

MIMAP TECHNICAL PAPER SERIES
NO. 7

Poverty and Labour Market Linkages in Pakistan

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January 2001

PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS
ISLAMABAD, PAKISTAN

This Work is carried out with the financial assistance from the International Development Research Centre, Ottawa, Canada.

MIMAP Technical Paper Series No. 7

This study is a component of the Micro Impact of Macroeconomic Adjustment Policies (MIMAP) Pakistan project. This project is being implemented by the Pakistan Institute of Development Economics, Islamabad. The main aim of this project is to analyse the impact of structural adjustment policies on income distribution and poverty in Pakistan.

ISBN 969-461-103-2

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I. INTRODUCTION

The economy of Pakistan is passing through a phase of stagnation for the last many years. The decline in GDP and slowing down of the economy can be linked to many factors including domestic and global events. At domestic level, mismanagement of resources, widespread corruption, low human capital development, political instability, and inconsistency of the policies have adversely affected the growth of the economy and the development process in the country. The fluctuations in the exchange rate and drop in the prices of agricultural raw material (major source of income of developing world including Pakistan) significantly reduced the export earnings of the country. Rise in the energy prices (oil and electricity) increased the cost of production and resulted into the closure of many industrial units, which reduced the production capacity of the country. Moreover, the recession in the industrialised world, and financial crisis in the Far-Eastern economies badly affected our export earnings. Despite all efforts, government could not reduce the fiscal deficit and trade gap. The borrowing from external sources for different purposes could not generate enough income to service mounting debt. This increased the vulnerability of the economy to external shocks. As a result, GDP growth in 1998-99 was only 3.2 percent, almost half of the growth rate in eighties.

Since 1987, Pakistan is receiving funds from IMF and World Bank to reform its economy for higher growth. These programmes are aimed at enhancing the efficiency and productivity of the economy by removing the structural impediments. Most of these reform processes involve in the implementation of macroeconomic policies aimed at stabilising the economy. Because these reform packages are implemented in many countries, it is by now recognised that such macroeconomic policies have negative social impact. The degree of negative impact however, vary with the stage of development of the given economy. One of the major negative social impacts is the increase in the incidence of poverty. This raised concerned about the reform programmes in most of these countries. Because of the emerging consensus among donors and recipients, these concerns have recently been incorporated in the new lending programme of the Bretton Woods institutions. In the new approach, growth targets are integrated with poverty

reduction strategy to add the social dimensions into it. Despite this new realisation, the precise ways in which conventional macroeconomic policies need to be reoriented to minimise their negative social impacts remain largely unknown. However, it is recognised that the labour market is a central channel through which the effects of policy translate into the social dimension.

Poverty and labour markets are strongly related because labour market earnings are among the main sources of income for workers. In a system where there is no adequate social protection available, unemployment leads to poverty due to loss of labour income to those groups who possess inadequate capital and financial assets.¹ Even employment is not enough to push people out of poverty, if it is in the low wage informal sector. In the literature, both unemployment and informal sector employment are considered important links between poverty and labour market. For example, Agenor (1998) defined poverty as the ratio of the combined number of unemployed and those employed in the informal sector to the total labour force.

Although poverty has widely been discussed in the literature in Pakistan, yet there is no study, which discusses poverty in the context of labour market.² Therefore present study which provides the link between poverty and labour market will fill the important gap in the literature. The other strength of the paper is the use of newly conducted Pakistan Socio-economic Survey 1998-99, which provides the latest information on variables under study. Unlike other studies, we adopted a different approach in which labour market activities of the individuals belonging to the poor and non-poor households are analysed rather than focusing on activities of the head of the households. Our results show strong links between poverty and labour market and invites immediate policy intervention for poverty reduction through labour market. The deteriorating conditions of the economy, which resulted into high incidence of poverty, are during the time of economic reforms. This provides evidence against these reforms and a link between structural adjustment programme and poverty.

