



Employment Generation Challenges and Strategies for Pakistan: A Diagnostic Analysis

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ABSTRACT

The employment challenges are getting more complex and worse because youth under the age of 30 constitute 64 percent of the total population. The gradual increase in labor force participation is adding more pressure to the labor market to generate employment opportunities. Hence, the growth in employment generation is essential to match the unprecedented number of young people entering working age in Pakistan. Moreover, the structural transition process involving labor movement from low-to-high productive activities has been much slower in Pakistan than in other Asian countries like China. This study identifies all major concerns regarding employment challenges in Pakistan and identifies various strategies and policies while adopting a diagnostic approach to employment policy. The reason for adopting the diagnostic approach/framework is to develop an understanding of the factors which are responsible for the slow growth of employment in formal sectors and significant constraints for generating more employment. It attempts to assess various elements that may find a place in developing strategies and policies. While designing effective policies for employment, policymakers must consider all aspects like population, demographics, types of unemployment, economic condition, social structure, and development stage of a country. Meanwhile, the role of entrepreneurial activities and the private sector, technological changes, development of labor-intensive industries and SMEs, improving skills and knowledge, youth employment programs, active labor market policies (ALMPs), and macroeconomic policies are core elements that should be considered to design effectual policies for employment generation.

Keywords

active labor market policies; diagnostic approach; employment generation; Pakistan

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INTRODUCTION

Impressive growth has been recorded; on average, the economy has grown at an annual rate of 5 percent during the last few years whereas; in terms of per-capita, the growth rate was 2.5 percent annually. Sectoral growth trends also highlight that industry has been the most dynamic sector. However; the problem of employment particularly, informal segments of the economy, despite growth performance has become a major concern for policymakers (Husain, 2018). Employment generation is a combination of multiple factors which require a comprehensive approach and effective strategies. A high level of employment is the essential element of reducing inequality and poverty alleviation in both developed and developing countries. It raises incomes, boosts aggregate demands and production, and encounters deflationary pressures in the economy. Moreover; sufficient but good-quality employment is needed to achieve the 2030 Agenda of Sustainable Development (United Nations Conference on Trade and Development, 2018).

Developing countries particularly Pakistan needs to create not only sufficient employment but also improve the quality of jobs. Because; the major feature of the labour market structure is a large number of informal and low productive jobs. However; employment and labour market policies are often under-developed in many developing and emerging economies; therefore; working people are exposed to the unpredictability of competitive and risky environments (Scarpetta & Pierre, 2015). Even the creation of productive and quality jobs also requires the capacity to integrate into the growth process. Thus, training, skills and education can be critical factors and an essential part of employment strategy (Islam & Majeres, 2001).

The capacity to generate employment opportunities depends upon available resources, the level of technology and institutional strategies and policies of the country. Moreover; human resources, skills and technical competency also determine the level of employment that contributes to sustained growth. Furthermore; generating employment is a serious challenge but creating productive employment is also a severe issue in developing countries like Pakistan. The rising population with increasing working age is estimated to increase from 4 million to 5 million by 2035. Therefore; there is a need to generate about 1.3 million more jobs annually. Moreover; additional employment opportunities are needed to generate incoming years to accommodate the working-age population (Government of Pakistan, 2021).

It has been argued that a strategy of adopting labor-intensive technologies in the production process is necessary for employment-intensive growth. The labor-intensive technology is an important source of increasing employment outcome of growth;

however; employment intensity of economic growth can be enhanced through promoting sectoral growth that, by nature, is more labor-intensive. Increasing the growth of these sectors would also contribute to the growth of employment even if industries do not adopt labor-intensive technologies (Auer & Islam, 2006). Moreover; there are many sectors where a labor-based approach and choice of technology can be effective without compromising on quality and efficiency, particularly in countries where labours are surplus with low wages (Islam & Majeres, 2001).

The agriculture sector used to be an important source of employment however; its share is gradually declining. The agriculture share in total employment was 41.1 percent in 2001-02 however; it reached 37.4 percent in 2017-18 (Government of Pakistan, 2019b). It indicates that the agriculture industry has a limited capacity to absorb extra labor force in the future. To produce new employment chances, it is necessary to concentrate on other areas with strong employment elasticity. As the proportion of agriculture declines over time, there is a need to seek out opportunities in alternative industries and professions (Chaudhary & Hamid, 1998; Zulfiqar & Chaudhary, 2008). Moreover; those sectors which require high skills have a higher proportion of formal employment as compared to informal employment which demands semi-skilled or unskilled labor (Srinivasan, 2013). In order to generate employment opportunities for large growing working people, policies are required on both economics and labor markets fronts.

On the economic front, sectoral and macroeconomic policies are required, such as those pertaining to small and medium-sized businesses, which have a great potential to produce employment possibilities. On the labor market side, there are other aspects to examine, such as the influence of labor market institutions that impede employment creation. In addition, active labor market policies could have a favorable effect on the labor market and employment outcomes by facilitating training and job placement. Additionally, structural measures that support innovation and corporate development can stimulate job creation. For enterprises to generate new employment possibilities, they require access to skilled workers, a business network, startup capital, and physical space. Government policies can reinforce and contribute to the realization of economic potential and corporate expansion, so stimulating employment further (Organisation for Economic Co-operation and Development, 2014).

In addition, employment generation can include a variety of policies ranging from direct short- or long-term employment to opportunities provided by state and non-state actors, such as establishing small and medium-sized industrial units, enhancing the quality of labor through training, and promoting investment in sectors with high employment elasticity (Ellis et al., 2010; Hallward-Driemeier, 2013; Holmes et al., 2013). The employment outlook for Pakistan is very challenging because the traditional

sectors can no longer absorb substantial additional labors. However; the large and growing informal sectors could be an important source of employment generation (Chaudhry & Habib, 1995). Because generating jobs at a large scale is difficult to implement where complementary interventions are required such as institutional development, provision of services and infrastructure development. Therefore, employment generation is approached on the project basis considering small-scale employment for vulnerable groups.

Pakistan has been facing jobless growth whereas; the increasing working-age population and slow employment growth informal sectors are the main concerns with regard to the employment situation. The main aim of this study is to provide employment generation strategies considering several aspects that will help address the serious issue of unemployment in Pakistan. The specific objectives are to highlight employment trends and challenges of employment generation in Pakistan, to identify the best possible strategies for generating more employment opportunities in Pakistan, and to provide policy implications for concerned authorities, academicians and policymakers to address the serious issue of unemployment considering the findings of the study.

LITERATURE REVIEW

Unemployment and job creation could be explained by demand and supply (Shipps & Howard, 2013; Baah-Boateng, 2015). Hence, unemployment is the condition where labor supply exceeds its demand which means the wages are high. It is difficult to push down the wages due to which unemployment persists in the long run. It is also possible that vacancy rate and unemployment both exist due to the non-availability of skilled labor which is also the case in developing countries (King, 2009). Two main macroeconomic problems such as inflation and unemployment have a most distressing impact on the economy which may cause crime, poverty, social disunity and political instability. The evidence proves that education, skill, training and access to health services have a positive impact on employment and development (Kooros, 2008).

