan in December, 1971, caused a major setback to the economy. The reforms introduced by the new government within a short period of six months from January to June, 1972 added a major element of uncertainty in economic relations, which could not be removed by subsequent assurances. Nationalization of a significant part of industry and almost the entire financial system without adequate forethought and much preparation raised serious problems of efficient public sector management. While problems of management were affecting performance of the large scale industrial sector, the nationalization of agrarian industries extended the effect of such policies to smaller industries dealing directly with the agricultural sector whose performance was also affected by the indifferent implementation of the land reforms.

5. During the later years, the impact of a severe international economic crisis was felt which affected Pakistan in common with other non-oil exporting developing countries. World inflation, the rise in energy prices and subsequent emergence of recession affecting the demand and prices of exports from developing countries brought about a major adverse movement in the terms of trade of the developing countries (other than oil-exporting countries). According to the United Nations Review of Trade and Development, the terms of trade of the large low-income developing countries declined by 25 per cent between 1970 and 1975. Pakistan's terms of trade are estimated to have come down by 28 per cent between 1973 and 1975.

6. The severity of international crisis was met by varying responses from the affected developing countries. As a result, while a number of them with firm and imaginative economic management were able to resume growth and overcome the balance of payments problems by the later seventies, conditions in others continued to deteriorate. In Pakistan, the response was both inadequate and delayed; the nation was never fully taken into confidence about the true state of the economy and the difficult option that it had before it. Corrective measures requiring hard and unpopular decisions were either not taken or taken too late which magnified the problems and made the task of economic management in later years extremely difficult.

7. At the same time, investment commitments were made for major new projects which pre-empted flexibility in relation to investment programming. The Fourth Five-Year Plan, as originally conceived, had of course become irrelevant to the conditions prevailing in Pakistan after December, 1971. But no other plan was adopted in its place either which could provide a framework for avoiding a distorted pattern in investment decisions.

8. By 1977, the cumulative impact of persistent stagnation in the economy combined with enlarged commitments for development projects, non-development expenditure and subsidies had created an economic impasse. The behaviour of major economic indicators is summarised below :

- (a) GDP growth rate from 1970 to 1977 was on average 3.1 per cent *per annum*. The population growth is estimated during this period at roughly 3 per cent *per annum*. There was thus hardly any improvement in *Per capita* incomes. Taking into account the loss in real incomes resulting from the adverse movement of the terms of trade, *per capita* real incomes actually declined over the period.
- (b) *Per capita* commodity production declined markedly. Agricultural and industrial growth rates were, in fact, less than 2 per cent *per annum*, significantly below the rate of population increase.
- (c) Between 1973 (by which year a substantial part of trade diversion from East Pakistan to world markets had been completed) and 1977, exports increased at an annual average rate of 9%, but the increase was mainly related to world inflation. In real terms, exports were stagnating. In particular, there was a steep decline in the export of cotton and cotton textiles.
- (d) Balance of payments deficit widened considerably over the period. The current account deficit which had declined to \$ 131 million in 1972-73, reached its peak level of \$ 1,187 million in 1974-75 and stood at \$ 1,051 million in 1976-77. While a large part of the balance of payments deterioration was due to relative changes in international prices for Pakistan's imports and exports, stagnation in overall domestic production with a sharp decline in the production of major export items like cotton and textiles also contributed significantly to this result. Large external borrowing during the period created a serious debt servicing burden, the full impact of which will be felt in 1978-79 on the expiry of the four-year debt rescheduling arrangement negotiated in July, 1974.
- (e) Domestic savings declined to 8.7% of GDP in 1976-77 compared with the peak rate of 13% attained in 1964-65. National savings, which include the effect of savings remitted by Pakistanis abroad, were higher at 11.3% of GNP. A significant part of the domestic savings by the

late seventies was in the nature of inflationary forced savings through large deficit financing. Public sector's borrowing from the banking system for budgetary support amounted to Rs. 6,000 million in 1976-77.

