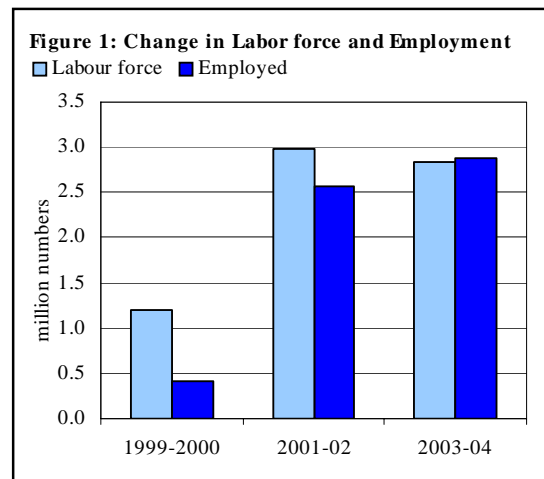


Special Section Recent Trends in Unemployment Rates in Pakistan

According to the Labor Force Survey (LFS) FY04, the unemployment rate has improved from 8.3 percent in FY02 to 7.7 percent in FY04. Thus, 41.8 million persons were employed in 2003-04 compared to 38.9 million in 2001-02. In other words, the economy added 2.9 million new jobs during this two year period. Of these additional jobs, 1.5 million went to males while 1.4 million to females. The highest number of new jobs – 1.6 million – were created in the agriculture sector. The decline in unemployment rates looks even more attractive as it has taken place despite an increase in labor force from 42.4 million in FY02 to 45.2 million people in FY04 (see **Figure 1**). A part of this increase in labor force is attributed to a relatively higher participation level in FY04.¹

While these developments appear to be encouraging, it is also important to understand the sources of the improvement, as this can provide guidance for policy formulation to further reduce the unemployment rates in the country. The aim of this section is to perform regional and gender wise analysis to identify the major contributors in improved employment rates during FY02 to FY04.



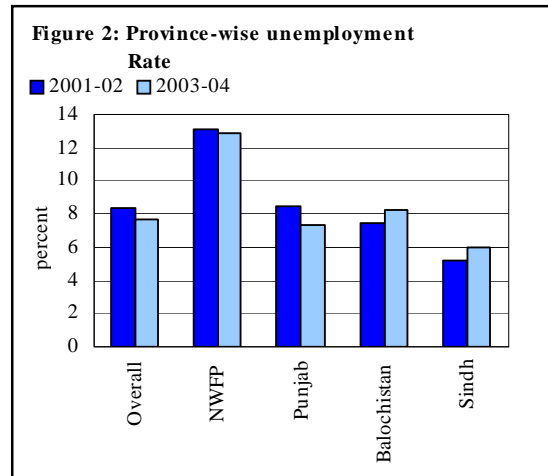
A closer look at the LFS data of the two years provides some interesting insights:

- The province-wise data shows that improvement in the employment rate was not across the board. As shown in **Figure 2**, during the period understudy, unemployment rates increased in Sindh and Balochistan. The unemployment rate in Sindh increased mainly due to relatively higher increase in labor force. While NWFP recorded a marginal improvement (of 0.25 percentage points), it was only Punjab province that saw a major decline of 1.14 percentage points

¹ At aggregate level labor force participation level has improved from 29.6 percent in FY02 to 30.4 percent in FY04, further it is true for both for males and females.

in unemployment rates. As more than 60 percent of labor forced is in Punjab, this improvement also resulted in declining the overall unemployment rates.

- A comparison of unemployment trends in rural and urban areas exhibits that unemployment rates in rural areas declined more rapidly than that in urban areas (see **Tables 1**).



However, the rural unemployment rates increased in both Sindh and Balochistan, while the urban unemployment rate only increased in Sindh.

- Looking at the gender-wise data depicts that fall in unemployment rates was more pronounced in case of females. Specifically, at aggregate level the unemployment rates of males and females declined by 0.1 and 3.8 percentage points, respectively. However, as females only account for around 18 percent of the entire labor force, larger improvement in this category only partially translated into a lower overall fall unemployment rates. It is interesting to note that female employment rates recorded improvement in all the provinces during FY02 to FY04 (see **Table 1**).

