

# **Labour Force Practices and Trend of Labour Indicators in Pakistan**

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# CHAPTER-1

## METHODOLOGY

### *Introduction*

Pakistan Bureau of Statistics has been carrying out Labour Force Survey (LFS) since 1963. The questionnaire and methodology of the survey have been undergoing pertinent improvements through the forum of “Panel on Labour Statistics” comprising all important stakeholders to keep current with best practices. The questionnaire was revised in 1990 to include probing questions on marginal economic activities, likely to be carried out mostly by women and tend to go unrecorded with conventional questions. The questionnaire was further improved in 1995 to reckon with the size and composition of migration and informal sector. The scope of the survey was extended in 2001-02 to take the stock of occupational safety and health of employed persons. The questionnaire was further articulated for undertaking 1<sup>st</sup> quarterly LFS 2005-06. This practice has since been continuing. Last meeting of the Panel was held to review the questionnaire and methodology of the LFS 2013-14. The surveys conducted so far are given at Annexure-I.

2. This report presents annual results of LFS 2013-14. The survey’s sample size comprises 41,484 households divided up into four distinct, nationally representative samples, each enumerated in a given quarter.

### *Objectives*

3. The major aim of the survey is to collect a set of comprehensive statistics on the various dimensions of country’s civilian labour force as a means to pave the way for skill development, planning, employment generation, assessing the role and importance of the informal sector and, sizing up the volume, characteristics and contours of employment. The broad objectives of the survey are as follows:

- To collect data on the socio-demographic characteristics of the total population i.e. age, sex, marital status, level of education, current enrolment and migration etc;
- To acquire current information on the dimensions of national labour force; i.e. number of persons employed, unemployed, and underemployed or out of labour market;
- To gather descriptive facts on the engagement in major occupational trades and the nature of work undertaken by the institutions/organizations;
- To profile statistics on employment status of the individuals, i.e. whether they are employers, own account workers, contributing family workers or paid employees (regular/casual);
- To classify non-agricultural enterprises employing household member(s) as formal and informal;
- To quantify the hours worked at main/subsidiary occupations;
- To provide data on wages and mode of payment for paid employees;
- To make an assessment of occupational health and safety of employed persons by causes, type of treatment, conditions that caused the accident/injury and time of recovery; and
- To collect data on the characteristics of unemployed persons i.e. age, sex, level of education, previous experience if any, occupation, industry, employment status related to

previous job, waiting time invested in the quest for work, their availability for work and expectations for future employment.

### ***Reference Period***

4. Reference period is week i.e. seven days before the date of enumeration.

### ***Sampling Plan***

5. ***Universe:*** The universe for Labour Force Survey consists of all urban and rural areas of the four provinces of Pakistan defined as such by 1998 Population Census excluding FATA and military restricted areas. The population of excluded areas constitutes about 2% of the total population.

6. ***Sample Design:*** A stratified two-stage sample design is adopted for the survey.

7. ***Sampling Frame:*** Pakistan Bureau of Statistics (PBS) has developed its own sampling frame for urban areas. Each city/town is divided into enumeration blocks. Each enumeration block is comprised of 200 to 250 households on the average with well-defined boundaries and maps. The list of enumeration blocks as updated from field on the prescribed proforma by Quick Count technique in 2013 for urban and the list of villages/mouzas/dehs or its part (block), updated during House Listing in 2011 for conduct of Population Census are taken as sampling frames. Enumeration blocks & villages are considered as Primary Sampling Units (PSUs) for urban and rural domains respectively.

8. ***Selection of primary sampling units (PSUs):*** Enumeration blocks in urban domain and mouzas/dehs/villages in rural are taken as Primary Sampling Units (PSUs). In the urban domain, sample PSUs from each ultimate stratum/sub-stratum are selected with probability proportional to size (PPS) method of sampling scheme. In urban domain, the number of households in an enumeration block by Quick Count technique in 2013 and village or its part (block), updated during House listing in 2011 for conduct of Population Census are taken as sampling frames for rural domain is considered as measure of size.

9. ***Selection of secondary sampling units (SSUs):*** The listed households of sample PSUs are taken as Secondary Sampling Units (SSUs). A specified number of households i.e. 12 from each urban sample PSU, 16 from rural sample PSU are selected with equal probability using systematic sampling technique with a random start.