- (f) Monetary expansion was taking place at an annual rate of over 19%, with growth rates in real income of about 3% *per annum*. Inflation averaged over 18% *per annum* during the period June, 1972 to June, 1977.
- (g) Overall investment ratio improved during the period from a low level of 12.9% in 1972-73 to 18.3% in 1976-77. The increase took place in the public sector as the private investment as a proportion of GNP came down to about 5 per cent compared to 7.5% in 1969-70. Public sector investment was heavily concentrated on a few major projects with a long gestation period, the benefits of which have not accrued so far.

REVIEW OF 1977-78

9. The sharp increase in public sector outlays without a corresponding increase in revenues and foreign assistance, and the stagnation in exports combined with rising imports had led to serious balance of payments and budgetary problems at the end of 1976-77. These problems compounded by low levels of output and private industrial investment had become so formidable that their solution could only be attempted through a strong effort sustained over a number of years.

10. A beginning in this direction was made through a series of measures adopted during 1977-78 to revive lagging production and exports, improve Government finances and restore the legitimate role of private enterprise. To start with, the Annual Plan and the Budget for 1977-78 included restraints on public sector investment. The nominal value of public sector development expenditure was contained to the previous year's level which meant a substantial reduction in real terms taking into account the inflation over the previous year and the increase in investment goods prices. The containment of public sector development outlay was accompanied by increase in taxes and tariffs and reduction in subsidies and a massive effort at realization of Government dues that had been allowed to fall into arrears.

11. A number of measures were taken in September, 1977, in an attempt to restore private sector confidence and revive output and exports, the more important of which included the denationalization of cotton ginning, rice milling and flour milling units; opening up a number of areas which had previously been declared closed under the Economic Reforms Order to private enterprise; simplification of export rebate procedures; removal of fiscal anomalies affecting domestic production, lowering of interest rates for investment credit; and special incentives for the ailing textile industry. Further measures were taken in January, 1978, to raise additional budgetary revenues with a view to reducing reliance on deficit financing and containing inflation.

12. The measures described above helped bring about a recovery in output, exports and savings during 1977-78. The full impact of the recent change in Government policies is likely to accrue over a longer period in part because the measures taken during the course of the year will have their full impact in 1978-79 and in part because of the lags between policy changes and responses by the private sector. The performance during 1977-78 reflects, therefore, a transition towards a more buoyant and stronger economy.

13. GDP growth rate of above 6 per cent is estimated to have been realised in 1977-78. GNP growth is expected to be higher at about 9%, due to a large increase in the flow of remittances from abroad. The growth in agriculture was

primarily due to improved performance of summer crops, especially cotton. The output of cotton increased from 2.4 million bales in 1976-77 to 3.3 million bales in 1977-78. The improvement during the year reversed four successive years of decline in cotton output and has helped re-establish confidence in the country's ability to produce good cotton crops. Wheat, which is the principal winter crop, did not do well. The level of output may have declined and at best showed no increase over the previous year which was partly due to unfavourable weather around harvesting time and serious 'rust' attack.

14. The growth in manufacturing has primarily resulted from fuller capacity utilization in chemical industries and sharp increase in grain milling, cotton ginning and edible oil processing. Output increase in some other industries such as sugar and metal products has also been satisfactory. However, the textiles and paper and board sectors have not fully revived. The textile sector has been facing cotton scarcity and erosion of profitability in the first four months of the fiscal year. Cotton supplies have improved with ginning of the current crop. Exports of cloth and, recently, export contracts of yarn have revived but output for the year as a whole is anticipated to be more or less at last year's level.

15. The year also witnessed the first major upturn in export earnings in three years. The value of merchandise exports which had crossed the \$ 1 billion mark in 1973-74 had increased marginally to \$ 1.132 billion by 1976-77. In 1977-78, exports are expected to be roughly at \$ 1.3 billion showing an increase of 15 per cent. The trade deficit, however, still remains large. Much more effort would be required to correct the basic balance of payments deficit.

16. The increase in export earnings has been surpassed by another surge in home remittances which are anticipated at \$ 1.1 billion, displaying a 90 per cent improvement in one year. Consequently, Pakistan's earnings on visible and invisible account combined have increased by a sharp 40 per cent.

17. The current account deficit for 1977-78 is estimated at approximately \$ 800 million which is \$ 200 million less than last year's level. During 1977-78, foreign exchange reserves are expected to rise by \$ 200—300 million.

