

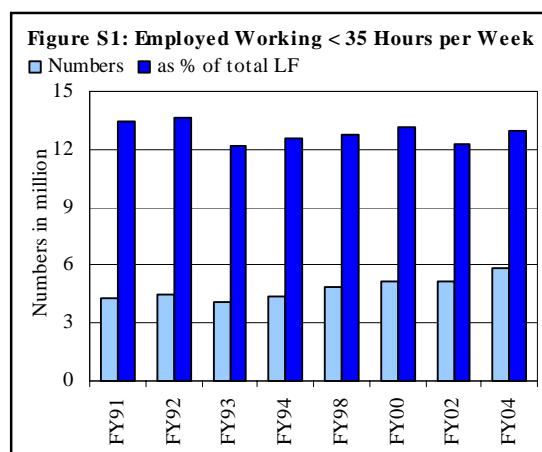
Special Section:

Underemployment in Pakistan

Introduction¹

In Pakistan, a large proportion of the employed labor force works less than 35 hours (see **Figure S1**) and may, therefore, be considered as being underemployed; without knowing how many were doing it voluntarily or involuntarily basis. This distinction is essential to compute the exact level of underemployment in the country. As defined in the Pakistan Labor Force Survey (LFS), employed persons

working less than 35 hours are considered to be underemployed, but only if they are willing and available for additional work (for details see **Box S1**). However, data constraint in the LFS does not allow a clear computation of the underemployment rates directly, but some supporting LFS data does provide some insights. Based on available information, it appears that the underemployment has increased from 13.4 percent to 14.0 percent during FY02-04.²



¹ The unemployment rate is one of the most important and widely used indicators of economic progress of any economy. However, the unemployment rate does not account for employed workers working below the desired capacity, whether in terms of number of working hours, compensation, level of skills, experience, etc. Such employed workers if willing and also looking for higher capacity jobs are termed as “underemployed”. While it is important to look at various dimensions of underemployment to supplement the analysis of trends in unemployment, only the work-hour- based concept of underemployment is being discussed here due to data constraints.

² According to latest government estimates the unemployment rate has further declined to 6.9 percent.

Box S1: Underemployment: Definition and Data Limitations in Pakistan

Time related underemployment has a variety of national definitions,¹ but the majority tends to cluster around the following three: (1) Persons in employment who reported that they were working part-time or whose hours of work (actual or usual) were below a certain cut-off point, and who also reported involuntary reasons for working fewer than full-time hours - these are also known as "involuntary part-time workers". (2) Persons in employment whose hours of work (actual or usual) were below a certain cut-off point and who wanted to work additional hours. (3) Persons in employment whose hours of work (actual or usual) were below a certain cut-off point and who sought to work additional hours.

In Pakistan, underemployment is defined as "... all employed persons who during the reference period satisfied the following three conditions: first, working less than 35 hrs per week; second, doing so on involuntary basis; and third seeking or being available for additional work."

Unfortunately, the data on the exact definition of underemployment rate is not available from LFS.² Specifically, while data on employed working less than 35 hours per week is available from LFS, proportion of employed doing this on involuntary basis and available for additional work is not given. Similarly in another table, data on employed available for additional worked are given, but here the time wise distribution of employed in this category is not available. It is likely that a certain proportion employed available for additional work are those people who are already working for more than 35 hours a week, thus should be considered as underemployed as per the definition of underemployment in Pakistan.

¹ KILM "Time Related Underemployment" by ILO.

² Including both in published data tables and one those are available on request

Features of Employed Working less than 35 Hours

According to the latest available LFS (for FY04), around 5.8 million or 14.0 percent of the total employed were working less than 35 hours a week. Considering all employed working below 35 hours per week as underemployed, the underemployment rate³ in FY04 works out at 12.9 percent (see **Table S1**). However, the actual underemployment rate probably much lower. Specifically, the proportion of total employed available for additional work,⁴ including both working below and above 35 hours in a week, was 8.6 percent (or 8.0 percent of labor force) in FY04. This suggests that underemployment in FY04 was either at 8.0 percent or lower.

³ Underemployment rate is defined here as underemployed as percentage of total labor force.

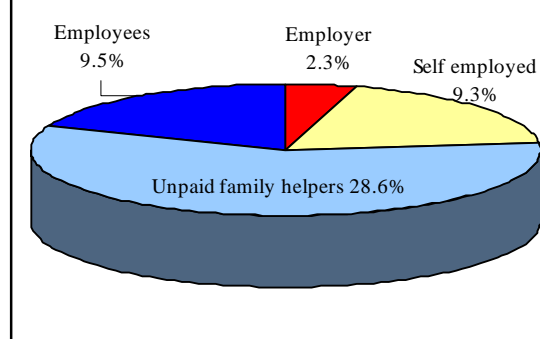
⁴ This data is not being published in LFS, however, available on request from FBS.

Table S1: Work Hours based Profile of Employed Labor Force in FY04

Percent	Both sexes		Male		Female	
	As % of employed	As % of LF	As % of employed	As % of LF	As % of employed	As % of LF
	Working < 35 hours a week	14.0	12.9	7.8	7.3	44.4
Working < 24 hours a week	5.5	5.1	2.9	2.7	18.1	15.7
Working < 15 hours a week	1.3	1.2	0.6	0.6	4.6	4.0
Available for more work	8.6	8.0	8.4	7.8	10.0	8.8

Source: Pakistan Labor Force Survey, 2003-04

Gender-wise break-up of the data provides some further insights. As shown in **Table S1**, while a very large proportion (almost 45) of the employed female was working less than 35 hours per week; just 10 percent were available for additional work. It is important to mention that female participation rate in labor force is also very low in Pakistan. In FY04, crude and refined activity rates for females were only 11.2 percent and 15.9 percent, respectively.⁵ This suggests that in Pakistan females participate less in the labor force, and those who do are willing to work for less than the normal working hours. As females comprise of almost half of the total work-age population, it is imperative to encourage higher female labor force participation as well as their availability to work up to normal working hours.⁶