### ***Method of Data Collection***

10. Data are collected by direct interview method. Generally, the head of household is chosen to provide information about all members of the household. In case of his non-availability at the time of interview, some other informed member of the household down the line is interviewed. The total sample for the year is evenly distributed for enumeration on quarterly basis to offset the effect of seasonal variations. The information collected however relates to the week preceding the date of enumeration.

## ***Informal Sector***

1. In Pakistan informal sector plays a significant role in employment and income generation. It is essential both to assess the importance of informal sector as a source of employment and analyze trends in informal sector employment. This necessitate for developing a comprehensive system of statistics on informal sector and informal sector employment. System to be developed contributes to the improvement of labour statistics and national accounts in particular. It will also be used in planning, policy formulation and evaluation, to the integration of the informal sector into the development process.

2. It will also quantitative information on the contribution of informal sector to various aspects of economic and social development including employment, production, income generation, human capital formation and mobilization of financial resources.

3. Since so far no special enterprise or mixed survey has been carried out in Pakistan accordingly direct estimation of the value added of the Informal Sector is not possible. However, information on employment and hours of work in the Informal Sector collected through the household LFS can be utilized for the indirect estimation of value added.

4. This paper describes the concepts/ definitions sampling and methodology of data collection of the Informal Sector in Pakistan. Estimate of employment in the Informal Sector based on LFS are also presented.

### **Definition of the Informal Sector Employment**

5. Information on the characteristics of enterprise concerning legal status, accountancy and employment size are collected since 1996-97 when questions on Informal Sector activities were incorporated in LFS questionnaire. The national definition and the question of the LFS are discussed. Main limitation also highlighted.

### **Definition of the Informal Sector**

6. According to the International Conference of Labour Statisticians (ICLS) standards, the informal sector are units engaged in the production of goods and services with the primary objective of generating employment and income to the persons concerned, not necessarily with the deliberate intention of evading the payment of taxes or other legislative or administrative provision.

7. The units typically operate at a low level of organization, on a small scale, and with labour relations mostly based on casual employment. The assets used do not belong to the production units as such but to their owners. Expenditure for production is often indistinguishable from household expenditure. The units as such cannot engage in transaction or enter contracts with other units, nor incur liabilities.

8. The concept of the informal sector is formulated into an operational definition based on three criteria, the first of which is essential (household enterprise), and the two others (size and registration), can be used optionally, alone or in combination.

9. Given the ambiguity of the registration criterion in the circumstances of Pakistan, and the difficulty of obtaining reliable responses on this item from household members, the definition of the informal sector in Pakistan is formulated in terms of the first two criteria, namely, household enterprise and size of employment.

10. In the language of the international standards, the informal sector in Pakistan is defined for statistical purposes as:

- All household enterprises owned and operated by own-account workers, irrespective of the size of the enterprise (informal own-account enterprises)
- And household enterprises owned and operated by employers with less than 10 persons engaged
- Excluded are all household enterprises engaged in agricultural activities or wholly engaged in non-market production.

Questions incorporated in the LFS questionnaire are:

The module on informal sector activities included in the LFS questionnaire comprises 7 questions:

*Q 5.10: What kind of enterprise?*

*Q5.11: Does the enterprise keep written accounts?*

*Q5.12: How many persons are engaged in the enterprise?*

*Q5.13: Are there any regular paid employees in the enterprise?*

*Q5.14.1: If yes, number of males?*

*Q5.14.2: If yes, number of females?*

*Q5.15: Where did ... carry out the work?*

11. Questions 10 and 11 are intended to single out all the persons employed in private unincorporated enterprises: to begin with, all the persons working for the Government (at Federal, Provincial or Local level) or for public and state-owned enterprises, corporations and cooperatives are excluded; then, only the remaining enterprises that do not keep written accounts can be classified as private unincorporated enterprises because a financial separation of the production activities of the enterprise from the other activities of its owner(s) is not possible.

12. Question 13 is meant to distinguish between own-account enterprises and small enterprises on the basis of the presence of regular paid employees: as already anticipated the employment size criterion applies only to the second group of enterprises. Therefore all household enterprises owned and operated by own account workers are included in the informal sector irrespective of the size of the enterprise (informal own account enterprises); small enterprises are included only if the total number of persons engaged in the enterprise (as a whole) is below 10 units (question. 12).