¹Khan and Nasir (1999) found that savings are low for low income workers, as a result, they possess inadequate capital and financial assets.

² Recently Mahboob-ul-Haq Center in collaboration with United Nations Development Programme published a comprehensive report on poverty "A Profile of Poverty in Pakistan" and reviewed the existing literature.

A brief outline of the study is as follows: theoretical link between structural adjustment programme and poverty through labour market is presented in section two with special reference to Pakistan. Section three presents brief reviews of the labour market situation in 1990s to shed some light on its functioning. In Section 4, the results based on the Pakistan Socio-economic Survey data 1998-99 are presented and discussed. The linkage between labour market and poverty through labour market activities of the workers are discussed in this section. The regional difference in the labour market activities of the workforce is also analysed. Major conclusions of the study are summarised in the last section.

II. STRUCTURAL ADJUSTMENT, LABOUR MARKET AND POVERTY

Since July 11, 1980, Pakistan is receiving funds in the form of Enhanced Structural Adjustment Facility (ESAF) and Extended Fund Facility (EFF) from IMF to restructure its economy. Under these concessional funds amounting about \$1.3 billion, Pakistan initiated a comprehensive programme of adjustment and structural reforms first from 1988-89 to 1989-90, followed by the second phase from 1993-94 to 1996-97. Funds are still flowing into Pakistan under this facility.

The main objective of ESAF and EFF is to effectively deals with the growing foreign trade deficit and burden of external debt servicing. The structural adjustment programme was the key element of this loan facility. The programme was designed to increase the export earnings, foreign direct investment, foreign remittances and to reduce the foreign debt liability to improve the level of official reserves. The reform programme also included liberalisation of the economy, reduction in fiscal deficit, and privatisation of state run establishments.

The adjustment and stabilisation programme had its own social cost by relocating labour between formal and informal sectors due to either shortage of funds or to put controls on the cost in response to adjustment process. The role of labour market is to facilitate this re-allocation of labour according to the market demand and supply conditions. It is interesting to see the mechanism through which labour market responds to these adjustment policies.

The labour market can respond in two ways. If wages are rigid downward in some sectors of the economy, the structural adjustment process will force both public and private sector to reduce their cost of production by reducing employment volume to survive. This process will adversely affect the poor because of their dependence on labour income. The mechanism is very simple. The restructuring process may raise the cost of production of the firms by raising their tax liabilities or other costs such as utility bills or cost of the raw material. Firms can either reduce employment or lower wages to control their cost to survive in the market.

If wage rigidities exist in the labour market, the wages does not fall proportionally. In that situation firms have to either cut their production or opt for capital intensive techniques. Both options reduce the employment volume and raise, both the unemployment and underemployment in the economy. This process mostly affects unskilled and semi-skilled labour force due to their skills deficiencies. The loss of labour income increases the chances of these workers to fall into the poverty due to their lower savings and inadequate possession of physical capital.³ Therefore, the wage rigidities will adversely affect the employment situation and income distribution in the economy [Horton *et al.* (1989)].

The labour markets can respond quickly and properly to the adjustment process, which can bring reduction in the poverty and income inequality. If workers are willing to accept lower wages, firms can adjust the increase in cost of production by reducing their wages, instead of reducing employment. If cost of production significantly reduces, existing firms expand their production and/or new firms enter into the market to take the advantage of lower cost of production. This expands the production capacity of the economy and the expansion process increases the employment opportunities for poor by lowering the unemployment and underemployment. This positively affects the income level of the wage earners who can pull themselves out of poverty. Therefore the flexibility in the labour market in response to structural adjustment policy not only increases the output in the economy but also reduces the poverty and income inequality in the country.

³ It has been observed that the propensity to save of wage earners is considerably low compared to other groups of labor such as employers and self-employees [See, Khan and Nasir (1999)].