Figure S2: Employment Status-wise Distribution of Employed Working < 35 Hours a Week

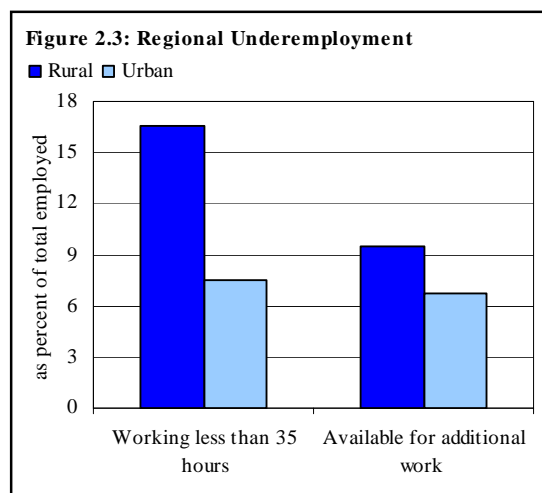
The proportion of employed males working for less than 35 hours a week was significantly lower at 7.8 percent (or 7.3 percent of LF) in FY04. Interestingly, in sharp contrast from the female group, the proportion of employed male available for additional work was higher than the proportion of male employed working for below 35 hours a week. This implies that for the male group, the latter proportion

⁵ Crude activity rate is the percentage of persons in labor force to the total population; while refined activity rate is the percentage of person in labor force to work-age population (10 years and above in Pakistan case).

⁶ For details see Box 8.1 in SBP Annual Report for FY05.

provides the maximum possible level of underemployment rate during FY04 (see **Table S1**). Thus, the underemployment in the male group was either at 7.3 percent or below during FY04.

Looking at the economic status-wise data, the proportions of the employed working less than the normal work hours were at the highest in *unpaid family helpers* and at the lowest in *employers* (see **Figure S2**). Considering the region-wise data, both indicators, i.e. employed working less than 35 hours a week and those available for additional work, suggest that the underemployment is more prevalent in the rural sector (see **Figure S3**).



Underemployment during FY02-FY04

Trends in both the indicators (i.e. employed working less than normal hours and employed available for additional work) suggest that the underemployment rate has increased during FY02-FY04 period (see **Table S2**).

Table S2: Gender-wise Indicators of Underemployment Rate

percent	Both Sexes		Male		Female	
	FY02	FY04	FY02	FY04	FY02	FY04
<i>As percent of total employed</i>						
Working < 35 hours per week	13.4	14.0	8.8	7.8	40.0	44.4
Working < 24 hours per week	5.5	5.5	3.4	2.9	17.8	18.1
Working < 15 hours per week	1.6	1.3	0.9	0.6	5.6	4.6
Available for additional work	7.4	8.6	7.5	8.4	6.8	10.0
<i>As percent of labor force</i>						
Working < 35 hours per week	12.3	12.9	8.2	7.3	33.4	38.7
Working < 24 hours per week	5.0	5.1	3.2	2.7	14.8	15.7
Working < 15 hours per week	1.4	1.2	0.8	0.6	4.6	4.0
Available for additional work	6.8	8.0	7.0	7.8	5.6	8.8

Source: Pakistan Labor Force Survey, 2003-04

However, this increase in the former is only attributed to the female group (see **Table S3**).

The proportion of employed people available for additional work has increased for both male and female group, but the latter group saw a larger increase. Specifically, the proportion of employed females available for additional work has jumped from 6.8 percent in FY02 to 10.0 percent in FY04. This increase of female interest in working for a greater number of hours is a welcome development.

Table S3: Employed Working < 35 Hours -- by Reasons

As percent of total employed working < 35 hours a week

	FY02	FY04
Due to low economic activity	13.69	10.18
Off season, bad weather	6.33	3.43
Shortage of raw material or fuel	1.15	0.45
Lockout, lay-off	0.20	0.11
Mechanical or electrical breakdown	0.16	0.01
Strike	0.02	0.02
Other involuntary reasons (law & order)	1.27	2.47
Others (slowdown in economic activity)	4.56	3.69
Due to personal reasons	86.11	89.82
Normally work the same no. of hours	75.50	80.97
Illness or injury	3.46	3.25
Holiday, ramzan, leave of absence	4.69	2.73
Education and training leave	0.32	0.77
Maternity and parental leave	0.78	0.80
Other voluntary or personal reasons	1.36	1.30

Source: Pakistan Labor Force Survey

Looking at the reasons (mentioned by employed⁷) for working less than normal hours suggests that increase in proportion of such employed (during FY02-04 period) was not because of lower economic activity in FY04 (see **Table S3**). In other words, it appears that strengthening economy is contributing to a fall in underemployment in Pakistan.

Conclusion

Following here are the key points of this sections:

- While, in Pakistan a substantially large proportion of labor force is working below normal working hours, a majority is doing it on voluntary basis. This is particularly true in case of the female labor force. As female comprises almost half of the total as well as work-age population in Pakistan, it is vital to increase their participation in economic activities.
- It is encouraging to note that during FY02-04, proportion of employed females available for additional work has increased from 6.8 percent to 10.0 percent. However, this is still considerably low.

⁷ This includes those who are working less than 35 hours a week.

- During FY02-04 period, available indicators suggest that underemployment has increased in Pakistan. However, two points are important in this regard: first, it was mainly because of the increased participation by female group; and second, it was not due to a slowdown in economic activity.