13. The definition of the informal sector adopted by Pakistan is not completely coherent with the

harmonized definition resulting from the recommendations made by the Delhi Group: in particular, the criterion of registration is not used; the size of the enterprise is established on the total number of persons engaged; the size limit is set at 10 people; households employing paid domestic employees are included in the definition.

14. In addition to that, the present questionnaire of the Pakistani LFS doesn't allow a full implementation of the harmonized definition, mainly because the question on registration is not present and because the classification of economic activities is not up to date. Information on the exact number of permanent employees working for the enterprise have started to be collected with the 2001-2002 edition (with the introduction of questions 14.1 and 14.2), allowing to apply the size limit criterion and to derive estimates closer to international standards. The reduction in the cut-off size at 5 employees, however, does not imply a major change in the size the informal sector as the total number of persons engaged decreases roughly by 1% only.

## CHAPTER-II

### CONCEPTS AND DEFINITIONS

1. **Literacy rate** expresses all those persons ten years of age and above who could read and write in any language with understanding, as percentage of the population ten years and above.
2. **Household** constitutes all those persons who usually live together and share their meals. A household may consist of one person or more who may or may not be related to each other.
3. **Migration** means the population's movement from one administrative district to another administrative district at any time of their lives and excludes the ones moved within the current district.
4. **Economically Active Population** comprises all persons of either sex who provide labour services for the production of goods and services as defined by the United Nation System of National Accounts, during the reference period. The production of goods and services includes:
  - i) all production and processing of primary products whether for the market, barter or, own consumption,
  - ii) the production of all other goods and services for the market,
  - iii) the households which produce such goods and services for the market and own consumption, and
  - iv) own account construction.
7. **Currently Active Population** or labour force comprises all persons ten years of age and above who fulfill the requirements for including among employed or unemployed during the reference period i.e. one week preceding the date of interview.
5. **Crude activity rate** is the currently active population expressed as a percentage of the total population in Pakistan.
6. **Refined activity rate** is the currently active population expressed as a percentage of the population 10 years and above. This rate enables international comparison by factoring in the effect of age composition.
7. **Employment** comprises all persons ten years of age and above who worked at least one hour during the reference period and were either "paid employed" or "self employed". Persons employed on permanent/regular footings have not worked for any reason during the reference period are also

treated as employed, regardless of the duration of the absence or whether workers continued to receive a salary during the absence. The survey obtains information on the duration of absence as well as on other formal job attachment characteristics of workers in paid and self employment. In line with augmented participation rates, a loose upper bound of employment can be drawn up by including the persons engaged in marginal economic activities.

8. **Occupation** means the type of work done during the reference period by the persons employed (or the kind of work done previously if unemployed), irrespective of the industry or the status in employment of the person. It provides description of a person's job. Occupation is classified according to Pakistan Standard Classification of Occupations (PSCO)-2012 based on the International Standard Classification of Occupations, ISCO-2008.

9. **Industry** means the activity of the firm, office, establishment or department in which a person is employed or the kind of business, which he/she operates. The activity is defined in terms of the kind of goods produced or services supplied by the unit in which the person works. Industry is classified according to Pakistan Standard Industrial Classification (PSIC) used for national accounts developed in 2010 (Rev-4) on the basis of the International Standard Industrial Classification (ISIC) Rev-4 released by United Nations in 2008.

10. **Self-employment job** is a job where the remuneration is directly dependent upon the profits, or the potential profits, derived from the goods and services produced.

11. **Status in Employment** refers to the type of explicit or implicit contract of employment of the person with other persons or organization. Status of an economically active individual with respect to his employment i.e. whether he/she is an employer, own account worker, employee or unpaid family worker is defined as follows:-

12. **Employee** is a person who works for a public or private employer and receives remuneration in wages, salary, commission, tips, piece rates or pay in kind. Employees are divided into

- *Regular paid employees with fixed wage*
- *Casual paid employee*
- *Paid worker by piece rate or work performed*
- *Paid non-family apprentice*

13. **Employer** is a person working during the reference period, on own-account or with one or a few partners at a "self-employment job" with one or more employees engaged on a continuous basis.