III. PAKISTAN'S LABOUR MARKET IN 1990s

The Pakistani labour market, like other developing countries, is dual in nature and possesses both inflexibility as well as flexibility in its response to adjustment policies. The formal sector is less flexible and resists to downward movements in wages and employment whereas informal sector is more flexible and adaptive to the changes. The inflexibility in the formal sector is the result of the higher demand of the skilled workers who are relatively short in supply. Because of their bargaining power the firms in the formal sector are willing to retain them by offering them higher wages. Because unskilled workers are also protected, either by government regulations or by trade union's presence, they also resist to wage cuts.

The informal sector, on the other hand, is big in size but unorganised and unprotected therefore workers do not possess the bargaining power, which their counterparts enjoy in the formal sector of employment.⁴ Most of the businesses in informal sector are of service related and do not require any sophisticated technology. The human capital requirement is low therefore majority of the work force is not only illiterate but also less skilled/unskilled. As a result, both the productivity and wages are low in this sector. Moreover, overall job characteristics and working conditions are not very pleasant compared to the formal sector of employment [Kemal and Mahmood (1993)]. The reallocation of the labour from formal to this sector, due to wage rigidities, puts more pressure on this sector to absorb the surplus labour. This process expands the informal sector besides increasing unemployment. The rise in unemployment and informality of the employment contribute to the spread of poverty due to loss of income or the poverty wages in the informal sector.

The economy of the country is now passing through a phase where it faces major challenges. The population is at rise whereas overall GDP growth is at decline. Because of this, the per capita income is also on decline. Most of the sectors are not showing enough growth to absorb the growing labour force. The mechanisation in the agriculture

⁴ According to the Labor Force Survey 1996-97, the informal sector absorbs 64.4 percent of the non-agriculture labor force. The further division indicates that most of the workers in this sector are either self employed or unpaid family helpers. The regular wage employment is only 11.3 percent, which is quite low compared to the formal sector.

sector has not only reduced its capacity to absorb additional labour force but also reduced the existing employment. The manufacturing sector did not grow as fast to absorb the displaced labour force of the agriculture sector.

The informal sector has grown much faster than the formal sector over the years. The growth of informal sector adversely affected working conditions including decline in wages. As there is little provision of social security in the informal sector, economic conditions of the worker deteriorated. The cuts in government spending under structural adjustment programme affected the social sector development programmes including education, adult literacy, and health. All of these factors have pushed the economy of Pakistan in the recession and overall GDP growth registered decline.

The reduction in output has affected poor the most. The available statistics indicate that labour force is increasing whereas capacity of the economy is not expanding with the pace of labour force. Therefore unemployment is on rise and low wage informal sector is expanding (see labour force surveys). The recent estimates based on the Pakistan Socio-economic Survey (PSES) 1998-99 show an increase in the incidence of poverty and income inequality in the country.⁵ This suggests strong links between poverty and labour market. To trace these links, information on characteristics of the labour force and trends in the labour market are important determinants to focus on. For that purpose we utilised the previous data from labour force surveys and recent data from PSES 1998-99. Before presenting results based on PSES, it is important to say few words about survey. The Pakistan Socio-Economic Survey 1998-99 is a collaborated effort of Pakistan Institute of Development Economics (PIDE) and International Development Research Center (IDRC), Canada, to monitor the poverty situation in the country. The information collected through this survey will also be used to analyse the impact of structural adjustment and stabilisation policies on the poor.

The PSES was conducted in 1998-99 with a view to use it for the analysis of the impact of structural adjustment programmes on poor. Because programmes started after 1987, the Household Income and Expenditure Survey 1987-88 is selected to represent the regime without adjustment. To make PSE survey 1998-99 comparable with HIES 1987-

88, the sample covered in the third round of the Household Income and Expenditure Survey 1987-88 is being repeated with minor adjustments.⁶ The questionnaire of PSES is constructed in such a way to include not only all the questions of HIES but some additional questions to gather detailed information on certain socioeconomic aspects. The PSE survey 1998-99 provides detail information on household composition, education, income, expenditure, employment, health, nutrition, aging, and state of children and women. A separate module is included to collect information about communities in which the survey is conducted.⁷ The survey covers approximately 3500 households and more than 23000 individuals. Most of the results reported in the paper for the year 1998-99 are based on the PSE survey.

