



Pakistan Policy Note 7

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Enhancing Labor Market Conditions for Vulnerable Groups

For the current generation of working-age adults, public interventions to increase female employment will require policies that address the social, cultural, and security constraints facing urban and rural women in entering labor markets. In the long term, targeted investments to improve female education and health can enable more women to secure higher paying jobs. Child labor, however, will require a more strategic approach, going beyond legislation to eliminating the worst forms of child labor and increasing school enrollment for poor and vulnerable households through targeted cash transfers. Long term, child labor can be eliminated only by investments in human capital; short term, by incentives and penalties for private and informal employers.

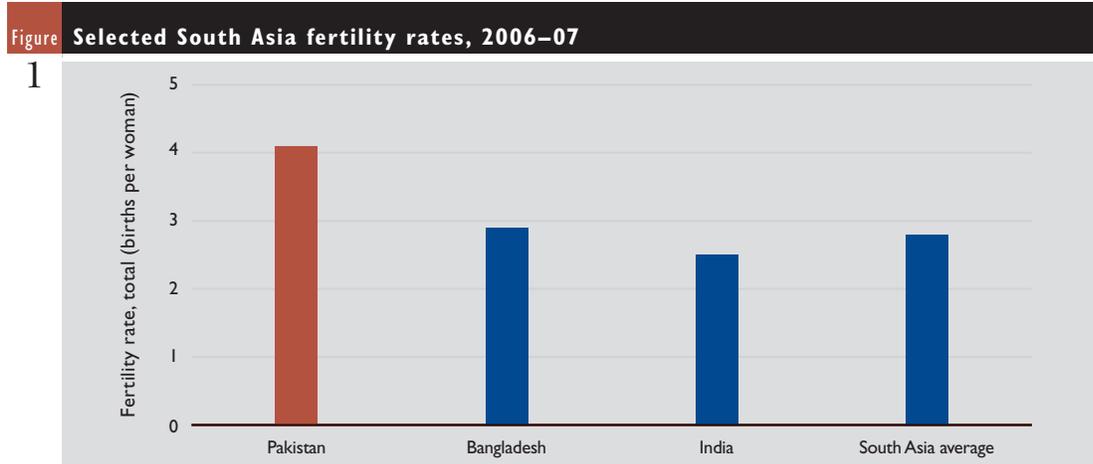
Because Pakistan has so many informal workers, skills-enhancing policies are needed to allow them to graduate into better paid formal jobs and to ensure that they receive basic social protection. Programs providing market-oriented skills hold promise, though they need to be evaluated carefully before being implemented on a large scale. Active labor market programs such as short-term public works programs that hire seasonal laborers, might also be considered for vulnerable workers, primarily postcrisis.

As Pakistan seeks high and sustainable economic growth, increasing employment and productivity will be crucial. The labor force is poorly educated, highly segmented by gender, and concentrated in low value-added informal sector activities. It thus presents a serious constraint on economic growth and poverty reduction. Although unemployment is relatively low at around 5 percent,

underemployment is high. Many workers work part-time or contractually in the informal sector, which makes up 56–73 percent of nonagricultural employment (Cnoblach and Salam 2012).¹ The country's labor force participation rates for women are among the world's lowest, at 28 percent, compared with 82 percent for men (World Bank 2013). Household survey evidence reveals that many women and youths from low-income households find temporary and low-paying employment in the informal sector, with minimal job security.

Pakistan's population is young—and will remain so in the short term. Total fertility rate, at 4.1, remained well above the South Asia average of 2.8 in 2006–07 (Figure 1). Although the total fertility rate declined from 7 in 1970 to 3.9 in 2009, it is still high. The youth cohort (ages 15–24) and adolescent cohort (ages 10–14) are the most populous segments of the population (World Bank 2011a). Investing in youth education and health will thus be crucial for the future competitiveness of labor markets and other social outcomes. Without these investments in health and education, especially for girls, the economy's competitiveness will be seriously compromised. And instead of a “demographic dividend,” Pakistan will face a “demographic bust” (World Bank 2011a).