14. **Own account worker** is a person working during the reference period, on own-account or with one or more partners at a "self-employment job", without any employee engaged on a continuous basis; but, possibly, with one or more contributing family workers or employees engaged on an occasional basis. It includes owner cultivator, share cropper and contract cultivator.

15. **Contributing family worker** is a person who works without pay in cash or in kind on an enterprise operated by a member of his/her household or other related persons.

16. **Other** includes member of a producer's cooperative, etc.



17. **Informal Sector** in Pakistan is formulated in terms of household enterprise and size of employment. For statistical purpose, the provenance of employment in informal sector is given as follows:

- All household enterprises owned and operated by own-account workers, irrespective of the size of the enterprise (informal own-account enterprises),
- Enterprises owned and operated by employers with less than 10 persons engaged. It includes the owner (s) of the enterprise, the contributing family workers, the employees, whether employed on an occasional or a continuous basis, or as an apprentice, and
- Excluded are all enterprises engaged in agricultural activities or wholly engaged in non-market production.

18. **Household Enterprise** or equivalently, an unincorporated enterprise, is a production unit that does not have a separate legal entity independent of the household(s) or household members that own it. It is neither a corporation nor has a complete set of accounts that would permit a clear distinction between the production activities of the enterprise from the other activities of the owner(s) i.e. it is not a quasi-corporation.

19. **Unemployment** in Pakistan comprises all persons ten years of age and above who during the reference period were:

- i) **“Without work”** i.e. were not in paid-employment or self-employment; and
- ii) **“Currently available for work”** i.e. were available for paid employment or self-employment: or
- iii) **Not currently available** for the following reasons: illness, will take a job within a month, is temporarily laid off, is an apprentice and is not willing to work: or
- iv) **Seeking work** during last week.

20. **Unemployment rate** is the unemployed population expressed as a percentage of the currently active population.

21. **Population not currently active** or “persons not in the labour force” comprises all persons who were not employed or unemployed during the reference period and hence not currently active. They are classified into the following categories:-

- a) Attending educational institutions,

- b) Engaged in household duties,
- c) Retired or old age,
- d) Too young to work,
- e) Unable to work/handicapped,
- f) Agricultural landlord and/or property owner; nature of ownership includes land, commercial/residential buildings, cinemas, hotels, petrol pumps, power looms, etc. (given on rent or lease). They are owners but they do not work for their properties,
- g) Others (persons who derive their income solely from royalties, dividends, etc; engaged in immoral pursuits such as prostitutes, beggars, thieves and smugglers etc; voluntary social workers doing work outside the family enterprise, living entirely on charity, etc.)

## CHAPTER-III

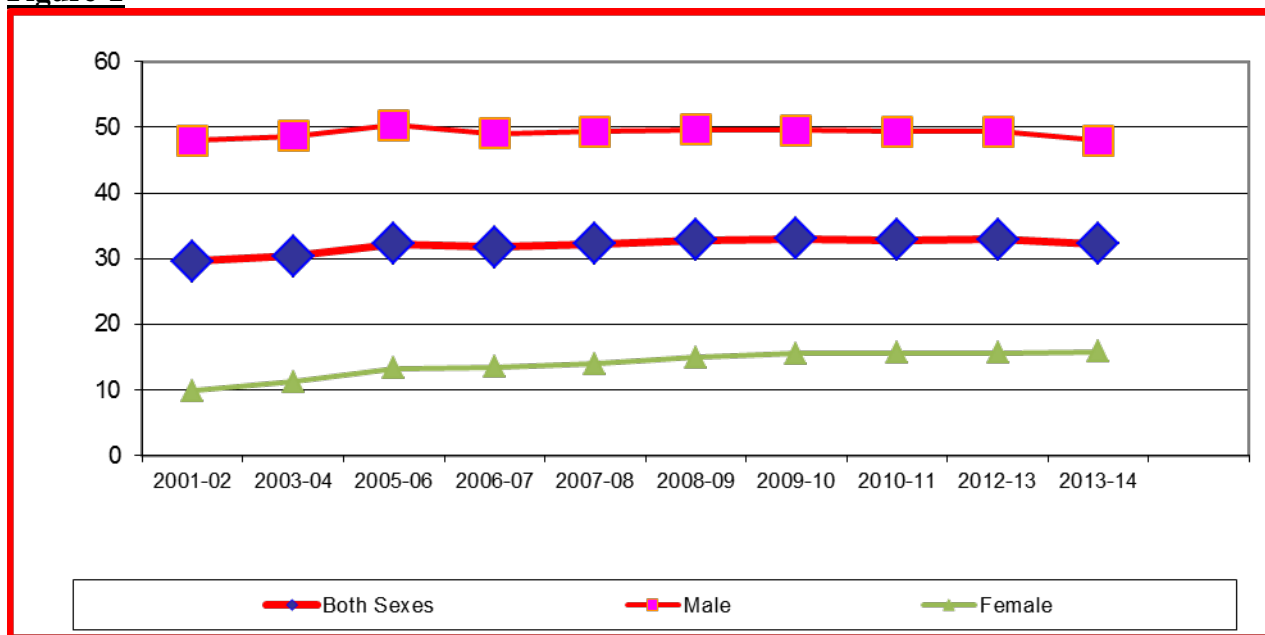
### Time Series of key Labour Indicators