Table 1 presents the Gini Coefficient, income share of the top 20 percent and lower 20 percent in total income and their ratio in 1993-94 and 1998-99. The estimates

Table 1

Household Income Distribution by Region

Year	Area	Household Gini Coefficient	Household Income Shares		Ratio of Highest 20% to Lowest 20%
			Lowest 20 %	Highest 20 %	
1993-94	Pakistan	0.40	9.2	40.2	4.4
	Urban	0.40	9.4	40.9	4.4
	Rural	0.35	10.6	34.6	3.3
1998-99	Pakistan	0.41	8.1	42.3	5.2
	Urban	0.41	8.2	42.5	5.2
	Rural	0.37	7.2	36.2	5.0

Source: HIES 1993-94, PSEHS 1998-99.

reveal that not only income distribution has worsened during this period but also the income share of rich increased and poor declined at overall as well as urban and rural level. The estimates based on both, the calorie based and basic need approach show an

⁵ For poverty estimates, please see Qurashi and Arif (1999).

⁶ A separate report on the introduction to the Pakistan Socio-economic Survey 1998-99 is available for detail description of the sampling methodology, Questionnaire, and other related information.

⁷ For details of the survey, please see Arif *et al.* (1999).

increase in the poverty levels [Qurashi and Arif (1999)]. This suggests worsening of the conditions of the poor in the country.

Other indicators of the labour market also suggest unsatisfactory condition of the poor. The real wages of the employees in public sector are at decline due to inflation and inadequate adjustment in the cost of living [Irfan (1998)]. The work force in the informal sector is also experiencing decline in the real wages. Table 2 present real wages of the workers in selected categories of informal sector. It is important to mention here that the main source of data on real wages for the industrial workers i.e. the Census of Manufacturing Industries discontinued in 90s. The other published source i.e. the Pakistan Economic Survey provides data on some of the subgroups of the labour force. The information provided in Table 2 taken from PES and PSES indicates that the wages in the informal sector, both farm and non-farm, are flexible and adjust to the changes of the economy. The workforce accepts lower wages when economy is on decline and adjusts upward when economy improves.⁸ This is an indication of the smooth functioning of the informal sector of the labour market.

Table 2

Daily Real Wage Trend of Workers of Informal Sector

Year	Carpenter	Mason	Labour	Farm Workers
1990-91	54	54	26	18
1991-92	50	55	27	19
1992-93	54	54	26	18
1993-94	51	50	24	20
1994-95	53	52	26	19
1995-96	50	51	26	19
1996-97	51	51	26	19
1997-98	51	51	26	–

Source: Federal Bureau of Statistics.

Note: The base year is 1990-91.

Before discussing other indicators of the labour market, it is important to mention some of the important differences in the data sources used here i.e. LFS and PSES. In PSES, the employment and earnings section is quite extensive and inquires about many

⁸This may be a result of money illusion also.

details of the labour market activities. These details are missing from the Labour Force Survey. Secondly the reference period used in the LFS is one week whereas it is one month in PSES. The method used in the PSES not only has improved the measurement of the labour supply but also provided the opportunity to look deep into certain sub-groups for detail analysis. The definition used for employment, unemployment, and inactive population is similar to the definition currently used in the Labour Force Survey with the exception of reference period.⁹

To highlight the labour markets activity, population ten years and above is classified according to the labour market status. Three broad categories are used for this purpose. These are employed labour force, unemployed labour force and inactive population. Employed and unemployed combine constitutes the labour force. Table 3 presents the labour market activity from 1990-91 to 1998-99. The crude activity rate shows increasing trend in 1990s with maximum rate estimated at 30.60 percent in 1998-99 (PSES 1998-99). The unemployment rate is also showing a rising trend during most of the period under consideration. The estimates based on the PSES 1998-99 show that the current unemployment rate stands at 6.52 percent, which is relatively highest during the entire period of 1990s. An increase in volume of the employed labour force is also noted during the period.

