

The Problem of Unemployment in Pakistan: (A case of study of Khyber Pakhtunkhwa)

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Abstract

The Pakistan's economy has covered a long distance from backward to developing stage and has now attaining the stage of take off. During the period it has confronted a number of hurdles and difficulties. The major problem related to absorbing ever growing population through providing them job opportunities. The economy being basically agriculture had surplus labour. The process of mechanization of agriculture added fuel to the fire and subsequently aggravated the problem because of additional labour rendered surplus by the agriculture sector. The slow process of industrialization amid the population explosion worsened the situation. This paper focuses on the basic issues and as an objective will suggest practicable measures for increasing the rate of employment or for that matter reducing the level of unemployment.

Research Methodology

To make an enquiry into the problem, find out the reasons for suggesting solution, secondary data available on official record will be used. First hand information where deem necessary will be collected through local inquiries with the use of questionnaire and face to face interview from a selected segment of the population.

Variable: Unemployment rate.

Objective of the study

This paper primarily is meant to create awareness about the unemployment rate in the country and causes of unemployment in Khyber Pakhtunkhwa. As such it aims at creating an understanding among the readers on the issues relating to low rate of employment and its consequences on the overall life of the people. It, therefore, suggests practicable measures so that the State agencies as well as the public at large may play their role in minimizing the rate of unemployment.

Un-Employment in Pakistan

Pakistan emerged on the world map on 14th August, 1947 with a population of 32.5 millions⁽¹⁾ Majority of the population relying on agriculture. The economy was basically agrarian in nature and large population was concentrating in the rural area where they could hardly earn their livelihood by tilling the land. Agriculture being carried on primitive methods was sustaining the population only because there were no other alternative job opportunities in the market. Thus there was in fact disguised unemployment in the country.

Pakistan had poor industrial infrastructure. For this very reason we could not appropriately promote our industries. Being cognizant of the significance of the industrialization Govt; of Pakistan developed her industrial policy in April, 1948. The policy emphasized upon the establishment of those industries raw material for which was available in the country. To facilitate industrial planning, implementing programs and promoting industrial culture the Govt; set up Pakistan Industrial Development Corporation in 1950. Consequently, during the period from 1949 to 1954 there was encouraging growth of nearly 23.6% in the large scale manufacturing.

These efforts had twin objectives, i) To utilize own raw material and save foreign exchange spent on import as well as earn foreign exchange by exporting finished goods, ii) to deploy surplus labour disguisedly unemployed in agriculture.

The pace of industrial development brought in its wake vast employment opportunities and the nation was moving towards fast growth. This situation under the accelerator and multiplier's effect increased economic activities which in turn enhanced the scope for unemployed labour force to be absorbed in lucrative pursuits. However amid the rising trend of industrialization the population of Pakistan was growing at much fast rate, creating serious unemployment problems besides the problems of health and education. The establishment of every new unit was adding to the opportunities but simultaneously aggravating the situation because an increase in the income of the people increased demand for goods and services which in the short run could not be meted out. Increased demand in turn induced the entrepreneurs to hire additional resources and meet the demand. The Ayub's Regime agriculture reforms expanded the scope for mechanization of Agriculture which event also rendered the labour surplus from agriculture.

The 60's decade was a good omen for Pakistan when it embarked upon the process of industrialization. PIDC rightly played its role in strengthening the industrial base in Pakistan and established 60 projects with a total outlay of Rs 1227 millions from 1952 to 1972. (2) For providing timely financial support to the industrialists Govt; had established Industrial Development Bank of Pakistan in 1961.

The major portion of our labour force is absorbed by industrial organizations. The govt. Department has little room for employment because of non expansion. The existing workers will leave for replacement either on superannuation or death during premature service. Therefore the enlargement of industrial base widens the scope for fresh opening.

The establishment of new industries and units increased the demand for employment.