According to classical theory, unemployment is dependent on real wages and occurs when real wages are fixed beyond the level of equilibrium due to rigidities caused by minimum wage legislation and union bargaining of effective pay. Keynesian theory, on the other hand, emphasizes wage rigidity, which is a primary cause of involuntary unemployment. It demonstrates that a free-market capitalism economy would never achieve full employment owing to wage rigidity (Mouhammed, 2012). Different employment creation theories have a significant role in determining factors to reduce

unemployment ([Carlsson et al., 2006](#)). According to the Keynesian view of the labor market, sticky wages are those that are set above the market-clearing level. It results in an excess supply of labor on the market and labor demand-driven fluctuations in employment over the medium term. An increase in the labor supply will increase employment only if wages decline and the demand for work rises. In addition, the demand-oriented perspective has been challenged over the past two decades by search-matching theory, which examines unemployment in terms of labor market fictions. In this scenario, the typical search-matching approach does not explicitly account for demand. However, supply produces its own demand; if the supply of labor increases, employers will hire more new employees. Therefore, it is easier to find and form more matches. Alternatively, the Keynesian perspective has also affected the efficiency wage and bargaining theories of unemployment ([Parker, 2012](#)).

Employment opportunities are created by the private as well as government sectors within enabling environment ([Assaad et al., 2020](#)). Moreover; government policies should be focused on three mainstream strategies: provision of fundamentals such as macroeconomic stability, development of human capital and the rule of law; formulation and implementation of appropriate labor laws; and setting national priorities of economic development. Moreover, private sectors internationally play a significant role in employment generation by creating more jobs ([Maluleke et al., 2021](#)).

Inconsistent labor laws and national employment policies have failed to generate jobs. Moreover; other factors such as urbanization, population, globalization, technological advancement, macroeconomic instability and demographics are major employment challenges for developing countries ([World Bank, 2012](#)). It was understood that rapid growth in the economy was the only solution to create jobs that would automatically lead to an increased standard of living, quality of life and social cohesion. However, it has been proved that the change in the economy, standard of living and social cohesion changes at different rates. Therefore, it cannot be said that economic growth would necessarily lead to reduce poverty level. Hence, strategies and policies are needed for economic development in order to ensure inclusive growth and reduce poverty ([World Bank, 2012](#)). Most renowned [Okun's Law \(1962\)](#) explains the relationship between economic growth and employment growth, proving that increasing GDP by 1 percent will decrease unemployment by 0.3 percent. Recent studies have proved that if labor regulations are not elastic, then the economy will experience jobless growth. Moreover; the growth elasticity of employment theory also explains the parentage change in employment due to percentage change in GDP ([Fuhrmann, 2012](#); [World Bank, 2012](#)).

Generation of employment opportunities leads to development which improves incomes, the standard of living, productivity and social solidity. Moreover; education and skill have also a direct impact on employment opportunities and income. Knowledge and skills help entrepreneurship development because; the mismatch between jobs and required skills is a global issue. Youth unemployment has also increased due to poor quality, low earnings and temporary in nature ([World Bank, 2012](#)). The developing countries are affected by structural unemployment in many sectors due to the excess supply of labor. The problem is that structural unemployment is more permanent in nature which persists long-run, hence it requires long-term employment strategies to resolve and reduce the unemployment gap ([Calvin & Coetzee, 2009](#)). After adjustment to a high level of unemployment, strategies are also required to turn the employment situation. Moreover; the impact of global integration and technological changes also have a huge negative impact on unskilled or semi-skilled labors, which are the main characteristics of the labor force in developing countries. Hence, the government's role cannot be ignored to adjust these changes and stabilize the economy from this major macro-economic issue of unemployment by monitoring the demand and supply of labor force. The government must monitor the labor supply and demand and respond swiftly to shocks before high unemployment rates are established. A high unemployment rate necessitates a welfare state, but such a state is unsustainable over time ([Beißinger & Möller, 2000](#)).

Macroeconomic policy refers to government and other policymakers' activities to improve economic performance and well-being. It starts with setting policy goals such as long-term economic growth and development, stable pricing, and full employment. Macroeconomic and sectoral strategies that promote inclusive and sustainable economic growth while focusing on creating decent and productive jobs are an essential component of the ILO Centenary Declaration for the Future of Work and one of the key topics within the 2030 Sustainable Development Agenda ([Pinto Moreira, 2019](#)). Goal 8 of the United Nations Sustainable Development Agenda states, "Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for everyone." The current COVID-19 crisis, as well as the incomplete and delayed labor market recoveries of previous crises, has piqued policymakers' and social partners' interest in how to integrate employment and decent work into recovery and development goals, particularly through macroeconomic and sectoral policies. One strategy to create jobs is to increase the number of labor-intensive industries in the economy. Another option is to increase the labor intensity in certain industries. Ranking

sectors according to their employment creation potential helps with setting priorities for achieving an employment target (Becker et al., 2021).

Major concerns of job number, quality, and accessibility should be addressed in policy reform (Khorakian et al., 2021). Through employment creation, job quality, and job access, the ILO recommends four pillars for promoting and attaining decent work. The first pillar focuses on boosting the economy and employment, and includes detailed recommendations for how to use all of the macroeconomic instruments available to us. Fiscal and monetary policies must work together to help workers and businesses, particularly in the hardest-hit sectors, as well as the creation of quality employment as a precondition for a "jobs-led" recovery that benefits everybody. Studies have also found that active labor market policies are frequently targeted at boosting training and retraining alternatives, as well as facilitating employment. Not all ALMPs, however, have been demonstrated to be efficacious. Youth entrepreneurship programmes that combine training with cash and market access tend to be successful. Similarly, it has been shown that when the private sector participates in skill development through on-the-job training, apprenticeships, or skills councils, it is helpful. However, the evidence indicates that the outcomes are mixed. Traditional ALMPs that focus on employability and the supply side of the labour market are often ineffectual in hastening employment recovery after a crisis (Hyggen & Vedeler, 2021; Svabova & Kramarova, 2021). Furthermore; these policies are more useful as a means of enhancing productive capacities and addressing structural impediments to labour market efficiency and greater participation of targeted populations, such as spatial mismatches or skills shortages, rather than as a means of encouraging economic diversification into new businesses. As a result, they can be a beneficial complement to economic diversification and territorial development initiatives (Goller et al., 2021).

The role of the private sector and small and medium-sized enterprises (SMEs) in urban and economic development contributes significantly to the national gross domestic product and serves as the principal employer and job creator (Brixiová et al., 2020). In developing countries, the private sector employs more than 90 percent of the labor force (formal and informal), provides essential goods and services, and contributes to tax income and capital flow efficiency. Maximizing the benefits of rapid urbanization while reducing the risks is gaining momentum. Private sector actors are viewed as having a role in urban governance, determining whether cities expand in an inclusive and sustainable manner, as well as poverty reduction and conflict causes such as unemployment, exclusion, and instability. Unemployment is considered one of the serious issues in Pakistan; although several pieces of research have been explored to find out the reasons and negative outcomes of unemployment in Pakistan however; there

is no such studies have been conducted which fill the gap of literature related to employment while providing the different strategies to increase employment opportunities in Pakistan.