As the decline in female unemployment rate is more pronounced and broad base, it is pertinent to pay more emphasis on analyzing its declining trend. Accordingly, rest of the section is designed to analyze the fall in female unemployment rate in more details.

Looking further into the female employment rates, though the improvement was more for urban female (i.e., 4.10 percentage point for urban compared 3.22 percentage points for rural), its impact on overall unemployment rate was limited as only 21 percent of female labor force is living in urban areas. Hence, the improvement in rural unemployment contributed more significantly to the overall

decline in female's unemployment rates, particularly in Punjab that holds 82 percent of the total rural female labor force.²

Table 1: Province-wise Regional Unemployment Rate							
	2002-01			2003-04			Change in rural unemployment
	Overall	Rural	Urban	Overall	Rural	Urban	
Pakistan	8.3	7.6	9.8	7.7	6.74	9.7	-0.86
Male	6.7	6.1	7.9	6.59	5.65	8.37	-0.45
Female	16.5	14.1	24.2	12.75	10.88	20.1	-3.22
NWFP	13.1	12.79	14.64	12.85	12.47	14.83	-0.32
Male	11.04	10.82	12.16	10.13	9.59	12.77	-1.23
Female	32.06	30.77	39.01	29.44	28.91	33.45	-1.86
Punjab	8.5	7.56	10.78	7.36	6.11	10.4	-1.45
Male	6.96	6.2	8.6	6.68	5.52	9.11	-0.68
Female	14.36	12	22.99	9.64	7.76	17.89	-4.24
Balochistan	7.76	6.69	12.7	8.19	7	12.53	0.31
Male	5.64	4.97	8.75	6.29	5.26	10.01	0.29
Female	37.42	31.8	58	27.66	24.32	41.62	-7.48
Sindh	5.2	3.23	7.09	5.97	4.38	7.56	1.15
Male	4.04	2.19	5.92	4.83	3.16	6.5	0.97
Female	19.83	17	22.75	19.58	18.25	21.04	1.25

It is important to note that the employment of the rural females increased despite a considerable rise in female Labor Force Participation Rate (LFPR).³ Specifically, the female LFPR improved by 1.3 percentage point during FY02 to FY04 (see **Table 2**), which is significantly higher than the 0.7 percentage point increase for males.⁴⁵

² Punjab saw a 4.24 percentage point decline in rural unemployment rates in female labor force during FY02 to FY04. In absolute term, the unemployment fall from 0.53 million to 0.41 million during FY02 to FY04, respectively.

³ Labor force participation is estimated on the basis of the Crude Activity Rate (CAR). The CAR is the percentage of the labour force in the total population.

⁴ The overall LFPR increased from 29.6 percent in FY02 to 30.4 percent in FY04. The share of men in LFPR is 48.7 percent compared to 11.2 percent for women.

⁵ The possible reasons for the increase in female participation rate includes the increase in proportion of female (10 years and above) in total population from the 68 percent to 70 percent during the same time period, sampling effect, due to their better coverage in the survey and the last but not least it may be due to the increase in employment in informal sector (female employment in rural informal sector increased from 65.7 percent to 69.9 percent).

The bulk of the female labor force was employed as unpaid family helpers, especially in rural areas of Punjab (see **Table 3**). A significant increase in category during FY02 to FY04 contributed around 77 percent in total fall in female's unemployment rates.

A possible reason for the increase in unpaid family helper may be enhanced opportunities of employment in agriculture due to increased growth rate in recent years.⁶ Another reason could be the better coverage of females, which is clearly reflected in lower sex ratio⁷ (according to LFS, the sex ratio has declined from 107 in FY02 to 105 for FY04).

The distribution of female labor force by major sectors also supports the view that employment gains are concentrated in female unpaid family workers, as the largest increase in the female's employment was seen in Agriculture and allied industry (see **Table 4 & 5**).

Similarly, the data of major occupational groups reveals that the increase in the female labor force is concentrated in agriculture and fishery workers (see **Table 6**).