TABLE-1: CRUDE ACTIVITY (PARTICIPATION) RATE (%)

#### Pakistan

Years	Both Sexes	Male	Female
2001-02	29.6	48.0	9.9
2003-04	30.4	48.7	11.2
2005-06	32.2	50.3	13.3
2006-07	31.8	49.1	13.5
2007-08	32.2	49.3	14.0
2008-09	32.8	49.6	14.9
2009-10	33.0	49.5	15.5
2010-11	32.8	49.3	15.6
2012-13	32.9	49.3	15.6
2013-14	32.2	48.0	15.8

Figure-1

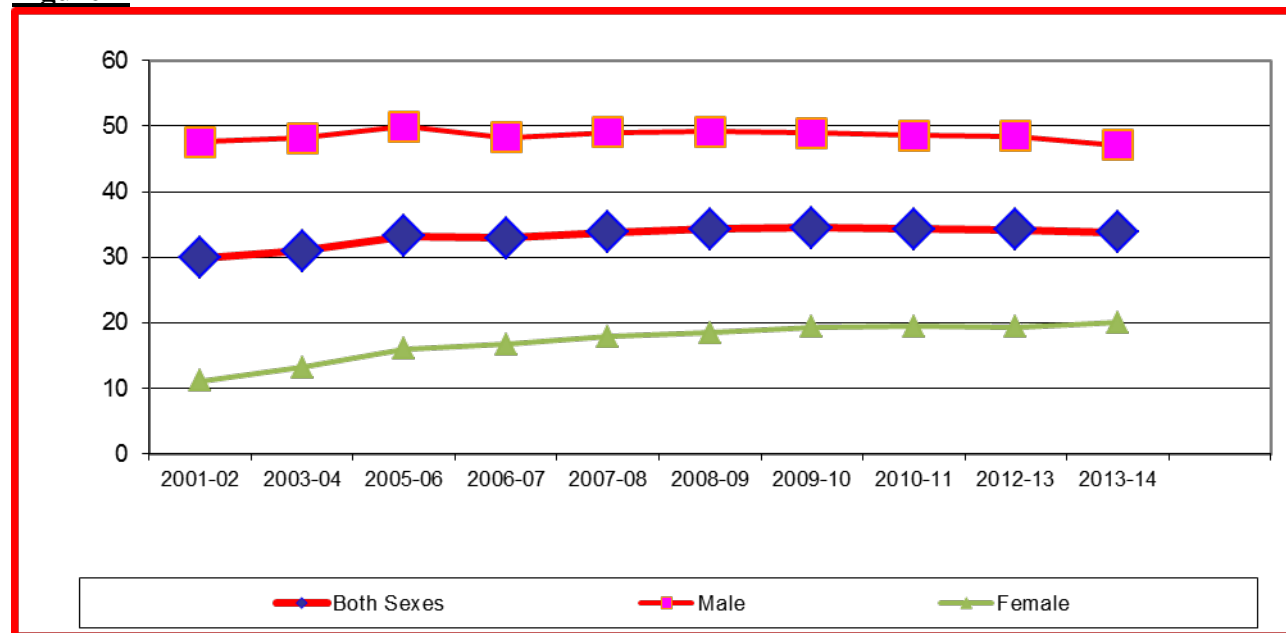


**TABLE-2 : CRUDE ACTIVITY (PARTICIPATION) RATE (%)**

**RURAL**

Years	Both Sexes	Male	Female
2001-02	29.9	47.6	11.1
2003-04	31.0	48.2	13.2
2005-06	33.2	49.9	16.0
2006-07	32.9	48.3	16.7
2007-08	33.8	49.1	17.9
2008-09	34.3	49.2	18.5
2009-10	34.5	49.0	19.3
2010-11	34.3	48.6	19.4
2012-13	34.2	48.5	19.3
2013-14	33.8	47.1	20.0