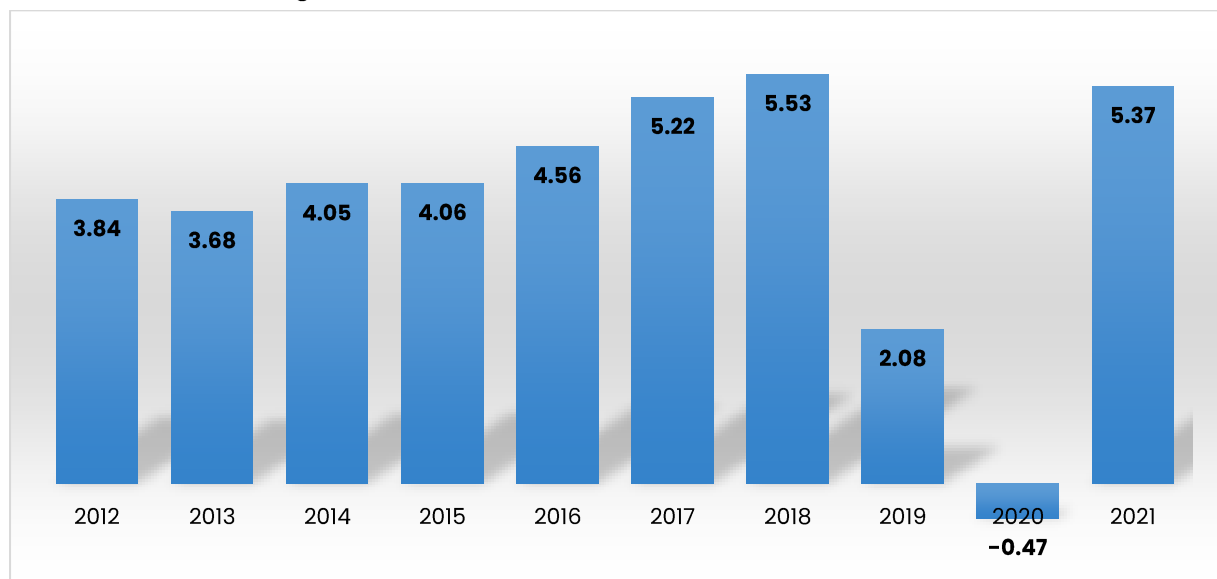
Economic Growth and Employment Trend

GDP and Sectoral Growth

For sustained economic growth, macroeconomic stability is a fundamental requirement. The economy of Pakistan has experienced frequent boom and bust cycles in the last few years. The structural issue is the main cause behind the failure to achieve sustained and rapid growth, which requires effective policies to achieve growth targets. The pandemic has led to a severe reduction in economic activities during the first quarter of the fiscal year 2020. As a consequence, GDP growth declined by -0.47 in 2020. It has been estimated that GDP growth was 5.37 which is higher than the targeted 2.1 percent and initial 3.94 percent in 2021 (Trading Economics, 2021; Shahzad, 2022).

Figure 1

Pakistan GDP annual growth rate, 2012–2021



Source: Trading Economics (2021); Shahzad (2022).

Figure 1 highlights the annual growth trend from 2010 to 2021 which shows variation in growth rate. Although after 2009, the growth rate is gradually increasing however; it has slightly declined in recent years. Even it was recorded as negative in 2020. Reducing unemployment and achieving sustained growth are two main priorities of developing countries. Increasing the workforce produce goods and services however; to influence sustained growth, it is necessary to hire labor from private and public entities (Soylu et al., 2018). Since the unemployment declined with high economic growth (Okun, 1962), a

declining growth rate may harm employment level which is called jobless growth. Pakistan is also experiencing jobless growth due to double dualism. The resources have been transferred from agriculture to organized sectors or labor-intensive to a capital-intensive sectors which have the low absorbing capacity of a large number of labor force (Zaidi, 2018).

Table 1

Sectoral growth rate 2010–11 to 2020–21

| Sector | 2010–11 | 2011–12 | 2012–13 | 2013–14 | 2014–15 | 2015–16 | 2016–17 | 2017–18 | 2020–21 |
|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| a. agriculture | 1.96 | 3.62 | 2.68 | 2.50 | 2.13 | 0.15 | 2.07 | 3.81 | 2.77 |
| b. industrial sector | 4.51 | 2.55 | 0.75 | 4.53 | 5.18 | 5.69 | 5.43 | 5.80 | 3.47 |
| c. services sector | 3.94 | 4.40 | 5.13 | 4.46 | 4.36 | 5.72 | 6.46 | 6.43 | 4.47 |

Source: [Government of Pakistan \(2021\)](#)

Overall economic growth consists of sectoral growth. [Table 1](#) shows the sectoral growth rate of three major sectors from 2010–11 to 2020–21. The contribution of each sector to GDP has been changing over time. Initially, the agriculture sector was the major sector which contributed a huge share of GDP and employment however; with the passage of time, the share of agriculture declined. The recent facts show that the growth rate of all sectors has declined due to pandemic conditions which adversely affected the activities of all sectors resulting in increasing unemployment in the country ([Government of Pakistan, 2021](#)).

Employment Trends

The employment trend provides an assessment towards a strategy to a policy initiative. The selected indicators have been taken from the Labour Force Survey (LFS) and Employment Trend (2018) that delineated the configuration of labour market condition and employment situation in Pakistan in order to diagnose the ranges of desirable policy options.

Table 2

Rural and Urban Population Trends (1951–2021)

| Year | Population (Millions) | | | Population (%) | |
|------|-----------------------|-------|-------|----------------|-------|
| | Total | Urban | Rural | Urban | Rural |
| 1951 | 33.8 | 6 | 27.7 | 17.7 | 82.1 |
| 1961 | 42.9 | 9.6 | 33.3 | 22.4 | 77.5 |
| 1981 | 84.2 | 23.8 | 60.4 | 28.2 | 71.7 |
| 1991 | 112.6 | 34.6 | 77.9 | 30.7 | 69.2 |
| 1995 | 124.4 | 29.5 | 94.9 | 23.7 | 76.2 |
| 2001 | 142.8 | 47.5 | 95.3 | 33.2 | 66.7 |
| 2005 | 156 | 53.9 | 102.1 | 34.5 | 65.4 |

| Year | Population (Millions) | | | Population (%) | |
|------|-----------------------|-------|--------|----------------|-------|
| 2011 | 177.1 | 66.3 | 110.7 | 37.4 | 62.5 |
| 2015 | 191.7 | 75.1 | 116.5 | 39.2 | 60.7 |
| 2018 | 212.82 | 77.42 | 135.39 | 36.4 | 63.6 |
| 2020 | 215.25 | 94.15 | 121.10 | 43.73 | 56.26 |

Source: [Government of Pakistan \(2019a\)](#), [Statistics Times \(2022\)](#), United Nations ([United Nations, 2021](#))

Notes: Provisional results of Census Year 2017

[Table 2](#) explains the population trends in rural and urban regions. The urban population is showing an increasing trend with 43.73 percent of population in urban areas and 56.26 in rural areas ([Government of Pakistan, 2021](#)). This indicates that movements from rural to urban clusters are mostly driven by economic and employment reasons. Moreover, it is also significant to bridge the gap between rural and urban populations, which potentially creates new opportunities for rural households ([Wiggins et al., 2018](#)).