Pakistan's low human development indicators undermine its labor force productivity and economic growth. In 2009, the country's public



Source: Data for Pakistan are from MEASURE DHS (2007); all other data are from the World Development Indicators database.

spending on education as a share of GDP was 2.7 percent and on health 2.2 percent—placing it among the world’s lowest spenders on these two sectors (World Bank 2012b). This needs to change. Improvements in education and health enhance labor outcomes, such as employment rates and productivity, which stimulate economic growth. Cnobloch, Jamil, and Chowdhury (2012) use cross-country data to document the links between selected human development outcomes and GDP over the last two decades. They draw two main conclusions: the projections of how human development indicators might evolve under different economic growth scenarios in the short term indicate that even under the best-case scenario Pakistan would not catch up with the human development outcomes of most developing countries; and if the short-term human development projections were to be realized, long-term economic growth would suffer. In other words, without major government reforms and investments in health and education (thus deviating from the trends of the last two decades), Pakistan will not only miss its Millennium Development Goal targets but also hinder its long-term economic growth potential.

Policy Issues

The key policy issues fall under three headings. First is low formal female employment and high underemployment. Second is lack of basic social protection and limited access to education and training among informal sector workers. And

third is high levels of child labor and uneasy transition of youths from school to work.

Low formal female employment and high underemployment

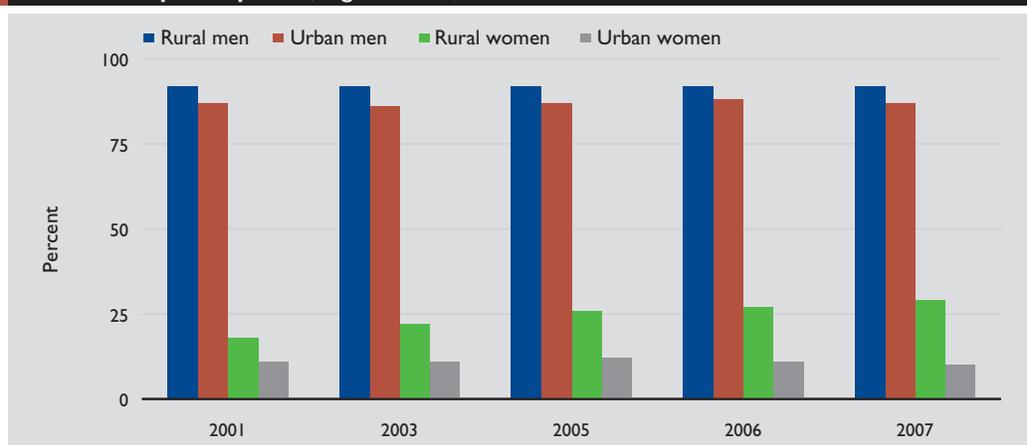
Most women entering the labor force work in agriculture, often without pay. Of the more than 3 million jobs for women created between 2001/02 and 2005/06, 72 percent were in unpaid family work in agriculture, and only 19 percent were paid nonfarm jobs (World Bank 2011a). Female unpaid family workers in agriculture typically live in rural areas, work on family-owned farms, or work as sharecroppers. They also have the traditional responsibility of taking care of household chores and childrearing, beyond their agricultural work.

There is a wide urban–rural gap among women entering the workforce. In rural areas, nearly 1 in 3 women work, against only 1 in 12 in urban areas (Figure 2). Although women in urban areas are better educated than their rural counterparts, their employment rates are much lower. Urban women’s labor participation was just 9 percent in 2001/02, and by 2007/08 had declined to 7.6 percent. The low rate of high-skilled women entering the workforce is reflected in their minimal representation in senior or managerial positions (only 6 percent; Nikitin 2011).

Although female labor participation rates are low across South Asia, Pakistan’s rates are among the lowest (IFC 2007). Bangladesh, India, and

Figure 2 Labor force participation, ages 18–59, 2001–07

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Source: Nikitin 2011.

Pakistan, which together account for 95 percent of the region’s working-age population, also have the lowest rates of female participation: 31 percent for Bangladesh, 30 percent for India, and 22 percent for Pakistan (World Bank 2011b). By province, working-age female employment rates are much higher in rural areas than in urban areas (Table 1).

Unemployment is low overall but far higher for urban women. Despite the decline from 12 percent to barely 9 percent over 2001–07, unemployment among urban women remained three times that of rural women and more than four times that of urban men (Figure 3). Similarly, unemployment among women ages 15–24, at 10.5 percent in 2008, was far higher than