Because of the regional disparities in employment opportunities, it is important to see how unemployment rates are distributed in urban and rural areas. The unemployment rates presented in Table 4 indicate that unemployment is more pronounced in urban area compare to rural area. It is further noted that there is slight improvement in unemployment rate for the rural areas during 1998-99. The current unemployment rates are estimated as 8.9 percent for urban areas and 5.0 percent for rural sector of the economy.¹⁰

⁹The reference period for labor market activity in LFS is one week whereas in PSES, one month is used as the reference period. For details of the LFS, please see Irfan (1998).

Table 3

Labour Market Activity of the Population (10+) (1990-99)

Year	Population (Million)	Crude Activity Rate (%)	Employed		Unemployed Labour Force (Million)	Unemployment Rate (%)
			Labour Force (Million)	Labour Force (Million)		
1990-91	110.79	27.97	30.99	29.00	1.98	6.39
1991-92	113.61	28.11	31.94	30.07	1.87	5.39
1992-93	116.47	27.86	32.45	30.92	1.53	4.71
1993-94	119.39	27.88	33.29	31.68	1.61	4.84
1996-97	128.42	28.69	37.73	34.59	2.25	6.11
1998-99	134.51	30.60	41.16	38.48	2.67	6.52

Source: Labour Force Survey (Various Issues).
Pakistan Socio-Economic Survey 1998-99.

Table 4

Regional Distribution of Unemployment Rates

Year	Pakistan	Urban	Rural
1992-93	4.7	5.8	4.3
1993-94	4.8	6.5	4.2
1994-95	5.4	6.9	4.8
1996-97	6.1	7.2	5.7
1998-99	6.4	8.9	5.0

Source: LFS 1992-97 and PSEHS 1998-99.

The lower unemployment rates in rural areas are contrary to the general belief therefore we further divided employed persons into full time workers and those of the under employed. It is very important to make this distinction because according to the definition of the employed labour force those who work even one hour in whole month are considered employed. We believe that once underemployed labour force is separated from full time workers, it will bring out the real picture of the current employment situation of the country.¹¹ Table 5 presents the underemployment rates at Pakistan and

¹⁰It is important to mention that due to different definitions of employment in these surveys, the results are not comparable even though we are providing a comparison in the here.

¹¹The employed work force that supply less than 35 hours per week are considered under employment in this analysis. This is the definition used by Federal Bureau of Statistics in the labor force survey from 1995-96 onward.

regional level for all workers for different years during 1990s. The estimates show a declining trend for most of the period, except for the year 1998-99. According to estimates based on PSE survey 1998-99, about 18.4 percent of the employed work force is currently working less than 35 hours per week in Pakistan. The division on the regional basis reveals that underemployment is 21.5 percent in rural areas and 12.4 percent in the urban centers. This shows the deteriorating conditions of the labour market because not only unemployment has increased during this period but also casual employment i.e. underemployment.

Table 5

Regional Distribution of Underemployment Rates

Year	Pakistan	Urban	Rural
1992-93	12.8	6.3	14.1
1993-94	13.2	6.3	14.4
1994-95	12.2	6.0	13.0
1996-97	11.5	6.1	12.8
1999	18.4	12.4	21.5

Source: Labour Force Survey 1992-97 and PSEH Survey 1998-99.

It is argued that cuts in the public sector expenditures (development and non-development) adversely affect the new entrants of the labour market [ESCAP 1998-99]. Because of the lack of interest of the private sector in the provision of social services (due to low profit margin), government takes the responsibility and allocate funds for the uplift of this sector. This provides employment opportunity to many inexperienced, unskilled, skilled and educated workers. Those who get employment include uneducated labourers, farm workers (who migrate in cities to work), and fresh graduates such as doctors, engineers, educationist, and others.