Table 3

Unemployment and Labor Force Participation Rate

| Years (modeled ILO estimates) | Labor force participation rate, total (% of total population ages 15+) | Unemployment, total (% of total labor force) |
|-------------------------------|--|--|
| 2001 | 50.80799866 | 0.720000029 |
| 2002 | 50.7179985 | 0.751999974 |
| 2003 | 51.16699982 | 0.745999992 |
| 2004 | 51.63999939 | 0.714999974 |
| 2005 | 51.22600174 | 0.666000009 |
| 2006 | 50.78699875 | 0.582000017 |
| 2007 | 50.76699829 | 0.398000002 |
| 2008 | 50.74399948 | 0.423000008 |
| 2009 | 51.1969986 | 0.535000026 |
| 2010 | 51.56399918 | 0.652999997 |
| 2011 | 51.57099915 | 0.796000004 |
| 2012 | 51.92499924 | 1.674999952 |
| 2013 | 52.28300095 | 2.953999996 |
| 2014 | 52.16699982 | 1.827000022 |
| 2015 | 53.1629982 | 3.565999985 |
| 2016 | 53.16400146 | 3.440000057 |
| 2017 | 53.17499924 | 3.180999994 |
| 2018 | 53.31299973 | 3.038000107 |
| 2019 | 51.59999847 | 3.542000055 |
| 2020 | n.a. | 4.302999973 |
| 2021 | 52.72999954 | 4.352000237 |

Source: World Bank ([World Bank, 2022d](#))

Pakistan is ranked 9th in terms of labor force in the world. The data of labor participation (% of total population) shows an increasing trend to 53.3 percent in 2018, however; due pandemic, economic downturn and lockdown labor force participation declined at 50.25 percent in 2020. Furthermore; unemployment rate was 3.04 in 2018 which shows a slightly decline as compared to 3.18 percent in previous year. Rising labor participation is a signal that indicates that growing pools of labors are seeking employment and there is need of job creation. On the other hand, the unemployment rate was recorded at 4.7 percent in 2020, which shows an increase in the unemployment level in the country. It can be more improved while creating more opportunities through resolving employment challenges.

Table 4

Unemployment Trends during 1990–2020

| Pakistan | Unemployment, total (% of total labor force) | Unemployment, male (% of male labor force) | Unemployment, fe- male (% of female la- bor force) | Youth Unemploy- ment (% of total la- bor force ages 15- 24) |
|----------|--|--|--|--|
| 1990 | | | | |
| 1995 | 0.704 | 0.757 | 0.327 | 1.123 |
| 2000 | 0.741 | 0.813 | 0.339 | 1.172 |
| 2005 | 0.666 | 0.727 | 0.38 | 1.029 |
| 2010 | 0.653 | 0.656 | 0.639 | 1.311 |
| 2015 | 3.566 | 2.829 | 6.179 | 6.8 |
| 2020 | 4.45 | 4.21 | 5.309 | 8.53 |

Source: World Bank ([2022d](#), [2022c](#), [2022b](#), [2022e](#))

Table 4 highlights unemployment situation in detail. According to World Bank statistics, the unemployment rate has also declined for males and females both however; the gap between male and female unemployment has not shirked during the period. Although; the unemployment rate of youth has shown same pattern with slightly declining in rate however; it should be noted that the unemployment rate is high for youth. Moreover; the female youth unemployment rate is more than males which shows that joblessness in females is standing much higher than in males. They are facing more constraints and challenges to find jobs according to their skills. Concrete policies are needed to work in this dimension not only to reduce the unemployment gap between males and females by providing them equal opportunities.

Table 5*Employment to Population Ratio*

| Years | Both sexes | Male | Female |
|---------|------------|------|--------|
| 2001-02 | 46.5 | 77.6 | 13.6 |
| 2003-04 | 47 | 77.6 | 15.6 |
| 2005-06 | 49.7 | 79.6 | 19 |
| 2006-07 | 49.8 | 79.6 | 19.4 |
| 2007-08 | 49.9 | 79.1 | 19.9 |
| 2008-09 | 50.3 | 78.5 | 21 |
| 2009-10 | 50.7 | 78.3 | 21.9 |
| 2010-11 | 50.4 | 78 | 22.2 |
| 2012-13 | 49.9 | 77 | 22.1 |
| 2013-14 | 50.1 | 77.3 | 22.8 |
| 2014-15 | 50.2 | 77.5 | 22.7 |
| 2017-18 | 48.9 | 77.2 | 20.9 |
| 2019-20 | 47.9 | 69.0 | 21.0 |

Source: [Government of Pakistan \(2020\)](#)

The employment-to-population ratio indicates the ratio of the civilian labor force who are currently employed. It is a significant indicator which does not affect by seasonal variation in the labor market. Therefore; it is considered to be more reliable, and provides information about the magnitude of employment relative to population and the ability of an economy to create jobs ([Donovan, 2015](#)). It also indicates the job shrinkage or expansion while taking into account both labor force participation and unemployment. In 2001-01, employment to population ratio was 46.5 however; it increased has slightly declined to 50.4 in 2010-11 however; the ratio further declined to 47.9 in 2019-20.

Table 6*Share of Sectors in total employment*

| | Industry | | | Agriculture | | | Services | | |
|---------|------------|------|--------|-------------|------|--------|------------|------|--------|
| | Both sexes | Male | Female | Both sexes | Male | Female | Both sexes | Male | Female |
| 2001-02 | 21 | 22 | 14.8 | 41.1 | 37.2 | 64.5 | 38 | 40.8 | 20.7 |
| 2003-04 | 20.6 | 21.7 | 14.9 | 41.8 | 37 | 66.6 | 37.6 | 41.3 | 18.4 |
| 2005-06 | 21.2 | 22.7 | 15.1 | 41.6 | 35.6 | 67.7 | 37.1 | 41.8 | 17.3 |
| 2006-07 | 21.4 | 23.5 | 12.6 | 42 | 35 | 71.4 | 36.6 | 41.5 | 16 |
| 2007-08 | 20.6 | 22.7 | 12.2 | 42.8 | 35.2 | 73.8 | 36.6 | 42.2 | 13.9 |
| 2008-09 | 21 | 23.1 | 12.7 | 43.3 | 35.7 | 72.7 | 35.7 | 41.2 | 14.6 |

| | Industry | | | Agriculture | | | Services | | |
|---------|------------|------|--------|-------------|------|--------|------------|------|--------|
| | Both sexes | Male | Female | Both sexes | Male | Female | Both sexes | Male | Female |
| 2009-10 | 21.4 | 24.1 | 11.6 | 43.4 | 35.2 | 73.9 | 35.2 | 40.7 | 14.5 |
| 2010-11 | 21.8 | 24.6 | 11.5 | 43.5 | 34.9 | 74.2 | 34.7 | 40.5 | 14.2 |
| 2012-13 | 22.8 | 26.2 | 11.3 | 42.2 | 33.1 | 74.9 | 35 | 40.7 | 13.8 |
| 2013-14 | 22.9 | 25.8 | 13.1 | 42.2 | 33.2 | 72.9 | 34.9 | 41 | 14 |
| 2014-15 | 23.2 | 25.7 | 14.6 | 41 | 32 | 71.8 | 35.8 | 42.3 | 13.6 |
| 2017-18 | 24 | 26 | 16.6 | 37.4 | 29.6 | 66.1 | 38.6 | 44.4 | 17.3 |
| 2018-19 | 23.0 | 23.5 | 16.7 | 39.2 | 30.8 | 69.8 | 37.8 | 43.4 | 16.5 |

Source: [Government of Pakistan \(2019b\)](#)

Table 6 presents the share of major sectors in employment which shows that the agriculture sector has the largest share however; it is gradually declining. The share of agriculture-related employment has declined from 41.1 percent in 2001-01 to 39.2 percent by 2018-19 which shows an almost 4 percent point decline. On the other hand; the manufacturing and service sectors are major contributors to providing employment to a large number of people. Moreover; the service sector is the fastest-growing sector of the economy relative to other sectors. This trend also provides the direction of policies to generate employment in service sectors ([A. Ahmed & Ahsan, 2011](#); [Rahman, 2017](#)). The share of service and industry sectors has increased with 37.4 and 23 percent in 2018-19. The important feature of the service sector is to provide employments which are diverse in nature, including unskilled, semi-skilled, and skilled. This trend shows that the labor market is experiencing structural changes in Pakistan and its compositions.