18. The Government revenues increased by 22 per cent during 1977-78 as a result of improved collection and new tax measures. This brought down the level of deficit financing and reduced inflationary pressures in the economy.

19. Despite the gains during 1977-78, the Fifth Plan starts with weaknesses in domestic savings and balance of payments. The forthcoming increase in debt servicing will further add to economic management problems. The strains on the economy which have developed as a result of prolonged stagnation during the seventies can only be removed with sustained increases in productivity and efficiency over the next five years. On top of undertaking to make the economy progressively stronger, the Fifth Plan will also have to bring about a radical transformation of public sector investments away from the existing preponderance of manufacturing (concentrated in a few large capital intensive and long gestation projects) and physical infrastructure to agriculture and social sectors. These aspects represent a formidable challenge but one that can be met with sustained efforts to improve efficiency and increase productive capacity.

CHAPTER II

STRATEGY, OBJECTIVES AND TARGETS

Strategy

The Fifth Plan is conceived as a comprehensive national effort to overcome the economic difficulties and strains which have emerged in the preceding years, when growth was retarded and ambitious commitments were accepted with little regard to resource availability and to correct the insufficient emphasis on the spread and quality of social services. Growth in both industrial and agricultural production and, therefore, in national income are the means through which a balanced functioning of the economy should be gradually restored without imposing intolerable sacrifices on the people. The margin of production over the population increase would also provide the basis for changing the direction of the allocation of resources towards under-privileged and neglected areas and sectors in order to be able to meet the basic needs of the people at large.

2. Essential for the success of this approach is a determination to delay costly new projects until some of the long-gestation projects are completed. In the meantime, efforts have to be focussed on improving the efficiency of the economy, by increasing allocation of resources to agriculture and rural development.

3. The main focus of the Plan would be the rapid development of agriculture based on an efficient utilization of the considerable potential of the nation in terms of (a) land, manpower and water resources, (b) expanded and more intensive use of modern inputs, and (c) the creation of permanent institutions supporting continued progress in this vital sector of the economy. The target of a 6 per cent growth rate in agriculture projected for the Plan period is ambitious in terms of past performance but essential for the objectives of meeting basic needs, stabilizing prices and improving the balance of payments. Wheat production is projected to increase sufficiently to eliminate the need for imports by the end of the Plan period. Substantial increases are projected for export of cotton and rice. New emphasis is placed on minor crops and rainfed area development. The crop targets are sought to be ensured through certain key programmes. Substantial increases are provided in the allocation for canal remodelling, new canals for better utilization of Tarbela water, continued development of ground water resources and better on-farm water management. This would result in an increase of 2.5 per cent *per annum* in the irrigated cropped acreage, and considerable improvement in yields per acre. Yields are expected to increase by over 4 per cent *per annum*. Apart from the water development programme, yield improvement is based on larger use of fertilizer, improved seeds, application of pest control and extended coverage by improved extension services. Fertilizer consumption is expected to roughly double over the Plan period. The bulk of the fertilizer applied will be produced domestically. Improved seeds for major crops will be made available by Seed Corporations being set up for this purpose. Extension coverage under the new system of training and visit would be extended to 40 per cent of the cropped area. Effective coverage against pests will have been arranged by 1982-83 for most of the crops susceptible to pest attack.

4. In the industrial sector, emphasis is being placed on the completion of the Karachi Steel Mill and the fertilizer and cement factories under implementation. Public sector industrial development will generally be confined to modernization and balancing of capacity. The only new major project in the public sector is for the progressive manufacture of tractors in collaboration with Massy-Ferguson. Combined with the expansion in the private sector, the country would be producing 1.4 million tons of fertilizer in 1982-83 against the present capacity

of 0.33 million tons. Cement production is expected to double over the next five years with the completion of 7 factories in the public sector and 3 in private sector. An active role is envisaged for private sector in all the major industries except for the few specifically reserved for the public sector. Industrial growth is projected at an annual average rate of 10 per cent as a result of improved utilization of capacity in both the public and private sectors, completion of major projects in the public sector and a more favourable private investment climate.