By irony of fate seventy's decade altogether changed the scenario when the wave of nationalization created worst time of pessimism among the industrialists. Simultaneously the unbridled activities of the labour unions through out the country jeopardize the entire industrial edifice of the country. The entire industrial set up received a severe setback. The economy worse affected by the Govt. policies which on the one hand discouraged the new entrepreneurial talents and on the other hand allowed the labour unions to resort to strikes and sabotage activities to press their demand. The industrialists were constrained to close down very lucrative and growing units and resultantly the industrial performance in terms of production and growth became very disappointing bringing down the annual industrial growth rate to 2.8%. (3) This situation directly affected the employment rate in the country. Consequently all the agro based industries were denationalized in September, 1977. However, severe shocks received by the economy due to **closure of** thousands of units and subsequent adverse impact of negative activities of the unions had put the economy in a state of suspense, recovering from which could not be made possible for the years to come. At the same time population growth at a rate of 3.0 % per annum (which has now come down to 2.05%) continued adding to the unemployed labour force.

It is because of these reasons that disguised unemployment still exists in the agriculture sector. Although this sector is employing 45.7 % of the labour force, the unemployment rate continues rising as the industrial and manufacturing sector could hardly employ 13.2 % of the labour force. Had industrial sector expanded it would have been able to minimize the miseries of the masses living in the rural area. Commerce and industry go side by side. Their performance in respect of labour employment is interdependent.

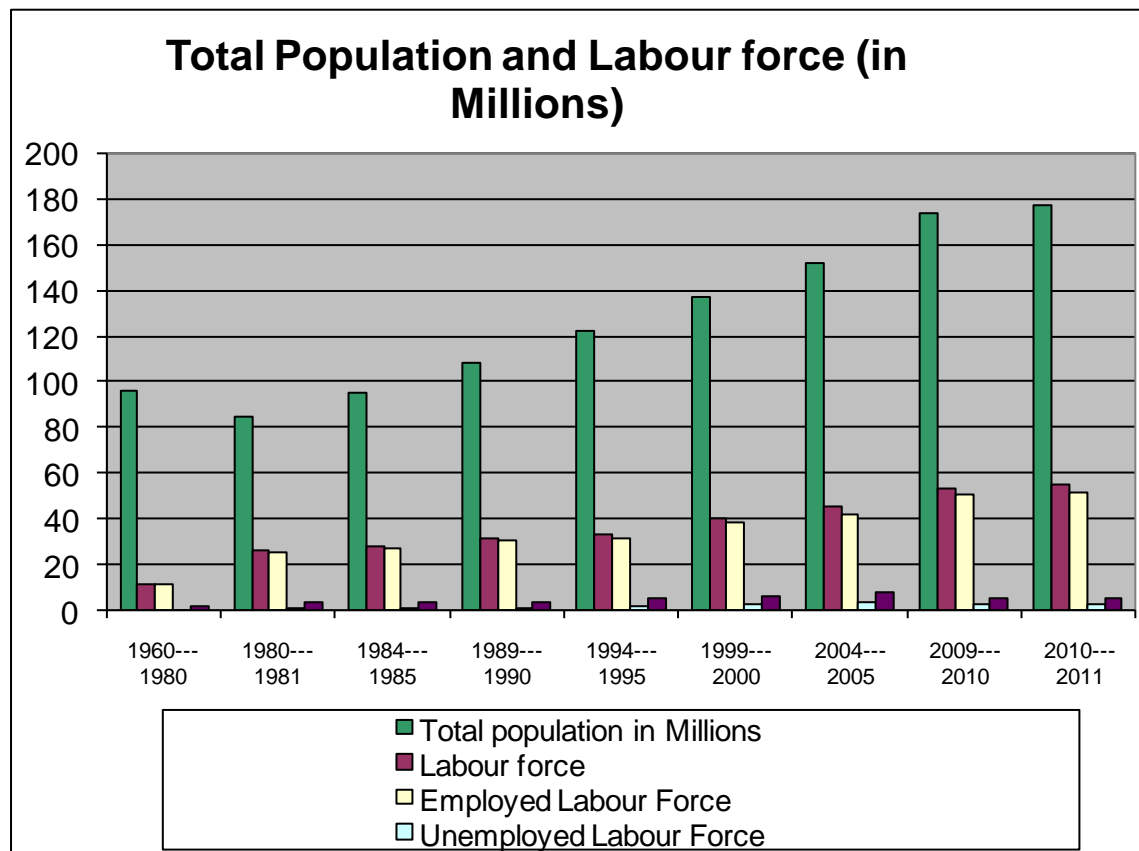
Due to declining industrialization trend or for that matter establishment of new industries not increasing at a rate commensurate with the population growth, the trading sector also remained dormant in providing job opportunities and has hardly been accommodating 16.3 % of the labour force. (4)