**Figure-2**

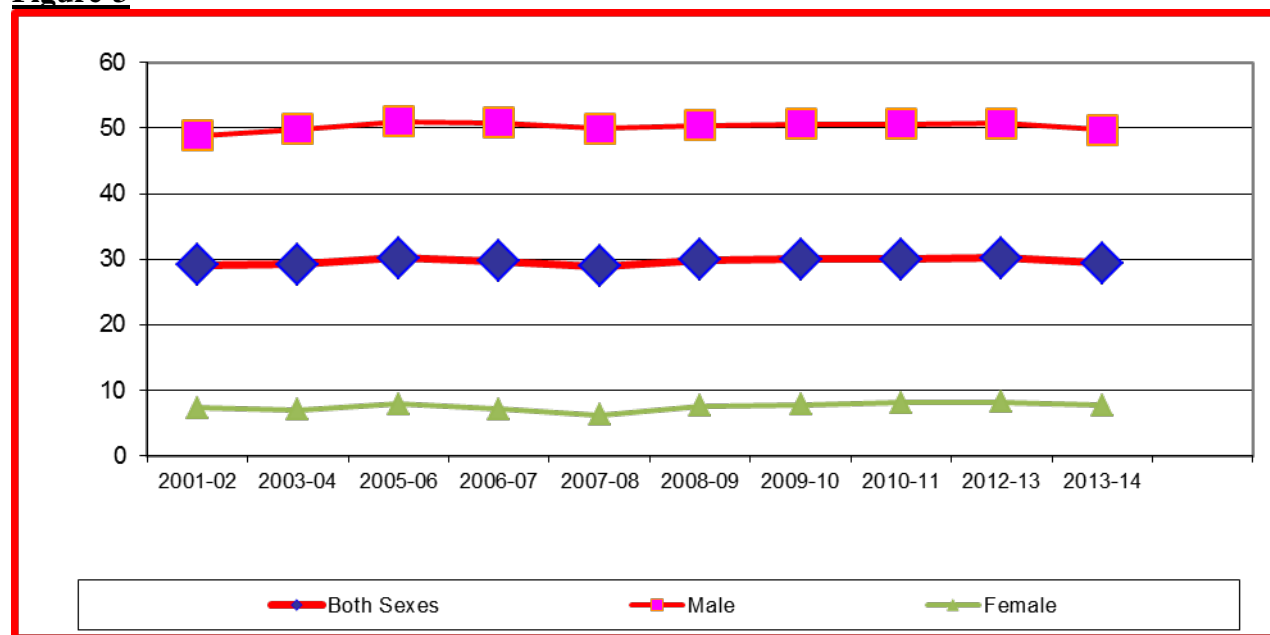


**TABLE-3: CRUDE ACTIVITY (PARTICIPATION) RATE (%)**

**URBAN**

Years	Both Sexes	Male	Female
2001-02	29.1	48.9	7.3
2003-04	29.2	49.8	7.0
2005-06	30.2	51.0	7.9
2006-07	29.7	50.8	7.1
2007-08	28.9	49.9	6.2
2008-09	29.9	50.4	7.6
2009-10	30.0	50.6	7.8
2010-11	30.0	50.6	8.1
2012-13	30.2	50.7	8.2
2013-14	29.4	49.7	7.7