Table 7

Share of Employment in formal and informal Sectors

| | Share of EMP in the informal economy | | | Share of EMP informal Economy | | |
|---------|--------------------------------------|------|--------|-------------------------------|------|--------|
| | Both sexes | Male | Female | Both sexes | Male | Female |
| 2001-02 | 63.8 | 64.1 | 60.8 | 35.2 | 35.9 | 39.2 |
| 2003-04 | 69.4 | 69.9 | 64.5 | 30.6 | 30.1 | 35.5 |
| 2005-06 | 72.3 | 72.2 | 73.1 | 27.7 | 27.8 | 26.9 |
| 2006-07 | 71.5 | 71.6 | 69.9 | 28.5 | 28.4 | 30.1 |
| 2007-08 | 72.4 | 72.4 | 71.7 | 27.6 | 27.6 | 28.3 |
| 2008-09 | 73 | 73.1 | 71.6 | 27 | 26.9 | 28.4 |
| 2009-10 | 72.9 | 73 | 72.7 | 27.1 | 27 | 27.3 |
| 2010-11 | 73.5 | 73.9 | 70.6 | 26.5 | 26.1 | 29.4 |
| 2012-13 | 73.3 | 73.6 | 70.9 | 26.7 | 26.4 | 29.1 |

| | Share of EMP in the informal economy | | | Share of EMP informal Economy | | |
|---------|--------------------------------------|------|------|-------------------------------|------|------|
| 2013-14 | 73.3 | 73.4 | 72.5 | 26.7 | 26.6 | 27.5 |
| 2014-15 | 72.3 | 72.2 | 72.9 | 27.8 | 27.8 | 27.1 |
| 2017-18 | 71.4 | 71.5 | 70.7 | 28.6 | 28.5 | 29.3 |
| 2018-19 | 72.4 | 72.7 | 70.5 | 27.6 | 27.3 | 29.5 |

Source: [Government of Pakistan \(2019b\)](#)

The informal economy has been considered a subsidiary sector in terms of its role in the economy. The informal sector plays a significant and controversial role. With the passage of time; this sector has grown largely due to the weak capacity of formal sectors to generate adequate employment and earnings due to high numbers of labor and rural-urban migration. However; the informal workers are not regulated by labor laws or protected by the government. The Share of employment in the informal sector was 72.4 percent in 2018-19 whereas; the formal sector has not reported any considerable changes with respect to employment level with marginally declined from 28.2 to 27.6 from 2017-18 to 2018-19 ([Government of Pakistan, 2019b](#)).

After health difficulties and the crisis in Pakistan, the protection and development of new jobs was the second greatest concern during a pandemic. The pandemic had a negative impact on employment and labor productivity, which hindered the expansion of a different industry. State Bank of Pakistan made a number of measures to counteract the effects of COVID-19 in order to assist businesses in paying wages and salaries to employees in an effort to prevent layoffs. Reviving the building industry was one of the first actions the administration took to generate employment. During this period, Pakistan saw a negative growth rate of -0.47 percent in 2020, which resulted in the loss of jobs, a decline in income, and declining social indicators. According to a Special Survey for Evaluating the Socio-Economic Impact of COVID-19 on People's Well-being done by the Pakistan Bureau of Statistics (PBS), lockdown affected half of the working population. In addition, the working population was 55.75 million before COVID-19, but decreased to 35.04 million due to a downturn in economic activity and the closure of firms, indicating that individuals lost their employment or were unable to work. Along with fiscal stimulus and monetary measures in 2020, the opening of sectors employing daily workers was a smart effort that contributed to the recovery. Moreover, the construction and manufacturing industries were the most vulnerable during this epidemic, while the service industry was badly impacted by the pandemic, resulting in 63% of the workforce departing. Additionally, the industry sector suffered from a reduction in demand, disruptions in the supply chain, and a loss of company confidence ([Government of Pakistan, 2021](#)).

According to the Pakistan Institute of Development Economics (PIDE), 31 percent of youth in Pakistan are unemployed of which 51 percent are females whereas 16 percent are males, withholding professional degrees. Furthermore; it has also been revealed that a major working-age of the population is not part of labor force because they are either disheartened or have other source of earnings to support them. The graduate unemployed rate has been touched 16 percent in 2021 and the rate of unemployment of educated person is three times higher than other unemployed groups. The PIDE report also highlighted that 40 percent of educated women are unemployed country-wide. This situation can be dangerous as unemployed youth may get into drug addiction, theft, violence and many other social harms. then they can also be exploited by terrorists, drug traffickers and smugglers who can engage and use them for illegal activities. On the other hand, increasing graduate unemployment also shows the inabilities of the leadership to effectively handle the major issues for the issue of unemployment (A. Chaudhry & Khan, 2020).

Research Method: A Diagnostic Approach

This study is based on a qualitative research method using secondary data sources. The aim of conducting qualitative research is that it provides naturalistic investigation that explores an in-depth understanding of research phenomena within their natural setting (Palmer & Bolderston, 2006). Qualitative research gathers data and information in non-numeric form. In order to collect data, official websites of government and non-government research papers, articles and reports were used. In order to explore the issue of unemployment and its possible strategies to overcome this issue, a diagnostic approach was used. Diagnostic approaches helped to develop an understanding concerning challenges and constraints of employment in Pakistan, particularly in the informal sector. Based on such understanding, the study tries to find the answers in terms of possible policy responses. The main aim of diagnostic analysis is to focus on those areas which provide productive employment and decent work while considering policies and strategies. Moreover; neither one-size-fits-all strategy is mandatory nor a list of policy reforms is required. The country needs to identify the challenges that are hindering employment generation and formulate policies to encounter this. On the other hand, content analysis was used to analyse the qualitative dataset. Content analysis is generally used in order to determine the existence of particular words, themes and concepts within some given qualitative dataset. It provides high reliability because it follows a systematic process to simulate (Drisko & Maschi, 2016).

The diagnostic approach follows a framework of possible policy areas:

- a. Identifying challenges that should be considered before formulating employment policy
- b. Economic policies that have a major role in generating employment
- c. Labor -market policies related to employment outcomes of economic growth
- d. Small and medium scale industries and informal sectors and their role in employment generation
- e. Private sector response to the creation of jobs
- f. Adoption of labor-intensive technologies and export-oriented sectors
- g. Implementation of Active Labor Market Policies (ALMPs) in Pakistan

Employment Generation Challenges in Pakistan

It is necessary for policymakers to know overall employment trends, the sectoral share of employment and elasticities of different sectors before formulating policies that may significantly contribute to employment generation. All development plans have been set with growth targets however; priority has not been given to generate employment opportunities. Increasing labor force with high unemployment and low GDP growth are lessening down employment trends in Pakistan (J. Ahmed & Samad, 2019). Pakistan needs to create 1.3 million more additional employment opportunities on average year as the working-age population is likely to increase by around four to five million by 2035. Employment generation is also necessary to provide more opportunities extraordinary young population that are entering working age soon (United Nations Development Programme, Pakistan, 2017).