Table 1 Working-age female employment, by province, 2007/08

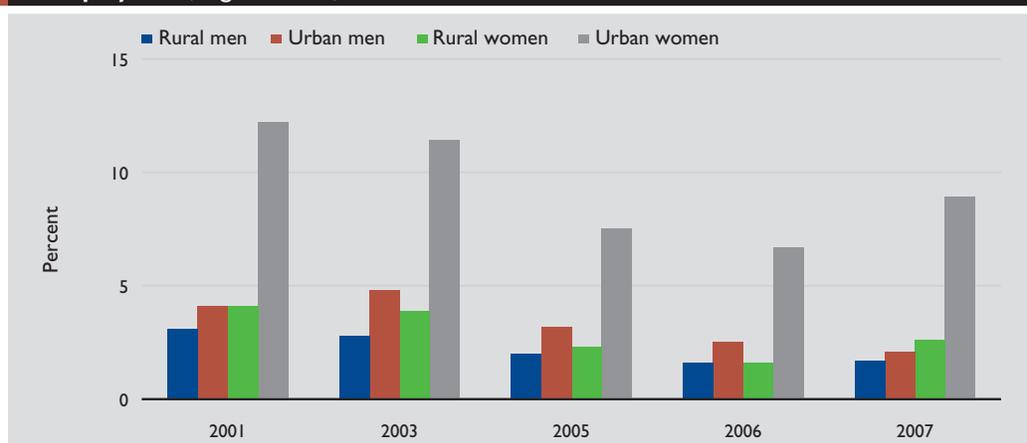
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	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan
Urban, all	10	5	6	5
Urban, paid	8	4	5	3
Rural, all	31	27	18	12
Rural, paid	11	1	6	1

Source: World Bank staff estimates based on Pakistan Bureau of Statistics (2008).

Figure 3 Unemployment, ages 18–59, 2001–07

3



Source: Nikitin 2011.

among young men, at 7.0 percent (United Nations Statistics Division n.d.).

Low schooling levels for women limit their earnings potential. Because women's educational opportunities are lower than men's (in both urban and rural areas), women entering the labor force tend to be less educated and lack specialized skills. Women are much less likely than men to have secondary or higher education. For Pakistani men, education is positively associated with entering the labor force; for women, however, education at the primary and lower secondary levels is associated with lower labor force participation. Only higher education (at the college level or beyond) is positively correlated with female labor force participation (Nikitin 2011).

With minimal education, the majority of rural women entering the workforce typically work in low-paying or unpaid jobs in agriculture, while urban women work in low-paying or part-time jobs in manufacturing or services. A small but growing number of educated urban women are entering the rapidly growing services sector. Overall, however, the number of educated professional women entering the workforce remains very small.

High fertility rates often mean heavy child care duties for females. Pakistan presents much evidence that higher fertility is associated with lower investments in human capital per child. Rural areas have far higher fertility rates and lower use of contraception than urban areas. The availability of labor-intensive jobs in agriculture makes large families economically viable. In urban areas, however, the higher cost of child rearing and the demand for education in labor markets is slowly influencing parental choices on fertility rates, as is greater female literacy (World Bank 2011a). In urban and rural areas, the burden of household work and child rearing falls on women, especially in poor households where domestic help is unavailable.

Extended family networks sometimes act as informal social safety nets for working women. In the absence of facilities for these women, such as day care, extended family support systems often fill the void, though not all working women have access

to them. In addition to house work, limited formal arrangements for child day care and elderly care have detrimental effects on female employment opportunities. Married women are expected to look after both their children and their parents-in-law. The uneven division of household labor makes the opportunity for full-time employment very difficult for many women, particularly poor women who cannot afford the costs of day care even when it is available. Working women are often expected to maintain their household responsibilities, which has a negative impact on their well-being (Kabeer 2008).

Travelling long distances for work is not always feasible for women. Despite wide regional and class variation, the social tradition of veiling and segregating women from nonfamily men—*pardah*—restricts certain groups of women's access to public spaces in socially conservative areas.² In rural areas, the closeness of homes to agricultural areas where women work allows a greater degree of freedom to work, while maintaining the social norms of adhering to *pardah*. For many urban women, however, the lack of easily accessible female-friendly workspaces severely reduces employment options.

The sectoral composition of employment and high rates of unpaid female labor hurt female employment outcomes. Most unpaid female workers are in the agricultural sector and live in rural areas: 78 percent of female workers are unpaid. Ranking a distant second is the wholesale and retail sector, where 44 percent of female workers are unpaid (World Bank 2011a). Female unpaid family workers tend to have little or no education (lower than grade 1): in 2005, two-thirds of working women in this education group were unpaid family workers, compared with only 7 percent of working women with grade 11 education or higher. Only 20 percent of urban workers were unpaid, compared with 68 percent in rural areas (World Bank 2011a).