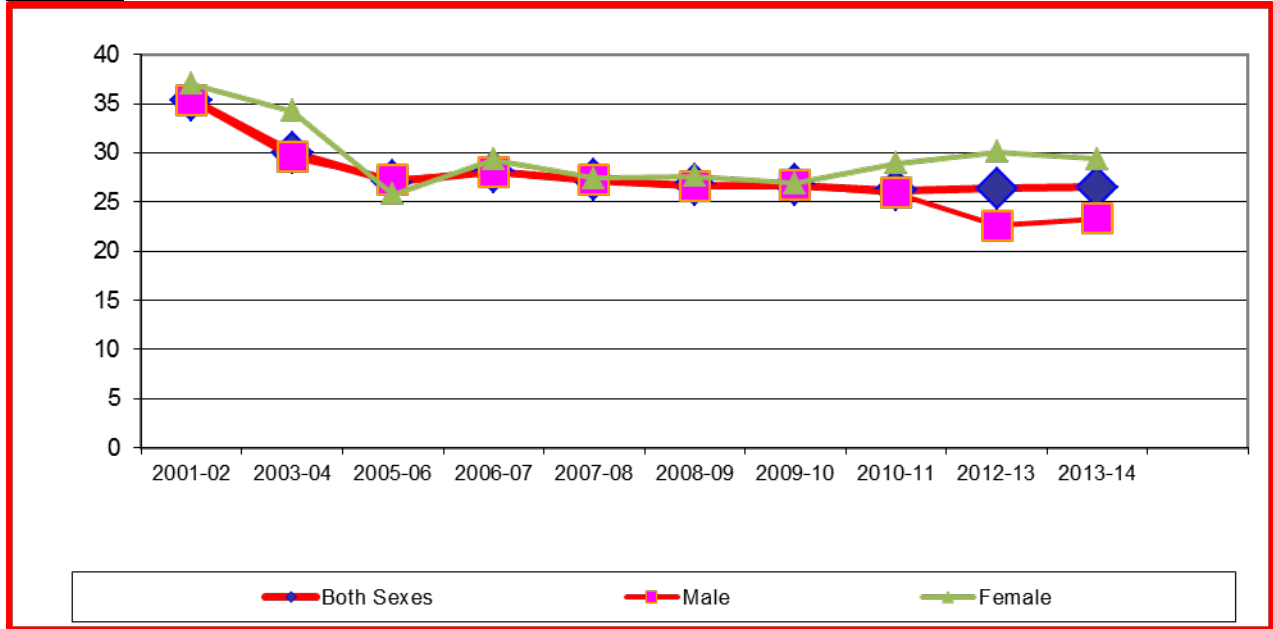
**Figure-3**



**TABLE-4 : ACTIVITY STATUS (%)-FORMAL  
Pakistan**

Years	Both Sexes	Male	Female
	2001-02	35.4	35.3
2003-04	30.0	29.6	34.3
2005-06	27.1	27.3	25.8
2006-07	28.1	28.0	29.3
2007-08	27.2	27.2	27.4
2008-09	26.7	26.6	27.6
2009-10	26.7	26.7	26.9
2010-11	26.2	25.9	28.9
2012-13	26.4	22.6	30.1
2013-14	26.5	23.3	29.4

**Figure-4**



**TABLE-5: ACTIVITY STATUS (%)-FORMAL**

**Rural**

Years	Both Sexes	Male	Female
2001-02	31.7	31.5	34.3
2003-04	27.1	26.7	30.1
2005-06	25.2	25.7	20.6
2006-07	26.9	27.3	23.4
2007-08	24.9	25.1	23.2
2008-09	23.8	24.0	22.2
2009-10	23.7	23.8	22.3
2010-11	23.5	23.8	21.0
2012-13	26.4	22.6	30.1
2013-14	26.5	23.3	29.4

