

# **EMPLOYMENT STRATEGY AND EQUITABLE GROWTH: A SOCIAL CAPITAL PERSPECTIVE FOR KPK**

Syed Akther Hussain Shah

Deputy Provincial Representative UNDP KPK & FATA

Syed Tariq Shah

Associate Professor, Mathematics Department, Quaid-  
i-Azam University, Islamabad

Mahmood Khalid

Research Economist, PIDE, Islamabad

# Outline

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- Gaps in Employability- Supply Side Gaps
- Gaps in Employability- Demand Side Gaps
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# **Situation Analysis and background to the study**

- Employment is an opportunity to a labourer to work for income with an employer or self-employed in any economic activity.
- Millennium Development Goals targets poverty reduction and income rising through provision of employment and quality job that, bring a worker and his family out of poverty.

# **Situation Analysis and background to the study contd..**

- Unemployment-slow economic activity-complements prevalence of social evils.
- Various socio-economic, and psychological issues of the country; terrorism, street crime, corruption etc. are directly and indirectly related to low employment opportunities.
- Labour force participation has been improved from 50.33% in 2006-07 to 57.24% in 2010-11 as well as employment has increased 47.65 million to 53.84 million.

# **Situation Analysis and background to the study contd..**

- Population growth-Labor force pool increasing.
- Rural-urban migration; In 2008 urban population was 58.74 million, increased to 67.5 million (2012).
- Unemployment is on the rise

## Province-wise Unemployment (Million)

	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
Pakistan	2.93	3.12	3.40
Punjab	1.87	1.94	2.10
Khyber Pakhtunkhwa	0.56	0.55	0.53
Sindh	0.44	0.57	0.70
Balochistan	0.06	0.06	0.07

(Source: Pakistan Economic Survey 2012-13)

## Employment shares by Industry (%)

<b>Industry Division</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
Agriculture/forestry/ Hunting & fishing	45.1	45.0	45.1
Manufacturing	13.0	13.2	13.7
Construction	6.6	6.7	7.0
Wholesale & retail trade	16.5	16.3	16.2
Transport/storage & communication	5.2	5.2	5.1
Community/social & personal service	11.2	11.2	10.8
Others	2.4	2.4	2.1

# **Situation Analysis and background to the study contd..**

- Almost stagnant shares of employment in each sector.
- Unemployment's one reason is the mismatch between skills required and skills acquired.
- Workers are risk averse, why should they invest in acquisition of the skills for which the return is unexpected, information is costly, entering job market has certain age bands, our social structure doesn't allow easy switching... Stages of growth difficult to acquire.
- This results in a large number of applicants for few vacancies. For example the labor market is containing large number of computer graduates and MBAs. At the same time many of the individuals are hesitant to get new technological skills. There are a number of gaps in supply and demand side in labour market of Pakistan which need to be studied and policies to minimize it are required.



# Situation Analysis and background to the study contd..

- Technological backwardness is affecting availability of jobs[1].
- Poor governance is also one of the reasons for high unemployment level in Pakistan[2].
- In such circumstances schemes like Rozgar scheme, BISP, loans to the people by the Government etc. can work depending on the right mix of instruments which are developed on the information on constraints and opportunities.
- It is evident that social security and welfare expenditure has been increased by the Government of Pakistan from Rs.29,129 million to almost Rs.70,290 million from 2008 to 2013, however poverty is still prevalent in the country.  
[1] Imtiaz Ahmed, Shah Syed Akhtar Hussain and Sarwar Zahid (2004), Why the Green Revolution was a short Run Phenomena in the Development Process of Pakistan: A Lesson for Future.
- [2] Shah Tariq, Shah Syed Akhtar Hussain, Bakhtiar Ahmad and Eatzaz Ahmad,( 2011), Top-Down Approach for the Social Capital Development: A policy framework for the Government

# Gaps in Employability- Supply Side Gaps

- **Lack of Certification:** System for certification is not available which makes the workers unable to or have limited access to suitable jobs both at national and international market.
- Many of the labourers, get skill through informal channels, “chota system”, but are unable to capitalize their skills in national market and remain confined to local market with low wages.

# Gaps in Employability- Supply Side Gaps contd..

- **Lack of Appropriate Skill and Knowledge:** The labour demand in different sectors require variety of skills and knowledge, which is not forecasted and acquired by the labor force/institutions providing these, leading to mismatch of demand and supply of labor.