5. The strategy of completing on-going projects, earmarking large investments for early maturing projects in the productive sectors and making a determined effort to improve productive efficiency, allows realization of a growth rate of 7 per cent leading to a GDP increase of 40 per cent in the next five years. *Per capita* income is projected to increase at a rate of 4.2 per cent *per annum*.

6. The financing of the Plan investment calls for a vigorous drive to raise domestic savings. While investment will increase by about 65 per cent over the plan period, domestic savings are required to rise at an annual rate of 18.0 per cent. Domestic savings are forecast to increase from 7.8 per cent of GDP in 1977-78 to 12.5 per cent in 1982-83, reflecting a marginal rate of 23 per cent. Net factor income from abroad is projected to decline from 5.2 per cent to 4.0 per cent of GNP over the Plan period. Consequently, national savings are projected to go up from 12.6 per cent to 16 per cent of GNP between the end years. The share of net foreign savings is forecast to decline from 4.4 per cent to 3.9 per cent of GNP over the corresponding period.

7. The domestic savings target called for is fairly ambitious. However, the following factors should be borne in mind in judging its feasibility. First, Pakistan had achieved a domestic savings ratio of 13 per cent in 1964-65 and the Plan would largely attempt to restore that position. Second, the poor performance of domestic savings in recent years was largely due to insufficient growth and deterioration in Pakistan's terms of trade. The domestic savings performance did improve considerably after the terms of trade partially recovered from the trough reached in 1974-75. Third, the domestic savings rate is linked to the GDP growth at market prices of 7.5 per cent and allows for a 3.4 per cent *per annum* increase in *per capita* consumption, which is adequate to absorb the incremental demand for basic consumer goods. In view of the factors outlined above, it is considered feasible with the help of a strong savings mobilization effort to attain a 23 per cent marginal rate of savings with GDP growth of more than 7 per cent.

8. Net foreign assistance is projected to stabilize at around \$ 1 billion annually during the next five years. The gross deficit will be larger because of the mounting debt repayment liability. Containment of the current account deficit would require an ambitious export effort reflected in 11 per cent *per annum* real growth, combined with successful import substitution in food, fertilizer and energy, which will limit import growth to about 6 per cent *per annum*.

9. Fixed investment is projected to rise from about 16.5 per cent of GNP in 1977-78 to 19.2 per cent in 1982-83. Much more important is the change in composition, from public to private sector, in the industrial sector, from long-gestation capital-intensive to quicker-yielding investment and a shift in favour of social sectors :

- (a) The ratio of private investment in industry will be nearly 50 per cent for the Plan period against 26 per cent in 1977-78. By 1982-83, the ratio of public investment in industry would have come down drastically as on-going public sector projects are completed.

- (b) Rural development programmes in the sectors of Agriculture, Water, Housing, Education, Health, Rural Roads, small-scale industries and miscellaneous works of local significance are expected to account for 29 per cent of total public sector programme.
- (c) Investment in agriculture and water would account for 22 per cent.
- (d) By the end of the Plan period, 25 per cent of public sector investment would be in social sectors.

Objectives

10. The investment, savings, trade and growth policies of the Fifth Plan have been devised to remove the underlying weaknesses of the economy and to impart to it the basis for sustained growth relying on domestic effort. At the same time, the content of investment, savings and growth has been framed to serve the following principal objectives :

- (i) *Development of rural areas* will receive priority. This will be attained through various programmes and policies. Provision of critical inputs and improvement and streamlining of extension services offered to the farmers will lead to increases in productivity, incomes and living standards. Simultaneously, the programmes for widespread extension of social services such as schooling, health and drinking water will primarily benefit the presently deprived rural areas.
- (ii) *Easing of urban problems* will continue to receive due attention. In particular, water supply, drainage, housing and transport facilities will be expanded in cities and towns to provide relief from existing shortages as well as cater to additional requirements.
- (iii) *Development of backward regions* will be stressed. To this end, the widespread extension of social services will be reinforced by special programmes pertaining to provision of infrastructure, setting up of productive capacity in particular for the better utilization of the resource endowment of the areas, rendering technical and other assistance to *barani* areas and attracting private investment to backward regions. In addition, infrastructure links with developed centres will be provided to promote inter-regional flows and national integration.
- (iv) *Meeting of the basic needs of the population and promotion of equity* will be served by the objectives listed above. In addition, the Plan provides for employment generation, income increases and availability of essential goods which are designed to improve the relative position of the urban and rural poor.
- (v) *Laying down the foundations of long-term economic growth* will be an important objective of the Plan. At its present stage of development, Pakistan has to chalk out its development path with a long horizon in view. It must invest in technology and build up infrastructure at times ahead of demand. In order to build up technological skills, investment in basic and engineering industries will be undertaken simultaneously with improvements in productivity in agriculture, training of skilled manpower and scientific and technological research. The economic development under the Plan is conceived as a major step towards wider national integration through the development of linkages and inter-dependence between regions and provinces.