Interestingly the population growth was a big challenge in the face of existing unemployment. The following table No. 1 tells the population and labour force employment rate which is really at an alarming level in the mid of slow growing employment opportunities.

Table 1: Total population and Labour force (in Millions) (5&6)

| Serial No. | Frequency/year under report | Total population in Millions | Labour Force | Employed Labour Force | Unemployed Labour Force | Unemployment rate % per annum |
|------------|-----------------------------|------------------------------|--------------|-----------------------|-------------------------|-------------------------------|
| 1. | 1960—1980 (Average) | 96.3 | 11.6 | 11.2 | 0.4 | 1.4 |
| 2 | 1980-1981 | 84.9 | 26.3 | 25.4 | 0.9 | 3.6 |
| 3. | 1984-85 | 94.9 | 28.1 | 27.0 | 1.0 | 3.7 |
| 4 | 1989-90 | 108.0 | 31.2 | 30.2 | 1.0 | 3.1 |
| 5 | 1994-95 | 122.4 | 33.6 | 31.8 | 1.8 | 5.4 |
| 6 | 1999-2000 | 137.5 | 40.4 | 38.0 | 3.2 | 6.0 |
| 7 | 2004-05 | 152.0 | 45.7 | 42.2 | 3.6 | 7.7 |
| 8 | 2009-10 | 173.51 | 53.7 | 50.8 | 2.9 | 5.5 * |
| 9 | 2010-11 | 177.10 | 54.9 | 51.9 | 3.1 | 5.6 * |

Source; Federal Bureau of Statistics



A perusal of the above table reveals that during the period from 1960 to 1980 particularly the 60’s decade, the employment rate was satisfactory as out of total labour force of 11.6 millions a population of 11.2 millions had since been employed and only a fraction 0.4 millions was out of jobs.

The unemployment during this period counted only 1.4% per annum. However, repercussions of the seventy’s decade appeared in the subsequent years and the unemployment rate continued rising. As result thereof the unemployment during 1980-81 rose to 3.6% and abruptly went up to 6.0% per annum in the year 1999-2000. The deteriorating economic conditions further lowered down the employment opportunities and the unemployment rate reached the highest peak of 7.7% per annum during the period 2004-5 with the highest unemployed labour force of 3.6 millions.

It is pertinent to mention that our total working age population for the year 2011 has been reported at 126.11 millions of which a population of 54.9 millions has been classified as labour force. It is understood that majority of females is involved in household responsibilities and unwilling to undertake any other activity. Similarly our student community at higher education level also forms part of our working age population but not ready to be engaged in money generating activities.

Surprisingly the unemployment rate reported by International Monetary Fund as per table No.2 is 6.195 % which higher by 0.595 % than 5.6% reported by Federal Bureau of Statistics, Govt. of Pakistan for the year 2010-2011. The IMF data depicts that unemployment for four consecutive years of 2007 to 2010 remained at 6.195 %⁽⁷⁾

The sex wise unemployment shows a different picture. Here the female are more inclined towards household responsibilities in spite of the fact that most part of the population has been equally suffering from financial hardships although some are more depressed and other can sustain themselves by hooks or crooks. A perusal of table No.3 gives real picture of the female unemployed labour.