Working men and women display a wide earnings gap. A woman with similar qualifications to a man earns far less. The services sector, often a large source of employment for skilled women in developing countries—though rapidly growing—has been unable to attract high

numbers of skilled female professionals. A lack of human capital investment in women has resulted in many women from poor and low-income households taking jobs in the informal sector, which pay little and do not require high levels of skills or education (Nikitin 2011). Having said that, Pakistanis—both women and men—enjoy respectable returns to education, with a 7–12 percent increase in earnings for an additional year of schooling (Figures 4 and 5).

Lack of basic social protection and limited access to education and training among informal sector workers

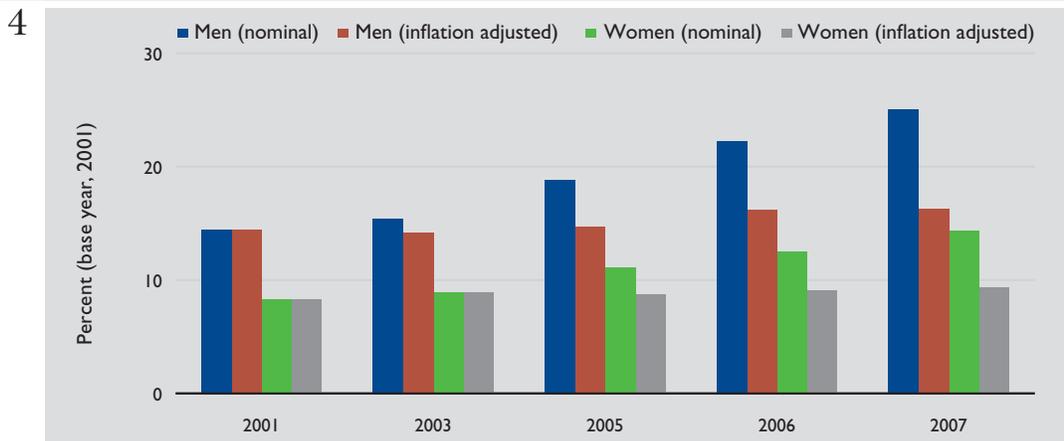
The top five constraints reported by urban formal sector firms³ in Pakistan are tax administration, electricity, political instability, government

policy uncertainty, and courts (in order of importance; World Bank 2012a). These constraints are important both for the formal firms surveyed and because they suggest reasons why 63–72 percent of workers are employed by informal enterprises (Box 1).

Annual growth in Pakistan’s total factor productivity lags well behind South Asia’s better-performing countries (Figure 6). This outcome is unsurprising given how this highly informal economy relies on workers with little education and not always in good health who are vulnerable to various shocks, constrained by poor infrastructure, and heavily concentrated in agriculture.

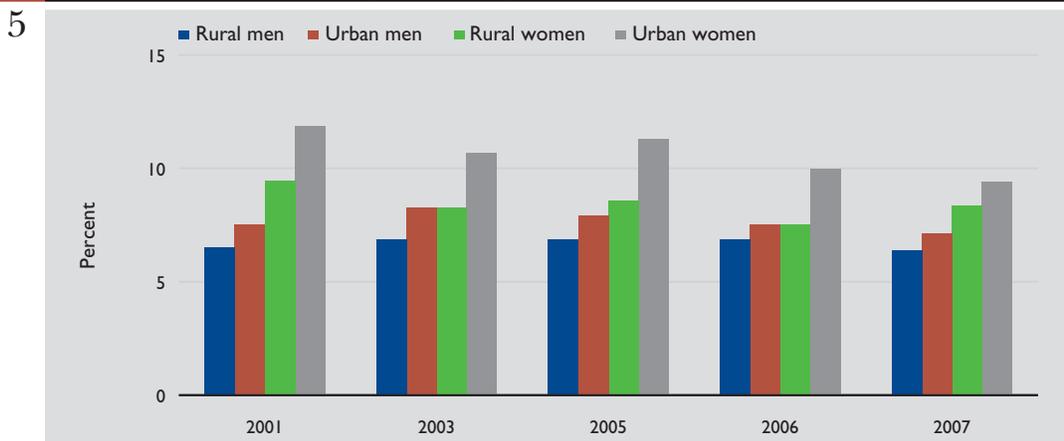
Many of the large numbers of young people entering the workforce lack the entrepreneurial and technical

Figure 4 Inflation-adjusted wage levels, 2001–07



Source: Nikitin 2011.

Figure 5 Returns to education, change in earnings for an additional year of schooling, 2001–07



Source: Nikitin 2011.