11. The objectives laid down above are often complementary but, in general, they would compete for resources. The task of making major advances in the aspects noted above while reducing the country's external dependence, constitutes a major challenge. It is clear that attainment of the objectives will require honesty of purpose, efficiency, discipline and austerity. The attainment of basic needs and the required investment in long-term growth cannot be accommodated without some sacrifice of comforts by a large section of society and of ostentation by the few who can afford it and are prone to practise it. Measures will be taken from time to time to discourage indiscriminate consumption and to promote instead attitudes of thrift and austerity. Economy in expenditure would be required not only in personal consumption, but also in the Government's non-development liabilities. It would have to cover the style of development and avoid large expenditure on lavish buildings and standards of construction imitating more affluent societies.

12. The economy is only one of the aspects of overall social life. The overall objective of the nation is to develop a humane, just and progressive society based on Islamic values. Economic development is one of the instruments for realizing this overall comprehensive goal. All the objectives listed in the Plan are to be seen as part of the process by which the nation is seeking to fulfil its destiny.

Targets

13. The important physical targets for the Fifth Plan are given below :

Important Physical Targets for the Fifth Plan (1978—83)

	Unit	Benchmark* 1977-78	Target 1982-83	Percentage Increase
1	2	3	4	5
PRODUCTIVE SECTOR				
Agriculture :				
A Crop Production				
1. Wheat Million tons	8.70	12.8	47.1
2. Rice Do.	2.90	3.90	34.5
3. Sugarcane Do.	28.00	34.30	22.5
4. Cotton Million bales	3.30	5.00	51.5
5. Oilseeds (including cotton seed)	.. Million tons	1.54	2.47	60.4
6. Pulses Do.	0.83	1.12	13.9
B. Inputs				
1. Fertilizer :				
(i) Off-take Million nutrient tons.	0.68	1.36	100.0
(ii) Per cropped acre use	.. Lbs.	33	60	81.8
2. Plant Protection:				
(i) Aerial Operations	.. Million spray acres	3.66	3.60	—
(ii) Ground Operations	.. Do.	9.02	25.60	183.8
Total	..	12.68	29.20	130.3

	1	2	3	4	5
(iii) Per cropped acre use of pesticides Lbs.			0.28	0.58	107.1
3. Improved seed distribution .. Million mds.			1.91	4.04	111.5
4. Tractor availability .. (Nos.)			71,000	1,11,000	36.3
5. Agricultural Extension :					
(i) Extension Workers (including graduate and under-graduates). Number			6,588	8,000	22.9
(ii) Cropped acres per extension worker Acres			6,970	6,260	(—)10.2
(iii) Cultivated acres per extension worker Do.			7,335	5,975	(—)18.6
(iv) Area under Modern Training & Visit Extension system :					
(a) Cropped area .. Million acre			—	19.0	—
(b) Cultivated area Do.			—	17.2	—
Industry :					
1. Cotton Yarn Million Kgs.			295	548	85.76
2. Cotton cloth Ml. sq. Mtr.			1500	2465	64.3
3. Sugar Thousand tons			800	1000	25.0
4. Fertilizer Thousand N. tons			334	1381	313.47
5. Cement Thousand tons			3150	6000	90.47
6. Steel Million tons			—	0.80	—
Oil :					
Production of Petroleum Products .. Million tons			3.479	4.626	—
Crude throughput of the above —			3.751	4.918	—
Domestic crude —			0.490	1.657	—
Percentage of domestic crude to total —			13.1%	13.1%	—
PHYSICAL INFRASTRUCTURE					
Water :					
Water availability —			91.75	102.90	12.1%
(a) Public Tubewells .. MAF			—	5750	—
(b) Private Tubewells Do.			—	41600	—
(c) Water-Course Improvement .. Miles			—	9000	—
(d) Canal Remodelling Do.			—	1400	—
Irrigated Cropped Area Million acres			35.81	40.58	13.3
Protection from Water-logging and Salinity Do.					
Area Protected Do.			16.0	23.1	44.4
Flood Control —			5361 million cubic feet earth work.		