Is this true in case of Pakistan where due to fiscal problems, funding are cut for many development and non-development projects? To verify, we divided the unemployed and underemployed into different age groups. The estimates in Table 6 show that the unemployment and underemployment rates for age-group 16-25 are the highest not only at overall level but for both urban and rural sectors as well. These findings leads to the

confirmation of above agreement. As the employment opportunities are shrinking in the

Table 6

The Distribution of Unemployed and Underemployed by Age-groups

Age Groups	Unemployment Rates			Underemployment Rate		
	Pakistan	Urban	Rural	Pakistan	Urban	Rural
10-15	12.6	11.3	13.8	16.1	20.8	19.1
16-25	37.3	41.0	33.9	26.4	25.1	30.0
26-35	14.3	15.8	13.0	17.1	17.9	14.2
36-45	9.8	9.5	10.0	13.1	12.6	14.6
46-60	15.4	16.7	14.2	19.3	17.4	14.9
61+	10.6	5.9	15.1	8.0	6.2	7.0
Total	100	100	100	100	100	100

Source: PSES 1998-99.

public sector (in response to cuts in funding) and private sector is not expanding at the pace needed to absorb new and young entrants, the proportion of young workers in the underemployed and unemployed category is on rise. The work force in the age group 16-25, includes young workers who just completed their education and entered the labour market for job. Since they lack the work experience, private sector is reluctant to hire them and public sector employment is on decline. This makes difficult for them to find an appropriate job. Those who are lucky enough to find job, large number of them work as part time worker.

IV. POVERTY AND LABOUR MARKET

Those who are unable to attain a minimum acceptable level of well being in a society are termed as poor. There are number of different approaches to determine the standard of living of household to draw poverty line. The widely used approach, proportion of expenditure on food items, is however used here to calculate a threshold level or poverty line. Those who have expenditure below this threshold level are considered poor. The simplest approach to measure the incidence of poverty is P_o , (i.e. proportion of the poor

Households/person to the total number of Households/persons). The division of households into poor and non-poor is based on P_o approach.¹²

In Table 7, poor households are separated from non-poor households and members of these households are then divided according to their labour market activity. The active population in table includes both employed and unemployed labour force. As a standard practice we selected only ten years and above population for the labour market analysis. The estimates show that inactive population has higher percentage in poor households compared to non-poor households. This is true in both urban and rural areas. This provides important linkage between poverty and labour market activity.

Table 7

Percentage Distribution of Population by Labour Market Activity

Region	Poor		Non-poor	
	Active	Inactive	Active	Inactive
Pakistan	42.5	57.49	44.19	55.81
Urban	38.51	61.50	38.92	61.08
Rural	44.70	55.30	47.75	52.25

Source: PSEHS 1998-99.

To develop further linkages, the active labour force is divided into full time worker, under-employed and unemployed. The percentage distribution of active labour force according to their activity is presented in Table 8. These figures show that higher percentage of active work force is unemployed or under-employed in poor households compared to non-poor households at overall level. The regional distribution also shows the similar picture.

¹²For more details, please see Qurashi and arif (1999).

Table 8

Percentage Distribution of Active Population According to Activity

Region	Poor			Non-poor		
	FTE	UDE	UE	FTE	UDE	UE
Pak	64.98	24.36	10.66	75.17	16.34	6.40
Urban	66.24	16.46	17.62	78.86	8.84	9.57
Rural	64.42	27.15	8.43	73.16	18.21	4.81

Source: PSEHS 1998-99.

FTE: Full Time Employed; UDE: Underemployed; UE: Unemployed.

