

# Labour Market Research in

## PIDE History Series-5

History Series essentially is reflective of the knowledge creation and dissemination by PIDE related to labour market.

- Labour market is intrinsically a set of institutions channelising human energy into different walks of life and segments of the economy.
- Delineation and specification of what constitutes a labour market study is exceedingly difficult because nearly all human endeavors and associated economic events tend to influence the labour market as defined above.
- Few broad topics, arbitrarily of course, have been chosen for the discussion in this report..
- A chronological sequence of these topics to depict the proximity between the temporal exigencies and the researchers revealed preference is provided in the next slide, which is indicative of growth in the number of studies since 1980s, particularly on labour mobility and emigration.

## Labour Market Studies – 1959-2008

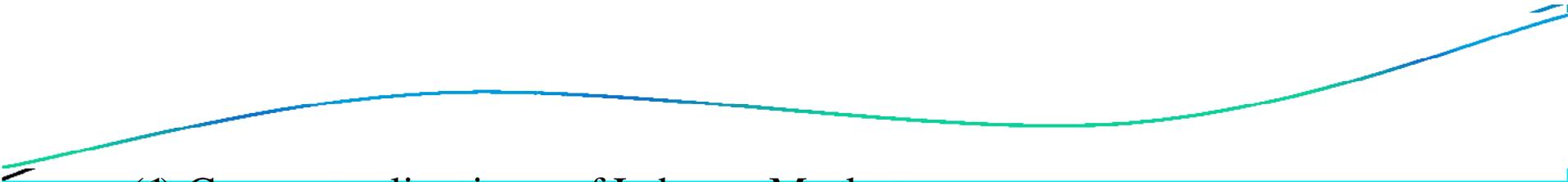
	Years	1959-60	1961-70	1971-80	1981-90	1991-2000	2001-2008	Total
1	Labour Force Participation	0	4	4	9	9	5	31
2	Employment	1	7	12	19	20	11	70
3	Informal Sector	0	0	0	3	4	0	7
4	Unemployment	0	0	1	6	2	2	11
5	Wages	0	6	6	4	13	7	36
6	Migration and Emigration	0	1	5	17	15	1	39
7	Remittances	0	2	0	2	3	2	9
8	Social Security	0	0	0	0	0	1	1
		2	20	28	61	67	29	207

Source: PDR articles and Research Reports

(1) The allocative and distributive impact of labour market is an interactive outcome of both the Demand and Supply of labour. The former a derivative of GDP growth and its sectoral composition while the latter being product of varying demographic base and activity rates of various age sex cohorts.

(2) Brief growth profile:

- 
- Import substitution industrialization, and Green Revolution—1950-70 (a high GDP growth rate in 1960s)
- Nationalization, devaluation, and balancing the manufacturing sector—1970-77 (a low GDP growth period)
- \* Emergence of contract emigration to middle east, inflow of foreign aid, limited efforts towards liberalization (a high GDP growth period 1977-87)
- \* Disciplining the indebted economy through the option of IMF/WB packages, essentially implementation of globalization and the Washington consensus in the context of Pressler amendment (a period of declining GDP growth 1990-03)
- \* Short term affluence which was misinterpreted as structural shift. (a high growth period 2003-07)
- \* Current situation- back to IMF/WB ( low GDP growth)

- 
- (1) Conceptualization of Labour Market
  - Lewis Dualistic Development Model- perfectly elastic labour supply to modern sector wherein the surplus labour resides in undifferentiated residual.
  - (2) Washington consensus and Globalization- Competitive Labour market. COM modification of labour.

- 
- Labour Market Participation.
  - Conceptual ambiguities
  - Paucity of data, reliance on census data till 1963
  - Census under estimates activity rates because of longer reference period and usual status.
  - Male activity rates- curvilinear with age.
  - Female activity rates suffer more from conceptual inadequacies than male.
  - Labour market participating females – bimodal distribution.
  - Child labour, under estimated by LFS, a by-product of parental and socio-economic characteristics of the family.

- 
- Employment Structure
  - (1) Fisher/Clark hypothesis
  - (2) Chenery Syrquine International cross section study.
  - (3) Pakistans Experience 1961-72.
  - (4) Services orientatation.

- Factor proportions in the context of a labour surplus economy

- (1) Impact of tractorisation in agriculture—a good deal of discussion as well as controversy.
- (2) Social costs of tractorisation outweigh the social benefits—wedge due to policy Matrix
- (3) Bimodal strategy of agricultural development—unequal access to subsidized inputs.
- (4) Land lords captured the gains of modern technology.
- (5) Declining labour use per unit of land coupled with rising services sector led to the massive growth in the rural non form sector.
- (6) RNF, though heterogeneous, predominantly is characterized by family based enterprise system with trading sector generally characterized by self employment, while wage employment is found in construction and transport.
- (7) Most of the operators are equipped with limited means.

- 
- Employment in large scale manufacturing
  - Very high growth rate during 1950s, mostly because of governmental patronage of the large scale manufacturing.
  - Factor intensities not consistent with factor endowment.
  - Technical change was found to be labour saving and capital using.
  - Interlink ages between agricultural growth and LSM
  - Institutions have had a role in influencing the employment and wages in LSM
  - Privatization had a negative influence on employment in LSM.
  - Effects of export promotion are, however, pro-employment.
  - Trade labour linkages yield standard trade theoretic results.
  - The labour demand elastic ties increase after tariff reduction( a proxy of openness)



## Informal sector

- (1) Large around three fourths of total urban employment.
- 
- (2) Not an undifferentiated homogeneous sector, rather a coherent system of varying modes of production behaviour, factor use and factor rewards.
- (3) Non compliance of labour laws and tax regulation is major source of comparative advantage.
- (4) Females based in home based activities are exploited because of their restricted mobility.
- (5) Labour market flexibility worsened the working conditions-contract, part time and casualisation

## Wages. Levels and trends

- Structure of earnings a convenient starting point
- Evolution of wage structure, important tool to evaluate the labour market. Can be analysed from different angles.
- Wage levels higher in urban than in rural areas, the provincial comparison sector specific. Financial sector generally at the top.
- The dispersion of wages across industries, controlling for the observed human capital were found to be substantial.
- Contract emigration to middle east during 1970-84 led to major improvements in the real wages except the civil servants.
- The trend growth rates of money wages were lower for the workers already at the lower rungs of the wage ladder during the globalization -1990-07.
- Libealisation widens the skilled/unskilled wage gap.
- The youngest(10-25) and the oldest(61+) have the largest contribution towards overall inequality in personnel earnings.
- Male/Female wage differential can not be explained by human capital alone

## • Population Mobility

- (1) Pre-dates creation of Pakistan and is of various kinds.
- (2) Formulation of a general theory of migration is formidable-needs to be approached through multi-disciplinary apparatus.
- (3) Internal migration looked from different angles
- (4) Interlink ages between internal migration ,land holdings ,and rural fertility.
- (5) Human capital influences mobility.
- (6) Remittances sent back to rural areas yield a very low level of returns
- International migration:
  - Stock and flow estimation ,skill and occupational composition.
  - Brain drain problem as a trivial factor.
  - (10) Remittances and their impact
  - (!! )Consequences of Emigration
  - (12) Experiences of Mediterranean Labour sending countries.— the governments of sending countries followed an unrealistic conception of migrating process.
  - (13) Emergence of ever increasing consumerism and failure of the government to convert remittances into capital accumulation created a wedge between social and private returns to emigration.



Thank You