	1	2	3	4	5
4. Water supply in rural areas ..		(i) Population covered (Million No.)	7.66	21.91	186.0
		(ii) percentage of population covered	14.06	36.20	—

* Benchmark figures used in various chapters occasionally deviate from actuals.

CHAPTER III

MANPOWER AND EMPLOYMENT

The socio-economic indices that continue to place Pakistan in the ranks of the poorest developing countries are predominantly determined by the high population growth rate of 3% *per annum*. Low *per capita* income of Rs. 551, use of outmoded and low productivity techniques, lack of provision of basic needs to a large majority of people, under-employment, insignificant participation of labour force, inadequacies of public transport and unfulfilled demands for electricity are largely the outcome of a large and under-developed population rather than lack of potential to modernise. Substantial advances have been made in industrialization, introduction of modern inputs to agriculture and provision of physical and social services. Despite these advances, modernisation has proceeded at a creeping pace in relation to a population growing at high and accelerating rate over the past three decades.

2. Over the years investment in socio-economic development has resulted in a sizeable reduction in mortality rates without correspondingly affecting fertility behaviour. The crude death rate has fallen to less than half of the 1950 figure, while crude birth rate may have registered a reduction of about 10%. Population growth rate increased from 2% in the early fifties to 3% in the early seventies thus dissipating the impact of socio-economic development.

3. The dynamics of interaction between fertility levels and socio-economic development are meaningful insofar as these pose obstacles to progress. Rapid reductions in fertility are known to follow growth in income and modernisation of living conditions, technology and outlook; general extension of education; and formal employment of women. In the absence of such changes, fertility tends to stay high. Conversely, high fertility and rapid population growth hinders substantial gains in incomes, modernisation, spread of education and female employment in two ways; first, ability to mobilize savings and invest in economic and social development is lowered and second, the gains that do accrue are spread out over a larger base. Thus, a vicious circle is set in motion in which high fertility and socio-economic stagnation breed upon each other. The way out of the dilemma is to propel socio-economic change faster through extra efforts and to advance the response in fertility through special policies and programmes.

4. To bring about such a socio-economic change requires the pursuit of a certain policy, one that goes beyond the concern for growth alone and sows the seeds for rapid and sustained modernisation. This type of policy must embrace, indeed rank high, the meeting of essential needs of diet and other necessities, the dissemination of gainful employment and the development of human capital.

5. Unfortunately, planning efforts in Pakistan have placed primary reliance on overall economic growth backed by emphasis on investment. This did accelerate output but it has become increasingly evident that the methods used could not generate sufficient productive employment opportunities, combat poverty or improve human capital.

Review

6. The population of Pakistan in 1948 was about 32 million and in 1978 it is estimated to be approximately 75.6 million. Roughly 54.92 million people or 72 per cent of the total live in rural areas.

TABLE 1

Rural and Urban Population

	1951	1961	1972	1978
Total	31.9	39.4	65.3	75.6
Rural	25.9	29.7	48.7	54.9
Urban	6.0	9.7	16.6	20.7

7. The ratio of urbanization has increased from 19.8 per cent in 1951 to 22.5 per cent in 1961 and to 25.5 per cent in 1972. Moreover, the traditional sharp distinction between the urban centres and the isolated villages are disappearing, giving way to fusion and interaction among units of various sizes. Urban influences have spread considerably as rural residents in densely settled areas are constantly exposed to urban living patterns.