It is also obvious that magnitude of the employment is also increasing and becoming more complex to address with the passage of time. In the past; the agriculture sector was the main source of absorbing a large number of the labor force in developing countries. However; the sizes of the agricultural farm are declining whereas; population growth is increasing therefore; farms are now likely to be located on marginal lands. Small land areas and mass poverty indicate that many cannot afford the earnings for the significant growth of agricultural production. Hence, people are trying to seek employment outside agriculture that speed up urbanization (United Nations Conference on Trade and Development, 2011). Moreover, the labor market is also struggling with various challenges, including unemployment, poor working condition, pre-dominance of the informal sector, poor skills and low literacy rate and a mismatch between supply and demand for labors. The identified strategies and policies should be attempted on the basis of diagnostic analysis in order to understand the magnitude and nature of the challenges and opportunities of productive employment (International Labour Organization, 2020, 2022).

It is essential to look into these challenges that an economy is facing and find the reasons for the failure of previous efforts to reduce the unemployment level. The first and foremost approach to mainstreaming employment in development strategies is to consider reducing unemployment as the primary objective of macro-economic objective for stability. Moreover; there is a tradeoff between creating employment opportunities in high quality and offering jobs that do not meet quality requirements. Initially; creating quality jobs and not creating enough jobs is an issue for labor-abundant economy. Because; if more employment opportunities would not be generated that can lead to unemployment of 43, million people by 2050 in Pakistan ([United Nations Development Programme, Pakistan, 2017](#)).

Like other labor-abundant developing countries, Pakistan has few challenges that hinder to generate employment in the economy. It can be seen from binding constrain of Pakistan growth which are emerging and structural in nature. Emerging constrain includes macro-economic instability and massive cut in electricity access that leads to high country risk and making nuisance to industrial sector growth. Structural constrain includes market failure and low access to domestic finance that hamper investment, entrepreneurial activity, transition from low-productivity to high productivity jobs. Moreover, ineffective taxation, large anti-export bias and business policies are also major problems that failed to enhance job growth ([Felipe et al., 2009](#); [World Bank, 2022a](#)).

High economic growth is defined as the expansion of the productive potential of the country, which is essential for the creation of jobs. However; growth should be focused to increase productive capacity of sectors that have the large potential to absorb labour at large scale. Furthermore; Pakistan has been experiencing jobless growth which proves that economic growth did not significant generate productive employment ([Altman, 2003](#); [Zaidi, 2018](#)). In addition; the industrial sector has not proven to be the engine of economic growth and creation of productivity-oriented employment. Moreover; various studies have also shown that fiscal and economic planning were not focused toward generating employment. Even; providing more job opportunities have used to be considered as secondary objective of economic planning in Pakistan ([Haq & Ghayur, 1993](#); [Chaudhary & Hamid, 1998](#)).

Moreover; it has been suggested that to promote employment, there should be focused on sectors of high elasticity of employment with sound policies. Moreover; it has been found that employment elasticity for construction sector was highest whereas; manufacturing sector had lowest elasticity of employment ([Chaudhary & Hamid, 1999](#)). After 2000, mining sectors has the highest employment elasticity, followed by manufacturing and trade. These findings provide a policy direction to target those sectors

having high elasticity to reduce unemployment. Considering the construction/housing sector as the main way of job opportunities and economic growth however; it has less potential to generate employment as compared to manufacturing and trade (Samad & Ahmed, 2019). In developing countries; labours are considered as unskilled or semi-skilled therefore; the substitutability of labour-intensive technology to capital-intensive technology also hinders the generation of employment due to lack of skills and knowledge.

Besides other factors; rising trend in population is not only a major factor of increasing poverty but it is also worsening employment situation in Pakistan. Evidence also proves a strong association between labour market activity and poverty level. Generating employment is necessary to alleviate poverty though focusing labour market however; there is a dire need of controlling population growth rate (Zulfiqar & Chaudary, 2008). The ability to absorb employment is shrinking informal sectors due to a reduction in economic activity in main sectors. Therefore; formal sectors are unable to absorb or generate more employment. However; informal sector is considered as an important source of generating employment for less-educated and semi-skilled labour force in Pakistan however; productivity of these sectors is very low and poverty exist among those people who are engaged in informal activities (Guisinger & Irfan, 1980; Chaudhary & Hamid, 1999). The growth constrains of informal sector such as weak infrastructure; lack of access to finance and raw material; skilled human resources and inadequate business management are main hurdles that restrict activities of informal sectors (Kemal & Mehmood, 1998).

Another challenging factor is education and access to education which is responsible of unemployment in Pakistan (Qayyum & Siddiqui, 2007). Furthermore; it is very intricate to provide knowledge and skills to labour according to the requirement of the market. Before formulating policies; it must be ensured to assess the required skills among labours while evaluating current employment trend. Some demand and supply-side factors are also major challenges the creation of employment opportunities. In terms of supply-side; mismatch between required skills, lack of access to finance, and dearth of technical knowledge and training are restraining the expansion of opportunities. Moreover; insufficient private sector growth is also a major constrain resulting in muted growth of employment.

Applying Diagnostic Approach for Employment Generation

Macroeconomic Policies

To achieve high level employment is one of the most important sources of reducing inequality and alleviating poverty in in both developed and developing economies, as it increases income and wages, raises aggregate demand and counters deflationary pressures. At the macro level, labour markets are linked with other markets therefore; other's markets policies should have to be incorporated in a broader framework of macroeconomics. Because; the outcomes of employment depend on the level of investment to enhance real productive capacity that will also raise demand expectations, availability and cost of finance and strong public institutions. However, those policies are used in a health environment and stable economy ([Organisation for Economic Co-operation and Development, 2012](#)). Moreover; the institutional situation and labor market policies for employment are different in developed emerging and least developing countries. However; the condition of macroeconomics is favorable in terms of fixed capital formation, and full participation of all available resources in the productivity gain. Hence; these two factors are important for maintaining high level employment irrespective of the development stage of any economy. Thus, there is a need to analyze employment with respect of output growth and strengthen the macroeconomic policy framework to promote sustained growth. Few macroeconomic level policies have been discussed that provide insights to see the performance of macroeconomic indicators and achieving a high level of employment. A review of macroeconomic policies indicates the role of central bank and state through fiscal and monetary incentives that encourage an excessive use of capital relative to labor ([Bhattacharyya, 2012](#)).

Monetary and Financial Policies. Monetary and financial policies have impacts on the competitiveness of domestic industry as compared to foreign ones. There are various examples of effective experience where state or central bank have placed an important role in public policies in order to enhance sustained growth and structural changes by lowering interest rate, capital control to support stabilize exchange rate and direct intervention through lending for selected projects. A monetary policy always focuses on creating a supportive condition for the investment of the private sector that can be implemented by increasing private lending through the provision of credit through public sectors and other institutions. Although, monetary policy is not enough alone therefore; a proactive fiscal and industrial policies are essential for making structures that support to raise aggregate demand and domestic productivity growth ([United Nations Conference on Trade and Development, 2018](#)).