Table 3: Unemployed – Pakistan and Provinces (8)

| Provinces/Area | 2008-09 | | | 2009-10 | | |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Total | Male | Female | Total | Male | Female |
| Pakistan | 2.93 | 1.87 | 1.06 | 3.05 | 1.86 | 1.19 |
| Rural | 1.76 | 1.06 | 0.70 | 1.84 | 1.09 | 0.75 |
| Urban | 1.17 | 0.81 | 0.36 | 1.21 | 0.77 | 0.44 |
| Punjab | 1.87 | 1.21 | 0.66 | 1.89 | 1.15 | 0.74 |
| Rural | 1.14 | 0.70 | 0.44 | 1.12 | 0.67 | 0.45 |
| Urban | 0.73 | 0.51 | 0.22 | 0.77 | 0.48 | 0.29 |
| Sindh | 0.44 | 0.28 | 0.16 | 0.56 | 0.34 | 0.22 |
| Rural | 0.14 | 0.06 | 0.08 | 0.23 | 0.12 | 0.11 |
| Urban | 0.30 | 0.22 | 0.08 | 0.33 | 0.22 | 0.11 |
| KPK | 0.56 | 0.36 | 0.20 | 0.54 | 0.34 | 0.20 |
| Rural | 0.44 | 0.29 | 0.15 | 0.45 | 0.28 | 0.17 |
| Urban | 0.12 | 0.07 | 0.05 | 0.09 | 0.06 | 0.03 |
| Balochistan | 0.06 | 0.02 | 0.04 | 0.06 | 0.03 | 0.03 |
| Rural | 0.04 | 0.01 | 0.03 | 0.04 | 0.02 | 0.02 |
| Urban | 0.02 | 0.01 | 0.01 | 0.02 | 0.01 | 0.01 |

As per data in the above table No.3 the unemployment in the Province of Khyber Pakhtunkhaw has decreased from 0.56 millions in 2008-9 to 0.54 millions in the year 2009-10 but this is the temporary increase in the employment opportunities. The over all rural - unemployment has increased from 0.44 millions in the year 2008-9 to 0.45 millions in the year 2009-10.

The falling unemployment rate was incidentally arrested due to increased NGO's activities in the province induced by foreign funding to solicit the people already depressed due to terrorist sabotage activities and apathetic treatment by the Govt. and State Agencies. The disastrous effects of earthquakes, devastating flood and terrorist's attacks had paralyzed the life in the rural area resulting in falling rate of employment and ever increasing No. of unemployed labors in the province. The table No.3 tells us that the no. of unemployed labor in the rural of Khyber PakhtunKhaw has increased from 0.44 millions in 2008-9 to 0.45 millions in 2009-10.

The increase in the female unemployed labor from 0.15 to 0.17 millions is mainly due non availability of jobs for our female population. Contrary to this situation the unemployment in the urban has declined from 0.12 in 2008-9 to 0.09 millions in the year 2009-10. This fall in the No. of unemployed labor force in the urban area is obviously due to cluster of different agencies engaged in the development activities of the area affected by sabotage activities and reconstruction of the economy damaged by catastrophic floods of 2010.

The real shock is different because of worse situation in the industrial sector. A sample study was conducted in the settled areas of Khyber Pakhtunkhaw, as mentioned in the table No.4 below, gives a different picture.

Family size-wise unemployment ratio in Khyber Pakhtunkhaw Province**Table 4**

| Serial No. | Area taken sample of | Size of family (Average No. of persons of working age per family) | No. of families interviewed | Total population in of the sample | Total no. of persons of working age (15 years and above) | No. of persons per family willing to work (average) | Total No. of persons willing to work (Based on sample) | Total No. of persons engaged-including self employed | No. of persons willing to work but jobless |
|------------|----------------------------------|---|-----------------------------|-----------------------------------|--|---|--|--|--|
| 1 | Urban Peshawar | Upto 6 | 50 | 280 | 265 | 5 | 250 | 222 | 28 |
| 2 | Urban Charsadda | Upto 8 | 50 | 370 | 310 | 6 | 300 | 260 | 40 |
| 3 | Suburban Mardan | Upto 8 | 30 | 220 | 190 | 6 | 180 | 165 | 15 |
| 4 | Ruarl Nowshera | 9-and above Joint family | 50 | 585 | 460 | 9 | 450 | 394 | 56 |
| 5. | Far Flung Area of Bunir and Swat | 9 and above Joint family | 50 | 610 | 490 | 10 | 500 | 410 | 90 |
| 6 | | Total | 230 | 1965 | 1715 | 34 | 1680 | 1551 | 229 |
| | | | | | | | | | |