**Employed Persons (10 Years Of Age and Above) In Informal Sector By Major Occupation Group And Area, 2012-13**

<b>Occupation Group</b>	<b>All Areas</b>	<b>Rural</b>	<b>Urban</b>
Managers	3.29	1.21	2.08
Professionals	3.57	1.79	1.78
Technicians & associate professionals	2.82	1.13	1.70
Clerical support workers	0.36	0.10	0.26
Service & sales workers	33.33	15.39	17.93
Skilled agricultural, forestry and fishery workers	0.08	0.07	0.01
Craft & related trade workers	29.50	14.93	14.57
Plant & machine operators & assemblers	7.94	4.48	3.46
Elementary occupations	19.11	13.19	5.91

# Gaps in Employability- Supply Side Gaps contd..

- **Technological backwardness:** Labour force acquires technological skills which are available in the market either through formal arrangements or on the job training. But in case of Pakistan both are lagging. Investment in specialized technology by the laborers or owners of the firms for enhancing productivity is very low.
- Labourers decision to acquire generalized technological skills may be related to expected returns and expected job opportunities of the specific technological skills.

# Gaps in Employability- Supply Side Gaps contd..

- **Area related gaps:** Socio cultural and geographic constraints are also responsible for the mismatch between the available jobs and skills acquired. In a particular geographical area and area of economy appropriate labor force may not be available, despite available employment opportunities. Labour force from other part of the country would be needed who are skilled in that particular field which reduces supply to that particular area and increase cost of shifting to other area.

# Gaps in Employability- Supply Side Gaps contd..

- **Input related gaps:** In certain areas such as Chitral, where mining is the major sector of employment certain skills are required, the inhabitants do not have those required skills.
- This results into import of those skills. Same is the case with marble & granite sector and wood industry of Khyber Pakhtunkhwa where skilled workers are insufficient therefore skills are imported from other parts of the country which results into high costs of production.

# Gaps in Employability- Supply Side Gaps contd..

- **In-appropriate combination of inputs:**  
Availability of inputs required for production, including labor, financial capital, machinery, technology, building, land and others are not utilized or not available as per ideal requirements.



## Gaps in Employability- Supply Side Gaps contd..

- **Communication Gap:** Lack of communication and networking is affecting the job market of Pakistan in general and Khyber Pakhtunkhwa in particular. People are unaware of the job opportunities available in other provinces due to communication gap.

# Gaps in Employability- Supply Side Gaps contd..

- **Lack of Marketing Skills:** In Pakistan generally and KPK particularly Laborers have very low skills of marketing themselves. People are unaware of their strengths due to lack of education and therefore do not know how to capitalize on their strengths.
- System of marketing labor skills, search for appropriate employer, employment place and labor market is very missing in the country. Training in adoptability and working in heterogeneous working socio-economic and physical environment is missing for laborers.

# Gaps in Employability- Demand Side Gaps

- **Employer related gaps:** Bridge between prospective employers and available labour force is lacking in the economy.
- Although skilled, semi-skilled and highly skilled labour force is available in the province and the country, but due to lack of information and data, both job seekers and employers are unaware about each other.

## Gaps in Employability- Demand Side Gaps contd..

- **Lack of formal system of knowledge:** In Pakistan there is lack of a formal system of getting information about available labourers to fill the vacancies.
- Institution or system of information regarding labor force, types of skills, types of labor market etc. is missing.

# Gaps in Employability- Demand Side Gaps contd..

- **Public-Private disconnect:** There is lack of system for sharing information regarding available skilled, semi-skilled and unskilled labour force.
- There are very weak inter linkages between private and public sector regarding labor force and the work environment.
- The government agencies detail their representative in different industrial areas who either have limited information or abstain from getting more information of production unit and industries.

# Gaps in Employability- Demand Side Gaps contd..

- **Public-Private credibility gaps:** Private sector is apprehensive about government's actions and policies. They avoid sharing actual information, regarding total number of employees, categories of employed labourers, budgets and activities of the employers. The employers are apprehensive about the actions of locally deployed agents of the government departments who may use the information to strictly regulate and or rent seeking etc.

# Strategy to fill the Gaps

- **Social Capital based Employment:** Group Vs group social capital exist in a number of formal groups in the form of chamber of commerce and industries, association of industrialists, association of agriculturists, association of labourers, association of traders, labour unions etc. exists.
- Renewal and continuation of these chambers, associations and unions is made by the Government through fulfillment of certain responsibilities during their respective tenure.
- Bridging prospective employers with matching labour may be added as an additional parameter for continuation of that body.
- Approximately one thousand bodies/groups of this type exist in the province which if given the task of 50 to 100 persons recommendation for employment in their similar bodies then around 50,000 to 100,000 additional jobs may be provided by these group networking.