8. Key social indicators display the disturbing phenomenon that the sizeable expansion in supply is being largely offset by population growth. Pakistan begins its Fifth Plan with the following ratios of services provided to the population: a literacy rate of 19.8 per cent, primary school enrolment of 53 per cent, organized health cover for 50 per cent, safe water supply for 26.9 per cent, less than half the population receives the basics of education and health and the situation is worse in rural areas.

9. In other respects, the situation is only a little better. There is an estimated shortage of 2 million dwelling units in urban areas and a significant proportion of existing houses do not meet acceptable basic standards. Public transport is excessively crowded in urban areas, while paved roads and electricity is the exception in rural areas. These inadequacies parallel general indices of poverty. *Per capita* income is amongst the lowest in the world. Though acute malnutrition is rare, protein-calorie malnutrition is estimated to affect one-third of the population.

10. To sum up, the advances in the past have served to alleviate poverty but elementary services are still denied to the majority. The worst manifestations of poverty, high mortality and acute malnutrition, have been controlled. In the process, population growth has accelerated, suppressing gains in other basic needs. The crude death rate has come down from 30 to 15 per thousand since 1947, and the crude birth rate from about 50 to 45 per thousand. The average fertility behaviour indicates that a woman passing through her reproductive period delivers seven live births. Catering to the backlog and meeting basic requirements of a growing population needs giant efforts. Needless to say, the task will take more than one Plan period but the concentrated efforts in roads contemplated during the Fifth Plan will not only usher in a marked improvement in supply of services and perception of change but bring targets for universal coverage within sight.

11. The general characteristics of the population that have been described so far are covered in various chapters of the Plan. The rest of this chapter elaborates one specific aspect, that of labour force and employment.

Labour Force and Employment

12. The 1951 population of 33.7 million has more than doubled today. The current population is estimated at 75.62 million with a labour force of 22.22 million. Effective measures for reducing fertility rate and depressing the population growth rate need special attention. A reduction in the crude birth rate can be instrumental in promoting capital formation. However, its impact on the size and growth of labour force will be felt after a period of about 15 years.

13. A rather small portion of the population constitutes the civilian labour force in Pakistan. Table 2 shows that the labour force which was 30.7 per cent of the population in 1951 is estimated at 30 per cent in 1978.

TABLE 2

Population Distribution by Levels of Employment

(per cent of population)

	FY 1951	FY 1961	FY 1972	FY 1978
Total Labour Force	30.7	32.4	29.9	29.4
(i) Employed	29.8	31.9	29.3	28.9
(ii) Unemployed	0.9	0.5	0.6	0.5

14. The size of civilian labour force has progressively increased from 10.4 million to 13.9 million and 20.8 million according to decennial censuses of 1951, 1961 and 1972. According to the Labour Force Survey, 1974-75, labour force size was 20.5 million while the participation rate was reported as 29.5 per cent. Based on these trends, the estimates are placed at 22.31 million. In comparison with the world participation rates of 42.0 per cent, 44.8 per cent for industrial countries, 40.7 per cent for developing countries and 37.9 per cent for South Asia, Pakistan's rate of under 30 per cent appears very low.

15. In the foreseeable future the labour force is estimated to increase faster than the population. This is because the decrease in birth rate will not affect the supply of labour for some time while in due course the participation of women is expected to rise. However, the shift towards universal education will have some depressing influence on the participation rate.

16. The participation rates indicate a great divide between male (52.08) per cent and female (4.28%) labour force. Urban/rural differences are prominent as the participation is 26.5 and 30.8 per cent, respectively. Rural/urban age/sex break-up of labour force participation and unemployment rates may be seen at Annexure I.

17. Low labour force participation rates in the country can be attributed to the population having a young age structure as 33.55 million (44.37%) fall below the age of 15 years and to the extremely low female participation as female labour force is about 2.02 million (8.47%).