a). 13.35 % of the working age (15 years and above)

b). 13.63 % of the work force willing to work

c). 11.65 % of the total population of the sample

From the report appearing in Table No.4 actual rate of unemployment is more than what has been reported in the official figures. Derived from the exercise it is inferred that 13.35 % of the working age group and 13.63% of the workforce willing to work is unemployed which amounts to 11.65 % of the total population of the sample. If further intensive studies are made taking sample from the remote areas of Federally Administered Tribal areas and also the hilly tracks of Khyber Pakhtunkhaw the situation will again be different and the rate of unemployment will be more agonizing.

The ever deteriorating peace and security situation, energy crisis and natural calamities have retarded the growth process causing a decline in the employment opportunities. It is considered opinion that economic growth mainly depend upon the industrial development. Employment is a concept which denotes phenomena where individual/individuals are engaged in economic activities in accordance with their abilities and capacities. A persons with a skill in wood work if engaged in retail shop as sales man is under employed because his faculties are not being utilized properly. Similarly if a task which can be accomplished by an individual is carried out by more than one person, those extra persons will be said to be disguisedly un employed.

Thus employment means engagement of individuals or population in accordance with their expertise and work ability. It, therefore, requires ever increasing/ expanding of the economy which is in fact a function of saving and investment. Expansion in the economy always results from induced investment. Increased investment is phenomenal expansion of corporate sector.

Unfortunately corporate sector in KPK has always been dependent on Govt. public sector support. So the availability of various concessions and holidays gave push to the corporate sector which has, most of the time, been found temporary and ultimately resulted in waste of funds and materials because the withdrawal of concessions put an immediate break and severe shock to the development activities. A change in Govt. policies with regards to the industrialization in KPK abruptly change the entire scenario. In Khyber PakhtunKhaw most of the industrial estates had been initiated only because Govt. had allowed concessions and relaxations and with the abolition of these facilities the industrial set up of the province received a severe setback. Besides this, the province of KPK, for the last more than a decade, has been a victim of terrorist activities which damaged the whole industrial sector which could otherwise help the provincial economy to move forward. The following table gives a picture of the small units closed and the job loss to this province

Table 4

(9)

| Serial No. | Sector | No. of Units | Investment (Rs.in Millions) | Employment |
|------------|---|--------------|-----------------------------|------------|
| 1. | Food, Beverages and tobacco | 577 | 12775.030 | 13256 |
| 2. | Textile, Wearing, Apparel, carpet, Leather and footwear | 245 | 41430.150 | 22240 |
| 3. | Wood, Wood products and cork. | 96 | 502.135 | 1487 |
| 4. | Paper, Paper products and printing press. | 94 | 1956.996 | 2814 |
| 5. | Chemical, Rubber and Plastic Products | 387 | 9423.297 | 10883 |
| 6. | Mineral Products. | 615 | 54566.690 | 9445 |
| 7. | Metal and Metal Products, Electric and Electronic Goods | 207 | 8637.686 | 5257 |
| 8. | Other manufacturing industries. | 33 | 1125.487 | 749 |
| 9. | Total Operating | 1558 | | 66129 |
| 10 | Total closed | 696 | | |

Revealed from the above table, closure of 696 units in a province of 23.770 millions population occupying an area of 74521 sq kilometer would have not been so severe issue had the province not been deprived of the jobs in mega industries operating earlier than 1972. The situation had become more aggravated when thousands of workers lost their jobs for the fault of their own by supporting the negative attitude of the unscrupulous labour unions in the province during the period from 1972 to 1977.