Box The informal sector and labor markets

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To understand Pakistan’s labor markets, it is important to look beyond unemployment rates and consider the quality of employment. Many employed individuals find it difficult to find sufficient or secure employment. Cnoblach and Salam (2012) estimate that 72 percent of all workers were in informal enterprises in 2007/08. Using an alternative definition based on type of employment, in which casual, piecemeal, own-account, and unpaid family workers in the nonagricultural sector are in informal employment, informality is an estimated 63 percent, but because informal enterprises tend to be small and concentrated in low value-added activities, their share in national output is only 35–40 percent.

Individuals in the informal sector come from the full spectrum of economic backgrounds, but most are uneducated and live in rural areas. Punjab, the most populous province, has the highest number of informal workers.

Some workers switch back and forth between the formal and informal sectors. As individuals age, they can transition to the formal sector, so some aspects of informality are compatible with economic mobility.

The informal labor market is segmented, especially along the urban–rural split. In urban areas, nearly 40 percent of informal workers come from the top 20 percent of the welfare distribution; in rural areas, only 8 percent do.

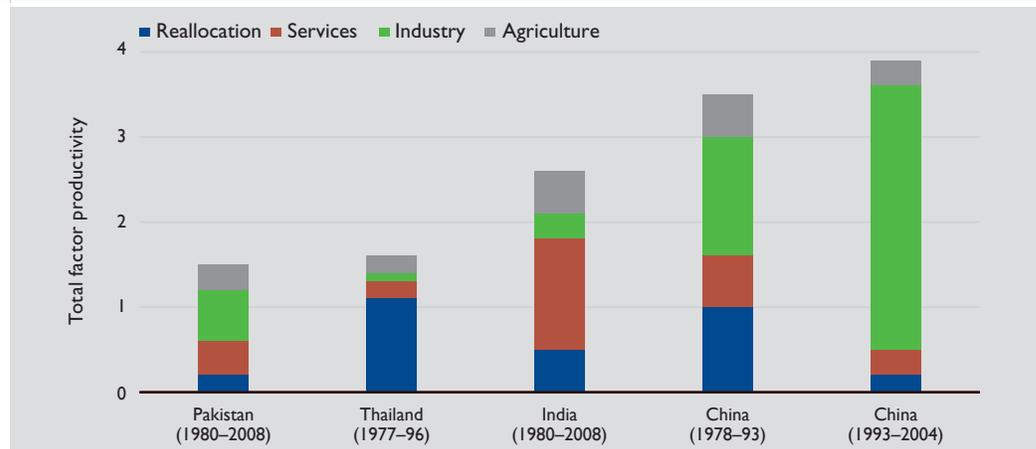
With fewer opportunities in the formal sector, informality is the next best option for younger people, especially those in urban areas and with less schooling, despite the lower wages. The informal sector also attracts a greater share of poorer women, while men come from a variety of income levels.

Source: Nikitin 2011; Cnoblach and Salam 2012.

6

Figure Annual growth in total factor productivity in Pakistan, Thailand, India, and China, various periods

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Source: World Bank 2012a.

skills that formal firms need, particularly the larger, more specialized firms. The average worker has only three or four years of schooling. The problem is especially acute in manufacturing, where two-thirds of employees have fewer than three years of schooling. In services, half the workers are educated above grade 6 (Nikitin 2011).

An International Finance Corporation survey of small and medium-size firms in Pakistan found that less than 6 percent of the youths surveyed had any technical or vocational skills. Only 2.5 percent reported on-the-job-training, and most of the new low-skilled labor is absorbed by the informal sector (IFC 2007).

Formal firms often prefer short-term contractual arrangements with workers. Short-term hiring is a common trend in Pakistani labor markets, with an average temporary contract of around five months. Of manufacturing employees, 30 percent have short-term employment arrangements, or more than double India’s rate (13 percent) and about Sri Lanka’s (28 percent; Nikitin 2011).

High levels of child labor and uneasy transition of youths from school to work

Child labor remains widespread in Pakistan, despite some success in reducing it in certain industries. In 1998, 16.3 percent of children ages 10–14 were

working (ILO 1998). In this age group, 73 percent (2.4 million) of child laborers were boys while just 27 percent (0.8 million) were girls. Children in rural areas were eight times more likely to be economically active than those in urban areas. About 71 percent of working children were involved in unskilled occupations in agriculture and manufacturing, and about 70 percent of working children were unpaid family helpers (75 percent in rural areas and less than 33 percent in urban areas). More recent work confirms the high prevalence of child labor, estimated at 13.7 percent for ages 5–14 in 2004 (ILO 2006). U.S. Department of Labor (2002) statistics further show that 13 percent of the children worked 56 or more hours a week, and about 7 percent suffered from frequent illnesses or injuries.