It is also noted that employment rates of poor and non-poor households have higher percentage of full time employed work force compared to rural households. The employment percentage is however much higher for non-poor households than the poor ones. There are significant differences in the percentage for unemployment and underemployment of poor and non-poor households in both urban and rural sectors. Poor households in urban areas have 34 percent active population is either unemployed or under-employed whereas the percentage in non-poor households, is just 18.41. This is approximately half of the percentage of poor households. In urban areas, percentage of unemployed is slightly higher than under-employed whereas percentage of underemployed is higher in rural areas for both poor and non-poor households. This suggests that individuals from poor households are more vulnerable to unemployment and underemployment than individuals from non poor households. This provides another strong linkage between poverty and labour market association of the workers.

The percentage distributions of employed workers, according to their establishment association, are also considered. This is very important because a large majority of work force is employed in the informal sector. There is no standard definition of the informal sector however, farm work or employment in small establishments operating at small places and employing less than 10 workers are considered part of informal sector. The big establishments, government sector, and financial institutions are included in formal sector. Two questions in the survey which inquire about the size of the establishment and the place of work. On the basis of these questions we identified formal and informal sector and divided all workers into five major categories according to their establishments i.e. public sector establishments, non-farm establishments employing ten or more workers including financial institutions, non-farm non-financial establishments employing less than ten

workers, farm, and all other institutions not classified in either of above. The first two are included in the informal sector whereas the last three are included in the formal sector. Same division is adopted by Irfan (1998). The formal sector requires high content of human capital and pays higher compensation compared to the informal sector. The entry into formal sector is however difficult then the informal sector which pays less and requires low content of human capital. Therefore, it is not surprising if we find higher percentage of non-poor employed in the formal sector compared to the informal sector, which may contain higher percentage of poor workers.

The percentage distributions of workers of poor and non-poor households into different establishments are presented in Table 9. It is noted that most of the individuals in both poor and non-poor households are employed in the informal sector. However, individuals from non-poor household have lower percentage employed in the informal sector compared to the poor households. The percentage of those who are employed in government establishments from the non-poor households is approximately three times more than the individual from poor households. Similarly a higher percentage of workers from non-poor households are employed in big establishments compared to poor households. The distribution of workers in urban and rural sector also reveals the same story except that in rural areas percentage of farm workers is higher then the non-farm workers in both poor and non-poor households.

Table 9

Percentage Distribution of Workers by Establishments

Establishments	Poor			Non-Poor		
	Pak	Urban	Rural	Pak	Urban	Rural
Farm	43.62	4.45	50.26	37.69	5.09	60.75
NF.NFE <10	37.96	68.42	34.38	25.11	43.37	24.58
NF.NFE > 10	5.78	7.69	4.93	17.44	24.88	3.56
Govt.	4.30	6.75	3.14	12.10	16.14	5.47
Other	8.34	12.69	7.30	7.66	10.52	5.64

Source: PSES 1998-99.

To further elaborate the labour market linkages, we distributed workers according to their employment status. Total of seven categories is used for this purpose. These categories are based on a particular question asked about employment status. The categories are; regular wage employees, irregular wage employees, self-employed, owner

cultivator, farm worker, unpaid family helper and others. The category of irregular wage employees includes piece rate workers as well as casual workers. Table 10 provides the distribution of workers into these categories. It is evident that higher percentage of workers from poor households is either irregular workers or unpaid family helpers whereas regular wage employment is dominant among workers in non-poor households. It is also noted that owner cultivators are more in non-poor households than the poor ones. The poor households have majority of paid farm workers. Self-employed are also in higher percentage in the non-poor households than poor households.

Table 10

Percentage Distribution of Workers by Employment Status

Employment Status	Poor			Non-Poor		
	Pak	Urban	Rural	Pak	Urban	Rural
Regular W E	15.98	24.70	12.73	22.09	40.42	12.15
Irregular W E	30.39	35.09	27.83	16.18	19.42	14.44
Self-employed	14.07	21.73	11.32	19.76	25.39	10.34
Owner Cultivator	6.60	1.35	8.25	15.19	1.25	17.26
Farm Worker	3.65	.01	4.99	4.95	.07	18.20
Unpaid	26.79	13.77	31.67	19.31	13.74	25.05
Other	2.82	2.83	3.20	2.52	2.05	2.56

Source: PSES 1998-99.