18. Table 3 provides details of employment by sectors. Some details are also given in Annexure II,

TABLE 3

Employment by Sectors

	FY 1951		FY 1961		FY 1972		FY 1978 Estimate	
	Million	Share %	Million	Share %	Million	Share %	Million	Share %
Agriculture	6.2	65.3	7.5	59.5	10.9	57.3	12.0	55.0
Industry	0.9	9.5	1.7	13.5	2.5	13.0	2.7	12.0
Transport	0.1	1.1	0.3	2.4	0.9	4.8	1.1	5.0
Construction ..	0.1	1.1	0.3	2.4	0.7	3.4	1.0	4.6
Services/others ..	2.2	23.0	2.8	22.2	4.1	21.5	5.0	23.0
Total	9.5	100.0	12.6	100.0	19.1	100.0	21.8	100.0

19. The LFS, 1974-75 places 54.8 per cent of labour employed in agriculture, 31.6 per cent in manufacturing, 9.6 per cent in construction and public utilities and 21.8 per cent in services. The agriculture sector absorbs 54.8 per cent of labour force against its contribution of 34.5 per cent to the GDP. These shares are roughly equal in case of manufacturing sector, while in case of public utilities and construction, the labour force employed is low compared to the GDP contribution. The labour force absorbed by the services sector is only 21.8 per cent while their share in GDP amounts to 44 per cent.

20. An important attribute of the employed labour force is that nearly half are self-employed and another 29 per cent are family helpers. Thus, over three quarters of the employed are straightaway excluded from the benefits and restraints introduced through labour legislations. Indeed, the proportion that is directly covered through minimum wage and other legislation is considerably less than a quarter of the labour force. Of the 21 per cent of the employed who are hired employees, the half that work in rural areas would more often than not be excluded from most labour legislations. This would also apply to a fair proportion of the urban civilian employees who number a little over 2 million.

21. The dominance of the self-employed and family helpers category is a reflection of the rural-agriculture characteristic. The rural areas account for 77 per cent and agriculture for 58 per cent of the employed labour force. In the urban areas, hired employees form 46 per cent, in part due to the non-agricultural nature of economic activity. Thus, the rising trend in the proportion of employees is likely to continue with urbanization and industrialization.

22. The following table presents a summary statement on employment patterns :

TABLE 4

Employment Pattern, 1974-75

	Employers	Self-employed	Family helpers	Employees	Total
Agriculture and allied activities	0.6	29.4	23.5	4.5	58.0
Manufacturing	0.2	5.5	2.3	4.9	12.9
Construction	—	2.3	0.2	1.7	4.2
Transport	0.1	2.0	0.3	2.3	4.7
Trade	0.2	7.6	1.7	1.3	10.8
Services and Others	0.2	2.7	0.5	6.0	9.4
Total	1.3	49.5	28.5	20.7	100
Urban	2.3	41.9	10.2	45.6	100
Rural	0.9	51.6	34.0	13.5	100

23. Traditionally, open unemployment has not presented a major problem. It has been estimated around 2.0 per cent in various reports and surveys over many years except for the H.E.D. Survey of autumn, 1973 where it is 13.0 per cent. Much of the difference between H. E. D. and other surveys pertains to age groups 10—19, especially for females, where severe unemployment is reported. The main difference would seem to apply to the definition of job seekers.

24. In Pakistan, as in other developing countries, the term employed covers a wide variety of employment conditions and lack of demand for their services may cause workers to work less than a full working week. The number of workers working less than 35 hours per week has been estimated at 4.8% of the total employed. But a far greater proportion of the employed work very long hours for very low incomes because of the low-productive nature of their work. Others work sporadically or at a low level of productivity with few alternative prospects. Disguised unemployment in agriculture was recently estimated at over 2 million workers. This figure is an indication of the fact that many workers could be released from the agricultural sector without any significant effect on production. The informal sectors of the economy also abound with cases of persons working extremely long hours for low income returns.

25. The significance of low productivity employment is borne out by the large number of families whose earnings are below the poverty line. According to one estimate, 35% of the rural population and 23% of the urban population live on incomes below the poverty line. Although estimates of this type are subject to problems of definition and inadequacy of data, the extent of low productivity employment is probably quite high. The low productivity of jobs and the differential between rural and urban incomes gives rise to further problems. Firstly, entry into the labour force at young ages tends to depress the average wage rate as well as the average productivity of labour. Secondly, absence of remunerative job opportunities in rural areas leads to substantial migration to urban areas. The migrant labour has often to settle for low-paid marginal jobs for sometime which also tends to depress wages and productivity.