# Strategy to fill the Gaps contd..

- **Improved Certification System:** Proper certification may help the workforce to get jobs according to their skills. Certification of the skills through credible organizations has positive signals in the labour market which helps prospective employer to search and decide required labourer.



# Strategy to fill the Gaps contd..

- **Reduce communication gap:** Improvement of communication system and network by development of databank at district level. Booths can be developed in collaboration with private sector in different parts of the province, district offices, tehsil offices and other outlets. information may be shared with prospective employer and with the existing stock of labour force. This will also help the public sector employers to devise policies regarding temporary and permanent employment through launching time and activity bounded projects in public sector offices also.

# Strategy to fill the Gaps contd..

- **Inter Provincial job portal development:** Social Capital of organization vs organization, groups vs organization exists amongst provincial government which can be utilized for promotion of employment in the country. Development of inter provincial job portal will help to bridge the gap between jobs availability and acquired skills across the country.
- The existing data of labour force (supply side) containing information of skills and availability of labourers in various parts of the province would be shared with other provinces.

# Strategy to fill the Gaps contd..

- **Intra Provincial job network:** The provincial government is working on Establishment of job portal at district level and provincial level. In this regard Data Bank would be established at district levels.
- The Labour Department will coordinate with all the other offices, outlets of government department and organizations at district and provincial level for obtaining information of available jobs and newly created jobs.
- The government department would be allowed to access and upload job related information on the district job portal and provincial job portal. Similarly, the private sector employers would also be given access to display their jobs and associated information on the district and provincial job portal.

# Strategy to fill the Gaps contd..

- **Establishment of Central Databank at the Federal Level:** Social Capital exists at states, provinces and the world over in the form of state Vs state, State Vs Organization, Organization vs organization, which may be capitalized.
- A central databank at the Federal level of Ministry of Overseas Pakistanis and Human Resource Development with inter-linkages to all provinces may be developed regarding labor force, skills, types of skills, areas of laborers, labor market etc.
- This data bank may help planning, implementation of labour policies. Reforms and initiatives of the Provincial Government can be uploaded on in the system through dynamic programming of central databank.

# Strategy to fill the Gaps contd..

- **Appropriate combination of inputs:** The government may promote self-employment, private sector employment through facilitation with respect financial capital machinery, technology, building etc.
- All the financial institution, banking institutions, microcredit lending organization may be assigned priority task of financial facilitation to entrepreneur's development and labor intensive production sectors. In view of available data set regional district and sectoral tasks may be given to the relevant government organization.

# Strategy to fill the Gaps contd..

- **Marketing Network:** Social capital of organization vs organ groups, group's vs groups, existing in KPK, other provinces and international market may be capitalized to share information of the local products including handicrafts of KPK origin in marginalized, people.
- This will also help in promotion of trading activities, bridging demand supply gap and acceleration of demand for local products in national and international market.
- This will encourage and increase local employment of people from distant parts through continuous and increased demand of their products and thereby their incomes.

# Strategy to fill the Gaps contd..

- **Forward markets development for Labourers:** Lack of future demand statistics and planning at private and public level, handicap investment in advance skills and technological skill development of labor force.
- A body jointly constituted and managed by private and public sector may collect data pertaining to future labor demand changing variables, determinants of labor market, future trends in labor demand at national and international level, may plan and develop forward labor market.
- This may carry out planning, implementation and monitoring activities for supply side and introduce non distortionary policy instruments for labor market.
- Labor force may be prepared and mechanism may be devised to supply labor force in future time period for which commitments may be got on current time period.

# Conclusion

- After identification of factors and gaps on demand and supply side policies may be framed to increase employment in KPK.
- Main supply side gaps are; lack of certification, lack of appropriate skills and knowledge, area related gaps, inputs related gaps, communication gaps, lack of marketing skills, technological backwardness etc.
- Demand side gaps may be employer related gaps, lack of formal system of knowledge, public-private disconnect, public-private credibility gaps, etc.
- By utilizing existing potential of social capital of organization vs organization, organization vs groups, groups vs groups a large number of employment opportunities may be provided to the skilled, semi-skilled workers, thereby, a large pool of unemployed labor force would be put in the economy for economic growth.
- By introducing reforms, like inter provincial job portal, Intra provincial job network and establishment of central databank at the federal level may accommodate higher level of labor force and appropriate skilled force into job market, which may boost the economy and quality of production may also increase.