Adversely affected by the union activities the mega industrial units like Nowshera Engineering Company (formerly Karimi Industries), Nowshera DDT factory, Adamjee Paper Mills, Sohail Jute Mills Nowshera, Colony Sarhad Textile Mills Nowshera, Pirpai Textiles Mills Nowshera, Charsadda Sugar Mills, Charsadda Paper Mills, Nishat Textiles Mills. This phenomenon resulted in deprivation of thousands of families of KPK of their livelihood. Had to stop their operations and were subsequently constrained to close their doors.

It is a considered opinion that industrial development generates employment opportunities.

It eventually promotes trade and thus over all economy is monetized. Economic activities are accelerated and new openings become available.

However, in an agrarian economy like Pakistan the synchronized development of both the primary and secondary sectors is need of the day. This helps in increasing the supply of raw material to the agro based industries which in turn utilize the surplus labour of the agriculture sector. For solving the current issue of unemployment on long term basis the following measures are suggested as future path way.

Future Path way

Most of the highly educated and skilled people are either self employed or under employed because of non availability of **right job** opportunities. The official figures does not reflect the factual rate of unemployment for reasons that the unemployed desperate population have to live alive by earning their bread most of the time by opting for a job absolutely undesirable and non commensurate to their competence. The Govt. Departments are continuously shrinking on pretext of rightsizing and down sizing. Absence of merits and non observance of values has caused intense pessimism. Amidst these circumstances the private sector may take upon itself as part of its corporate social responsibility and enlarge the scope of employment for the hitherto deprived of population.

In the meantime the corporate sector needs support by State and State agencies to rejuvenate its efforts and not only restore and re-commission the closed units but also facilitate the establishment of new units. To induce the new investment, the industrial sector needs;

1. Effective security measures are ensured for the safety and protection of management and sponsors. Peace and tranquility is in fact a pre- requisite of industrial growth. Regular operations of the industrial process will ensure job opportunities to both skilled and semiskilled labour.
2. To allow the newly established units grow in a competition free environment the infant industries may be protected through favorable tariff policies. Dumping and inflow of contra bonded goods has severely damaged our economy. Strict security measures to check the illegal imports are taken so that the domestic producers may have the opportunity to strengthen their industrial base.

3. The new units are allowed tax holidays so that they may be able to achieve optimum level at the lowest of breakeven.
4. Govt must ensure regular and uninterrupted sufficient supply of electric and gas power. The rising energy cost has put the entire industrial sector at stake. Instead of controlling the misuse rather corruption in the supply of power the Govt has been penalizing the industrial sector by raising the power rate unscrupulously. The eventual loss again go to State because cost increase reduces sales and hence less revenues to the Govt; exchequer
5. The sick units are revived by rescheduling/restructuring their liabilities and those closed due to financial problems be supported through timely flow of credit at subsidized rate. To ensure regular supply of inputs and raw materials the indigenous industries may be provided with a cover against foreign exchange rate fluctuations.
6. Promotion of public–private partnership has been producing excellent results in expanding the corporate sector. The Establishment of new organizations under this concept will allow the maximum of the entrepreneurs to utilize their talents and simultaneously increase the job opening particularly in the field of education, health and other social sector enterprises.
7. The SMEDA may take upon itself to primarily arrange for skill development and also popularize the concept of co-operative business venture. The SMEDA may focus on self esteem promotion through skill development and arrange training workshops/seminars for un-organized artisans and skilled peoples for learning the process and benefits of entrepreneurship and motivate them to join hands and establish joint ventures on small scale for manufacturing and distributing small industries products. This will create an environment conducive to increase production and eventually add to the incomes of the small families.
8. Last but not the least important is the stable and continuous trade and industrial policy which will not only maintain the tempo of industrial process intact but will simultaneously induce further investment and hence more and more job opportunities even to those hitherto neglected.

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