Public Spending. The need for employment generation explains the role of the State as employer of last resort (Minsky, 2013). The government intervenes directly and considerable indirectly on output and employment through public spending. Public spending has much stronger multiplier effects as compared to cutting tax. Hence; government increases their expenditure to provide employment however; it also raises the burden of internal and external debts. In the recent situation; to increase demand in most of developing countries, fiscal sending has become the single and the most important ingredient in public policy from the perspective of employment creation (Blanchflower, 2015). Furthermore; spending on social and physical infrastructure, particular public employment scheme can be effective, particularly in low-income countries where most of the labor force are engaged in informal and self-employed activities. Many countries like Argentina, India, Sierra Leone and South Africa have initiated public sector employment scheme which is based on the idea of employer of last resort. Pakistan has also launched Kamyab Jawan Program which will facilitate almost one million youth to generate self-employment (Government of Pakistan, 2019a).

Incomes Policy for Wage-Led Growth. The targets of monetary and fiscal policies to generate employment growth can be strengthened by the additional use of an income and wage policy which are taken on the basis of certain rules for determining income in emerging and developing countries. A well-designed income policy has huge potential to contribute in the growth of employment though the increase in domestic demand. In addition; when unemployment rises and workers lose their jobs in the formal sector and move to the informal sectors, the employers force the laid-off workers to accept much lower wage however; this would be acceptable if the fall in wages was the right measure to redress the labor market disequilibrium (United Nations Conference on Trade and Development, 2018). However; this downward flexibility of wages causes a reduction in demand that leads to further decline in wage without stimulation employment creation. Therefore, income and wage policy has the capacity to raise wages and increase demand in the economy that further generates employment (United Nations Conference on Trade and Development, 2018).

Managing the Exchange Rate and Capital Flows. Enhancing domestic demand to create employment, and less depend on export-led growth have been the major policy for developing countries. Developing countries need to earn foreign exchange to finance their imports, to pay external debts, and to acquire capital goods and advance technologies, moreover; global competition among firms also bring innovation and investment in tradable sectors that ultimately increase demand for domestic labors. However; export-oriented strategies have made growth and employed creation overly

dependent on global growth. Therefore; the ability to gain market share globally while reducing policy options regarding enhancing domestic demand was based on increases in productivity-related growth of labor compensation. This systematic problem could be resolved through a multilateral framework for exchange rate management while keeping real exchange rate stable. Under such system, nominal exchange rate could be adjusted according to differentials in inflation rates or change in unit labor cost, hence there would be less incentives for firms for engaging in global wage competition. Moreover, the incentives for speculative capital flows would also be reduced, thus it will also alleviate pressures from capital markets in the exchange rate. Therefore; monetary policy would be used for domestic objectives, particularly for achieving a high and stable level of investment in fixed capital ([United Nations Conference on Trade and Development, 2011](#)).

The basic requirements for sustainable and inclusive growth and employment, fiscal policy should be used to raise demand and achieve full employment as a central policy goal, whereas; monetary policy should be effectively used to finance public investment that may add to inclusive and sustainable outcomes. Moreover, a set of coherent macroeconomic labor market and trade policies are needed for job creation if the economy is able to expand and to participate in the global value chain and increase demand for labor ([Thematic Think Piece, 2012](#)). The findings have implications for formulating strategies to encourage the use of capital; however; the use of labor should be more focused as it is abundant factors of production in developing countries. One possible way of correcting the bias in favor of capital-intensive production is to provide an employment subsidy with conditional on realizing a targeted level of employment per unit of investment.

Labor Market Policies

Social and economic well-being is the prime objective of the government's labor policy that should be attained in a manner which are best suited for the resources and existing state of the economy. There is an immediate need to reinvigorate the labor market through persistent efforts, increased productivity, investment promotion, and employment maximization. The labor market in Pakistan is considered to be underdeveloped. Since Pakistan's inception, five labor policies have been announced in 1955, 1959, 1969, 1972, and 2002. These policies centered on the expansion of trade, unionism, worker protection, labor rights, the resolution of industrial conflicts and the satisfaction of labor complaints ([Government of Pakistan, 2010](#)). The last available national policy has been announced in 2010. The main objective from 2010 reforms was to decentralization power and give authority to province, including labor market legislation and industrial

relation. This amendment also decentralizes the responsibilities of formulating policies of labor-related matters and enforcement to the provinces ([Ulandssekretariatet – Danish Trade Union Development Agency, 2018](#)). However; it is considered as deficient by labor rights supports in some areas such as unionization of agricultural labors and lack of policy guidelines to reduce the gender gap in the labor market.

Small and Medium Enterprises, Informal and Private Sectors

Small and Medium Enterprises. Raising unemployment in early 1990s, has raised many question about employment n enter- stage of policy debate. The relation between firm size and employment creation has been subject to debate by many policymakers. Small and Medium-Sized Enterprises (SMEs) are one of the largest sectors and have a significant role in determining national economy, employment, and social cohesion by enhancing living standards. In the majority of nations, more than 90 percent of all businesses are comprised of small and medium-sized firms (SMEs), which employ approximately 80 percent of non-agricultural workforce ([Zafar & Mustafa, 2017](#)). SMEs dominate the entire economy in terms of employment and numerous job prospects, yet their full potential remains unrealized ([Schlogl, 2004](#); [Omar et al., 2009](#)). SMEs are also considered labor-intensive which have a large capacity to absorb unskilled, semi-skilled, young and women. Government agencies are directly involved in the promotion of activities which promote micro and small enterprises on the basis of investment threshold. Enterprises with an investment in machinery and plant below a certain level of investment are eligible to participate in the promotional activities. However; the SMEs have not performed well in Pakistan due to multiple factors that hamper their performance. Limited access to finance, organizational structure, inadequate utilities, costly raw materials, government taxes, and no investment in technology and human resource development are major factors that restrict SMEs to achieve full potential. Moreover; SMEs are utilizing labor-intensive technique that provide more employment to unskilled and rural labors ([Ali, 2013](#)). Despite high failure rate, SMEs are found highest job creation rate however; being responsible for the bulk of employment creation, their potential to reach the higher productivity level is very limited. Therefore; the policymakers seek to create productive jobs in those SME sectors through providing them finance and infrastructure rather them training ([Grimm et al., 2012](#)). An action program should be under taken for effectiveness under policy and regulatory environment with compliance to regulatory frameworks for improving the working conditions and protection of workers.

Informal Sectors. Especially in rural areas, informal and hidden sectors of the economy have a greater capacity to offer employment than formal and organized ones.

This industry has experienced rapid expansion over the past several decades, with a 35 percent proportion of the country's GDP, the largest among developing nations. It is often considered that the formal sector in emerging and underdeveloped countries lacks the potential to absorb a large number of workers. Consequently, the alternative sector has always supported the formal sector in terms of employment generation. The informal workforce is not governed by labor laws, is not protected by the government, and has restricted access to welfare services. Although its function is debatable, the informal sector generates work while reducing unemployment, although these occupations are poorly compensated. In 2017-18, this sector employed 72.0% of the work force, whereas the informal sector in rural areas employed 76.0% of the labor force, compared to 68.3% in urban areas. In Pakistan, the formal sector's employment level has not changed significantly from 2015 to 2018, although total employment has climbed marginally from 27.4 to 28 percent. The informal sector has also significantly contributed to employment generation outside agriculture in rural areas. Supporting this sector by the government may enhance the productivity and make them competitive as it absorbs the job-seeking people who in turn increase national output and speed up economy development (Atoloye, 2007).