	Female 2001-02	Female 2003-04	Change in %age points
Pakistan	9.9	11.2	1.3
Rural	11.1	13.2	2.1
Urban	7.3	7	-0.3
Balochistan	3.6	4.8	1.2
Rural	3.5	5	1.5
Urban	4.1	3.9	-0.2
NWFP	4.7	6.9	2.2
Rural	4.6	7.3	2.7
Urban	5	5.1	0.1
Punjab	14	15.6	1.6
Rural	15.8	18.4	2.6
Urban	9.9	9.4	-0.5
Sindh	4.1	4.6	0.5
Rural	4.1	4.7	0.6
Urban	4	4.4	0.4

	2001-02	2003-04
Employer	0.04	0.04
Self employed	15.32	15.05
Unpaid family helpers	53.26	60.1
Employees	31.35	24.81

⁶ The agricultural growth rate increased from -0.1 percent in FY02 to 4.1 percent in FY03 and 2.6 percent in FY04.

⁷ Sex ratio is proportion of male population to female population. According to 1998 census, it was 108 declined to 106 (Pakistan demographic survey) in 2001.

Table 4: Distribution of Employed by Major Industry Divisions
person in millions

Major Industry Division	2001-02			2003-04		
	Total	Male	Female	Total	Male	Female
Agriculture, Forestry Hunting & Fishing	16.4	12.7	3.7	18.0	13.2	4.8
Manufacturing	5.4	4.5	0.9	5.7	4.7	1.0
Construction	2.4	2.3	0.0	2.4	2.4	0.0
Whole sale and retail trade	5.8	5.7	0.1	6.2	6.1	0.1
Transport, Storage and Communication	2.3	2.3	0.0	2.4	2.4	0.0
Community, personal and social services	6.0	5.0	1.0	6.3	5.1	1.1
Others	0.7	0.7	0.0	0.8	0.8	0.0
Total	38.9	33.2	5.7	41.8	34.7	7.1

Table 5: Distribution of Employed by Major Industry Divisions
persons in mln

Major Industry Division	2001-02				2003-04			
	Rural		Urban		Rural		Urban	
	Male	Female	Male	Female	Male	Female	Male	Female
Agriculture, forestry hunting & fishing	12.17	3.56	0.52	0.12	12.62	4.57	0.60	0.18
Manufacturing	1.84	0.47	2.67	0.39	1.97	0.62	2.73	0.42
Construction	1.65	0.01	0.69	0.00	1.71	0.01	0.71	0.00
Wholesale and retail trade	2.40	0.05	3.27	0.05	2.61	0.08	3.44	0.04
Transport, storage and communication	1.27	0.02	1.00	0.00	1.24	0.00	1.14	0.01
Community, personal and social services	2.61	0.35	2.42	0.64	2.54	0.43	2.61	0.69
Others	0.24	0.00	0.43	0.01	0.23	0.00	0.53	0.01
Total	22.18	4.47	11.01	1.22	22.93	5.71	11.76	1.35

The increase in urban female employment was mainly in community services, manufacturing and construction industry. Similarly occupational distribution of urban females shows that the employment increase in category of unskilled, craft and trade related workers (see **Table 4 & 5**).

Conclusion

While there is an evident decline in the unemployment rate, this gain is largely concentrated in rural areas, particularly in females, and is visible in higher number of unpaid family helper. This view is also supported by rising share of agriculture and allied industry in the distribution of female labor force by major industries.

Further, in terms of occupational groups, agriculture and fishery witnessed significant increases that support the view that rural female unpaid family helpers are the major beneficiary of employment gains.

Table 6: Female Unemployment by Major Occupational Groups
person in millions

	FY02	FY04	Change
Legislator, senior officials	0.11	0.10	-0.01
Professionals	0.14	0.13	-0.01
Technicians	0.54	0.61	0.07
Clerks	0.02	0.01	0.00
Service workers	0.07	0.06	-0.02
Agriculture and fishery workers	2.52	3.42	0.90
Craft and related trade workers	0.85	1.01	0.16
Plant and machine operator	0.01	0.01	0.00
Elementary (unskilled occupation)	1.43	1.71	0.28