Despite government commitment to outlaw child labor, implementation lags far behind. In its national strategy to combat child labor, the government has committed to outlaw child labor by focusing on eliminating the worst forms of child labor prevalent in certain industries and by expanding education opportunities at the primary and secondary levels, to keep children out of the workforce. Yet a large informal economy enables employers to easily employ children for minimal pay and without record of their employment or need to adhere to government regulations. From a demand perspective, children remain a cheap supply of labor, working for paltry amounts with few benefits. From a supply perspective, poverty remains the primary reason why poor households have children work instead of attending school. Deficiencies in enforcing regulations and high informal employment thus limit the effectiveness of policies to reduce child labor.⁴

Credit constraints and an uncertain future economic environment serve as disincentives for poor households to invest in their children's schooling, which can make child labor a more attractive option. In 2008–10, households experienced several severe external shocks, such as spikes in food prices in 2008 and floods in 2010 (World Bank 2010). The Pakistan Social and Living Standards Measurement Survey data from this

period show that poor households responded by cutting spending and, where possible, expanding adult and child labor participation (Nikitin 2011). Poor households that reported shocks in 2009/10 saw higher student dropout rates—either to enter labor markets or to reduce household expenditures. The drop in spending on education was far higher for girls than boys. Thus, even when returns to education are high, poor households may not invest enough in schooling their children (World Bank 2011c).

A girl is much less likely to enroll in school if her mother had not attended school or if her father works in agriculture (Lloyd, Mete, and Sattar 2005). For both sexes, the levels of community development and opportunities have a positive impact on primary-school enrollment: in communities that have many schools, parents are more likely to invest in education. This makes investment in schools in remote areas with few public or private schools even more critical.

Pakistan's youth employment challenge would already be addressed to a large extent if the country made progress in tackling the female employment and informal sector employment. Women between ages 15 and 24 also explain a large share of those who are not in education employment or training (ILO 2012). The share of women not in education employment or training in Pakistan was 66.4 percent in 2005, the second highest among developing countries, compared with 10.9 percent of men, better than other countries. The quality of employment also matters. For informal sector employment, large numbers of youths entering the workforce lack the entrepreneurial and technical skills that formal firms need.

The main reasons for not working for youths also differ significantly between men and women. For men, even if one focuses only those between ages 20 to 24, 70 percent do not work because they are students and not willing to work. But for women, only 10 percent do not work for these reasons. Instead, more than 88 percent of women indicated housekeeping as the main reason for not working.

Policy Recommendations

The policy recommendations for improving the labor market outcomes of the most vulnerable groups are summarized under three subheadings. Many of them are complementary and will require an integrated approach that specifically targets the employment and social protection needs of poor and vulnerable workers, a large portion of them women and children.

Improve conditions for women's employment

Public provision of, or subsidies for, child care can reduce the costs that poor women incur at home when they enter the labor market, particularly in urban areas. Urban and rural women report household responsibilities as one of the primary reasons for being unable to seek employment. Although extended families play an important role in providing child care for working women, the absence of high-quality public or private day care facilities in major cities is a large barrier for women's access to labor markets. Publicly provided or subsidized day care can be found in many Latin American countries, including Argentina, Brazil, and Colombia. Colombia's Hogares Comunitarios program provides subsidies to designated homes turned into community child care centers, and its provision of affordable child care in low-income neighborhoods has greatly increased mothers' participation in the labor market as well as their hours worked (World Bank 2012b).

Legal reform to reduce gender discrimination in the workplace is necessary to increase female employment rates—but not sufficient. Affirmative action programs to increase the entry of women into wage employment and their advancement on the job once they are employed is one way to increase the hiring of women. Women's presence in public sector jobs remains low, and the public sector can take the lead in affirmative action—with incentives such as tax breaks for private firms that follow this example.

Skills development and microfinance focusing on urban female workers and urban youths to increase their assets might be scaled up after due documentation of their impacts on employment outcomes. The Benazir Income Support Programme (BISP),

Pakistan's flagship social safety net program, has taken the lead by targeting cash transfers toward poor women. The program is piloting poverty graduation programs, including skills building and access to microfinance programs for beneficiary households. Evidence from other countries suggests that skills programs that include an employment-matching component can help graduates find jobs. In Latin America, for example, a number of youth employment programs, such as Peru Proven (Peru) and Jóvenes en Acción (Colombia), contract with decentralized training entities to offer vocational courses in which beneficiaries can enroll. The courses, offering classroom and on-the-job training, match local firms' needs with the content of the training curricula. These two programs are successful because they are well targeted, demand driven, and linked to private labor demand. Not all skills programs work as intended, however, and such interventions should first be piloted and then evaluated in Pakistan.