The role of education is also important in the labour market as those with higher education have more chances to be employed and earn relatively higher wages.

The distribution of employed work force in the formal/informal sector of employment with educational attainment by poverty status are provided in Table 11, separately for poor and non poor household. The statistics indicate that most of the poor are uneducated and work in the informal sector. The non-poor households have higher percentage of educated persons and they work in the formal sector of employment. This is another important linkage, which shed some light on poverty problem through labour market.

Table 11

Percentage Distribution of Workers by Education and Sector of Employment

Education	Farm	NF<10	NF>=10	Poor	
				Government	Total
0-4	31.78	33.08	1.49	1.21	67.56
5-9	10.09	10.24	2.61	1.25	24.19
10-13	1.75	2.35	1.68	1.46	7.24
14+	–	0.63	–	0.38	1.01
Total	43.62	46.30	5.78	4.30	100
Non-poor					
0-4	27.15	12.45	4.14	3.51	47.25
5-9	7.85	10.05	5.33	3.06	26.29
10-13	2.56	7.95	5.93	3.44	19.88
14+	0.13	2.32	2.01	2.09	6.55
Total	37.69	32.77	17.44	12.10	100

Source: PSES 1998-99.

V. SUMMARY, CONCLUSIONS AND POLICY IMPLICATIONS

The brief review of the labour market in 1990s shows deteriorating conditions of the labour market. The unprecedented rise in the unemployment rate, especially in the late 90's, is alarming for the society. The under-employment is also showing the rising trend in the period under consideration. Although there is a slight increase in the activity rate of the population but that is contributing to the unemployment. The important point to note is the worsening conditions of the new entrants. It is noted that the highest percentage of underemployment and unemployment is in the age group 16-25. This includes both skilled and unskilled work force.

The malfunctioning of the labour market has affected the income level of the population and a rise in both inequality and poverty is being observed in 1990's. The division of population according to their poverty status and labour market activity suggests that most of the poor are either unemployed or underemployed. Poverty is also wide spread in the inactive population. These finding suggest strong linkages between the labour market activity and poverty. This also holds in both urban and rural areas.

The division of employed work force according to their employment status and in different sectors of employment indicate that most of the poor are employed in the informal sector (farm and non farm) and a very small percentage is employed in the formal sector including the government run establishments. Majorities of the poor who work in the farm sector are either working as unpaid family helpers or farm labour. It is also noted that a small percentage of the poor are working as regular wage employees. The percentage of self-

employed running small establishments is also high in poor work force. The divisions of employed according to their education level and sector of employment indicates that majority of the poor are low educated and work in the informal sector. These findings are suggestive of strong links of poverty with labour market activity. The rise in unemployment and expansion of the informal sector during structural adjustment programme period is suggestive of links of these reforms with poverty through labour market.

The policy intervention is necessary to alleviate poverty by focusing on labour market. The expenditures on social sector development need to be increased by providing training facilities to workers who lost their jobs in the process of privatisation and down sizing. They should also be provided credit facilities to start their own business. It is important to add human face to these adjustment programmes otherwise the poverty will keep on increasing and government will not be able to fight against this.

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ABSTRACT

The paper discusses the impact of structural Adjustment policies on poor through labour market. It provides a brief review of the labour market of Pakistan in 90's and presents the current estimates of labour market indicators including unemployment and under-employment. The linkages between poverty and labour market are developed through workers activity. To establish these linkages, most recent data i.e. Pakistan Socio-economic Survey 1998-99 is utilised. Major findings include the strong linkages between poverty and labour market activity of the workers. Moreover, evidence links existing deteriorating conditions of workers with structural reforms.