Private Sector. As compared to the public sector, the private sector is a key stakeholder in both urban and economic development, fundamental job creator and employer. Well-developed private sector is not only the main engine of growth but also boosts economic activities by generating employment (Husain, 2003). The private sector provides around 90 percent employment whereas; public sector hardly 10 percent in development countries including formal and informal while contributing in tax revenue and efficient flow of capital (Venables, 2015). In recent years; the private sector has been largely based in the service sector, predominantly telecommunication and financial sectors. Lack of human resources development and non-availability of educated and skilled labor are major issues in the competitiveness and growth of the private sector. This results in distortions in terms of effective utilization of factors, contribution to employment and lowering down factor productivity. Government has adopted the policies of privatization, deregulation and liberalization since the early 1990s as the keystones of its policy to achieve sustained growth (Asian Development Bank, 2008). The private sector is unable to absorb the rising labor force into the formal sector due to insufficient assistance. This has resulted in a rise in unemployment, particularly among young and educated individuals, while a huge number of businesses operate on a small scale with poor levels of productivity. Limited credit to the private sector by banks has also restricted the potential of firms to expand their activities as banks are more involved in providing credit to the public sector.

With the passage of time and structural transformation; Pakistan is now a more urban and service-oriented economy. Traditional industries have started exporting new products through innovation and diversification. Several factors, such as a shortage of skilled workers, a low level of machinery utilisation due to a low level of investment, a non-competitive export orientation, and stringent labor restrictions regulating hiring and firing, may operate as barriers to the creation of new jobs (Das & Kalita, 2009). If labor-intensive export-oriented industries are promoted, it has been demonstrated that labor-intensive export-oriented industries will flourish. Through dismantling the anti-export bias in government policy and investing in skill development, it becomes a driving force for job creation (Wood, 1991; Tunali & Assaad, 1992; Godfrey, 1993). In addition, employment in the manufacturing sector requires a two-pronged strategy consisting of promoting the expansion of labor-intensive manufacturing and climbing the value-added ladder. Specifically, the growth of export-oriented labor-intensive industries will generate tremendous income and job prospects for labor-rich emerging nations like Pakistan (Hayami, 1998; Schmitz & Nadvi, 1999; Sonobe & Otsuka, 2010; Mottaleb & Sonobe, 2011) and facilitate the absorption of unskilled/semiskilled labors (Gereffi, 1999; Schmitz & Knorringa, 2000). In fact, the twentieth century witnessed the creation of a handful of countries with rapid economic growth, spurred by export-oriented industries such as textiles, clothes, leather, and toys that are labor-intensive. For instance, Bangladesh, India, Vietnam, and China have emerged as important exporters of apparel and textiles due to their steady economic growth (Gereffi, 1999; Joshi, 2002; Nam et al., 2010).

Active Labour Market Policies (ALMPs)

Governments have also implemented a number of active labor market policies that directly intervene in the labor market in an effort to increase and improve job prospects for employees (McKenzie & Robalino, 2010). In Pakistan, the National Institute of Science and Technical Education (NISTE), which is affiliated with the Ministry of Federal Education and Professional Training, aims to convert unskilled/semiskilled laborers into skilled workers (Government of Pakistan, 2019a). Young and inexperienced workers are paid low salaries in the labor market, which is frequently termed negative compensation for the luxury of learning jobs. However, if employers are doubtful about a worker's productivity, they may choose not to recruit them. As a result, many persons who want to work stay unemployed, particularly young people who lack experience and testing. In order to encourage firms to hire more workers, the government intervenes in the market by providing subsidies to businesses rather than employees. Although these programs are implemented efficiently (Betcherman et al., 2004), such programs were less effective

in Brazil and Uruguay with large informal sectors if labors use another source to find jobs (McKenzie, 2017). The existing labor market information is inadequate due to barriers such as poor level of job opportunities, institutional barriers, gender, and geographical location. However, the labor force survey is not sufficient to provide adequate information regarding job opportunities to job seekers. Therefore; an insight view is a prerequisite for a better understanding of these issues in order to formulate the right policies. The present government has taken various policy initiatives to bridge the gap between job-seekers and available employment opportunities. Moreover; the estimates of under-qualification and over-education also suggest that educational systems are either providing inadequate skills or creating more graduates in those discipline which are less demanded in the labor markets (Farooq, 2011). National Skills Information System has been designed to collect the most up-to-date market data on the need for skills and to make connections with potential employers. The National Job Portal provides access to the profiles of more than 550,000 young people in order to connect talented individuals with companies (Government of Pakistan, 2019a).

CONCLUSION

This study is based on a qualitative research method which focuses on identifying considerable employment generation strategies using various secondary sources. Using content analysis, this study has identified that using macroeconomics and labor market policies while considering unemployment challenges and causes can be beneficial to generate new employment opportunities. Furthermore; the development of SMEs, informal and private sectors are major sources of creating employment opportunities in developing countries. Furthermore, using labor-intensive technologies in industries and the growth of export-oriented sectors may also improve the employment situation while employing more labors. Last but not least, active labor market policies are also an important strategy to enhance employment through initiating training programs for skill development of labor, wage subsidies which increase demand for labor and job searching and matching assistance to better enable firms and labors to contract with each other.

For a successful employment generation policy, the country needs to consider structural unemployment which is hard to eliminate as compared to cyclical unemployment. Private sectors respond differently to growth, which depends on the economy's development stages and economic structure, which create employment in formal sectors. A board policy agenda for employment generation should be macroeconomic

fundamentals, Active labor market policies, elimination of institutional rigidities, development of SMEs and facilitating business regulatory.

While formulating policies, the government must focus on those sectors that can act as the engine of economic growth and have a large absorptive capacity of labor surplus. Devising policies are also needed that stimulate labor-intensive employment rather than replacing them. The manufacturing and mining sectors have shown high elasticity rather than construction. These sectors can contribute significantly to generate jobs with a clear policy direction. Hence; government should formulate policies for the promotion of activities in the manufacturing sector that will have a long-term impact on the economy. Meanwhile; promotion of entrepreneurship, technological changes, promotion of self-employment and employability by skills and knowledge are core elements that should be considered before designing effectual policies.

Policy Implications, Limitations and Future Research Direction

Commonly, it has been found that developing countries like Pakistan can generate employment while focusing on the significant area that has been highlighted in this study. This study will fill the gap in employment literature while providing considerable research on the given area because limited studies focus on different strategies rather than investigating the nexus between employment and other variables. Furthermore; the findings of the study will also be beneficial for policymakers and concerned authorities to consider identified dimensions of research in policymaking related to employment strategies. The findings of the stud will also help them to address the issue of unemployment while implementing effective strategies for positive outcomes.

This study has several limitations. For instance, this study is based on a qualitative aspect to suggest strategies related to implementation only. This study also does not focus on the comparative aspect of employment with other countries of the same region such as India, Bangladesh and Sri Lanka. This study does not provide an empirical relationship or causal association between employment and other variables such as economic growth, trade, export, fiscal or monetary policies etc. The future researcher can empirically explore how employment can be increased through different policies while investing nexus between employment and other economic and social factors. Comparative studies can also be conducted within and outside of the region to explore how other economies are addressing the issue of unemployment and which employment strategies have been effectively implemented in other developing countries.

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