Investments in infrastructure help connect women and vulnerable youths to markets and reduce the time spent doing household chores. Evidence from the developing world suggests that improvements in basic infrastructure services—especially water and electricity—can help free women's and children's time and increase female labor force participation (World Bank 2012b). Access to water closer to households frees up women's time, especially in rural areas where women often spend much time collecting water. A study from Pakistan showed that water sources closer to home were associated with increased time allocated to labor market work (Ilahi and Grimard 2000). Similarly in Bangladesh, upgrading and expansion of rural roads led to increased labor supply for men and women, while raising household incomes (Khandker, Bakht, and Koolwal 2006). Finally, transport facilities targeted at working women, such as buses to take them directly to and from their workplaces, can foster a safe and convenient environment to encourage women to find employment.

Implement measures to support informal workers

Pilot skills programs that target informal workers need to be evaluated. Public skills training

programs in Pakistan, as across South Asia, generally favor formal workers. Such programs have had limited success, in part because they reach very few workers and cannot match the skills demanded by job markets. Successful skills training programs are integrated programs that include both on-the-job and classroom components (World Bank 2013). As many poor and informal workers have little education, courses will need to be tailored to their needs.

In addition, skills or vocational training providers need incentives to ensure that the training they offer is relevant for employers. Publicly subsidized training agencies are often out of touch with the changing demands and preferences of both firms and job seekers. An alternative approach is for public training funds to be directed to private and nonprofit providers on a competitive basis. Performance-based tendering can create incentives for more relevant training courses, while contracting can be designed so that the toughest-to-reach groups do not lose out (World Bank 2013).

Active labor market programs, such as public works programs, can help provide employment for poor informal workers, such as laborers, particularly in the offseason. The cost effectiveness of existing large-scale public works programs in South Asia is debatable, but such programs that are well designed and implemented can mitigate the negative impacts of economic downturns and fill the gap when employers or workers themselves underinvest in training. Public works programs can also promote skills building, if vocational training is built into their design. Such programs can also facilitate community participation, particularly in postcrisis areas with high unemployment but requiring labor for reconstruction and infrastructure. Geographically targeted districts in the Federally Administered Tribal Areas, Khyber Pakhtunkhwa, and Balochistan may be suitable for well-designed small public works programs to help with reconstruction.

Pakistan needs laws to recognize the rights and assets of informal workers. Laws governing property rights and the titling of assets of the poor are a cause of informality in many developing

countries. In some cases, the poor hold assets, but these assets represent “dead capital” because they are held in forms not recognized by most legal systems and cannot be used to generate productive capital that the poor could then use for formal economic activities (de Soto 2003). Legal reforms to grant property rights to informal property owners and business vendors must be backed up by other services, such as access to microfinance and streamlined and accessible government services for registering property and obtaining national identity cards.

A targeted social insurance scheme should be considered for informal workers. Most workers in Pakistan, particularly in the informal sector, do not participate in a social insurance program. Pensions are largely restricted to a small number of government employees and full-time employees in the formal private sector. Given the fiscal constraints, piloting a program targeting poor and vulnerable workers who receive no social insurance would be an important step toward an integrated social protection system. And with high costs of health care and medicine, along with the detrimental impacts of health shocks on poor households’ incomes, health coverage should be an important part of any comprehensive social insurance program. The poverty database developed in 2011 by the National Database and Registration Authority and BISP provides a readily available information source for the design of a well-targeted program, which could be an extension of the current programs being piloted by BISP. Finally, although publicly financed noncontributory programs are the most common social insurance programs in developing countries, subsidized social insurance programs (including government matching programs that double workers’ contributions) can help ensure the financial viability of the noncontributory ones (Box 2).

Address high levels of child labor and facilitate youths’ transition from school to work

An important first step toward reducing child labor is eliminating the worst forms of employment hazardous to children. The International Labour Organization defines the “worst forms of child labor” as any work that jeopardizes the health, safety, or morals of a child. Such work is determined to be

Box 2 The Self-Employed Women's Association's Integrated Insurance Scheme, India

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The Self-Employed Women's Association (SEWA) runs the largest comprehensive contributory social protection scheme for informal workers in India. One-third of the premium is financed through interest paid on a grant provided by the Deutsche Gesellschaft für Technische Zusammenarbeit, one-third through direct contributions by women workers, and one-third through a subsidized package provided by the Life Insurance Corporation of India and the United India Insurance Company. SEWA members can choose whether to participate in the scheme, which covers insurance for health (including a maternity benefits component), life (death and disability), and assets (loss or damage to housing unit or work equipment). SEWA has also designed the payment of premiums to suit different income groups among the very poor.

Source: Lund and Srinivas 2000.

Box 3 Sialkot soccer ball industry: a model for public-private partnerships to reduce child labor

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The city of Sialkot in Punjab has traditionally been one of the world's major suppliers of hand-stitched soccer balls, and for many years child labor was endemic. Under an agreement between the International Labour Organization and the soccer ball manufacturers in 1997, children younger than 14 years were withdrawn from workplaces and, with their younger siblings, directed toward educational alternatives. Working with local communities, partners with the International Programme on the Elimination of Child Labour set up nonformal primary schools and vocational training centers for older children while mainstreaming others into formal school systems where possible. They also provided the children with health and social protection services and supported their families through income-generating activities.

Source: IPEC 2009.

hazardous depending on its specific nature, the demands on children in particular industries, and the general working conditions (ILO 2007).

Industries such as bricklaying, recycling, and carpet weaving are the most dangerous for children. Enforcing strict regulation of these industries, including fines, is one way to ensure underage children are not hired. Partnerships with private employers to help provide safety nets and education facilities for laid-off children is critical to ensure that households can gain alternative incomes without sending their children to work (Box 3). Public policies that promote part-time and informal methods of teaching, such as evening classes, can help older teenagers from poor households engaged in part-time work complete their secondary education.

Conditional cash transfers (CCTs) might in the long run be the most effective way to reduce child labor, by creating incentives and safety nets that allow former and would-be child workers to go to school. Impact evaluations of programs that offer CCTs to combat child labor, such as those in Brazil, Colombia, Ecuador, and Mexico, have led to substantial decreases in child labor. In Cambodia—an example of a large reduction—the

average child receiving the transfer was 10 percentage points less likely to work for pay (Filmer and Schady 2006).

CCT programs must be supported by rigorous monitoring and evaluation to ensure that children stay in school and do not return to work. A pilot CCT program implemented by Pakistan Bait-ul-Maal over 2008–2010 and evaluated by the World Bank demonstrated promising results, leading to a 12 percentage point increase in primary school enrollment for girls and a 9 percentage point increase for boys (Scott and others 2012). BISP, having learned from the pilot, is now rolling out a national CCT program (at the primary school level) as a top-off to the main unconditional cash transfer. Once the CCT program has been successfully implemented at primary schools nationally, current secondary-school provincial interventions can be supplemented by additional incentives to poor children (as defined by the BISP database) for attending school.

Pakistan's youth employment challenge is much broader than the unemployment challenge of higher educated youths. Indeed, even though higher educated youths are most visible to policy

makers and tend to voice their concerns more than other youths, high unemployment rates of educated youths are due partly to (high) reservation wages that they maintain before accepting jobs. Rates of returns to education remain respectable in Pakistan and thus the educated youth tend to benefit from schooling in the long run.

The policy interventions that will improve youth employment trends in Pakistan will be those that focus on women and on less educated youths who often have to work in the informal sector, simply because these groups overwhelmingly make up those who are either outside the labor force or occupied in low-productivity and low-pay jobs. As a result, in addition to education policies covered in accompanying policy notes, the recommended policies to increase women's employment and to support informal sector workers emerge as key priorities to address Pakistan's youth employment challenge.

Notes

1. Sectors other than agriculture make up 58 percent of total employment.
2. *Pardah*—often translated as female seclusion—is a contested term in Pakistan, as it can imply a variety of forms of veiling practiced in Pakistan—ranging from wearing a *dupatta*, *chadar*, or *burqa* to segregating women.
3. Firms that keep accounts, pay taxes, and use courts.
4. The National Assembly passed several important laws in the 1990s banning or restricting child labor. The Employment of Children Act of 1991 prohibited employment of children younger than 14 years in factories and mines or in any hazardous environment (ILO 2009). The Bonded Labor Act of 1992 in theory abolished indentured servitude and the traditional *peshgi* system. *Peshgi* is a form of cash advances to employees, which in its worst form is bonded labor, as it allows employers to retain workers if they cannot repay a cash advance. Despite being outlawed, it is still common in the informal sector. *Peshgi* is practiced routinely in the brick-kiln, bangle-making, and leather industries, in which labor violations and

child labor are widespread and which attracts some of the country's poorest communities (Collective for Social Sciences Research 2004).

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