**Figure-5**

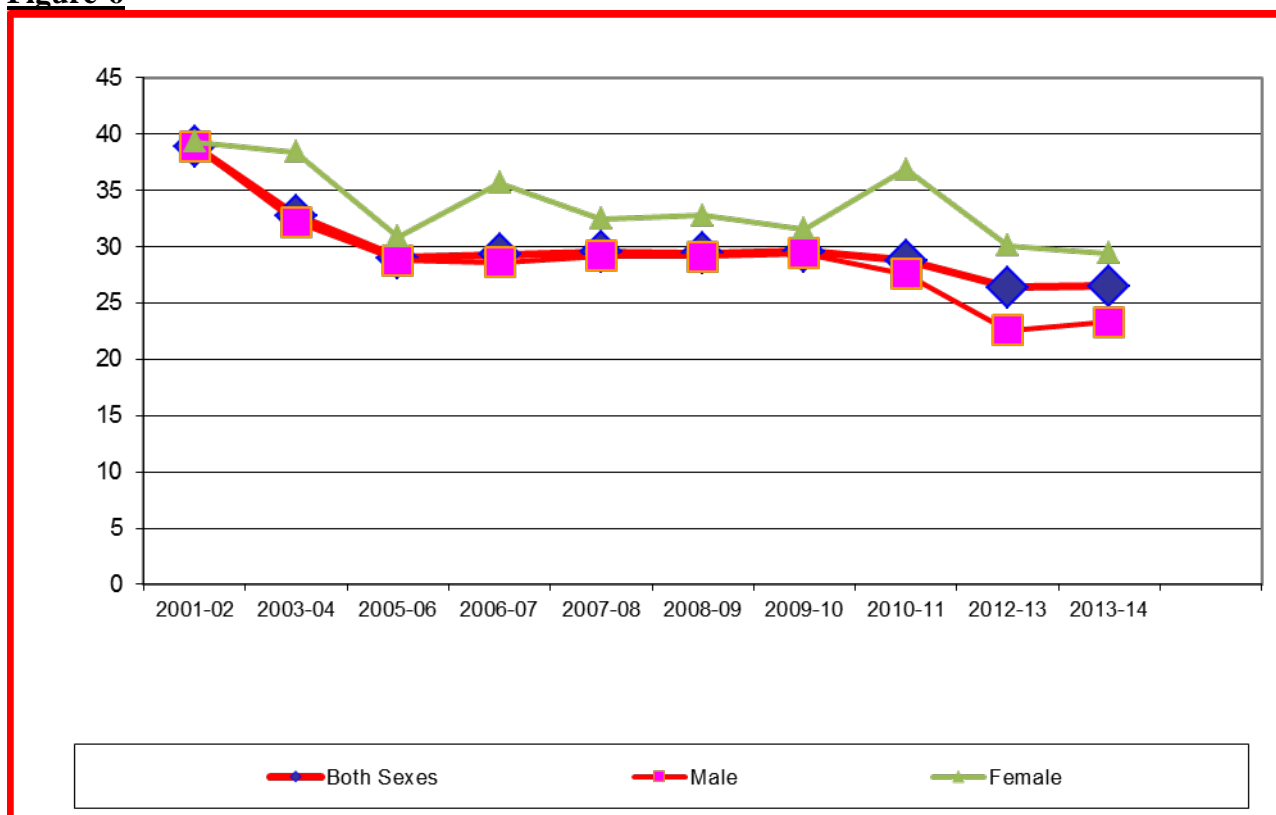


**TABLE-6: ACTIVITY STATUS (%)-FORMAL**

**Urban**

Years	Both Sexes	Male	Female
2001-02	38.9	38.9	39.3
2003-04	32.8	32.2	38.4
2005-06	29.0	28.8	30.9
2006-07	29.3	28.6	35.7
2007-08	29.5	29.2	32.5
2008-09	29.4	29.1	32.8
2009-10	29.6	29.4	31.6
2010-11	28.8	27.6	36.9
2012-13	26.4	22.6	30.1
2013-14	26.5	23.3	29.4

**Figure-6**





**TABLE-7: ACTIVITY STATUS (%)-INFORMAL**

**Pakistan**

Years	Both Sexes	Male	Female
2001-02	64.6	64.7	63.0
2003-04	70.0	70.4	65.7
2005-06	72.9	72.7	74.2
2006-07	71.9	72.0	70.7
2007-08	72.8	72.8	72.6
2008-09	73.3	73.4	72.4
2009-10	73.3	73.3	73.1
2010-11	73.8	74.1	71.1
2012-13	73.6	73.8	71.7
2013-14	73.5	73.6	72.8

**Figure-7**



**TABLE-8: ACTIVITY STATUS (%)-INFORMAL  
Rural**

Years	Both Sexes	Male	Female
2001-02	68.3	68.5	65.7
2003-04	72.9	73.3	69.9
2005-06	74.8	74.3	79.4
2006-07	73.1	72.7	76.6
2007-08	75.1	74.9	76.8
2008-09	76.2	76.0	77.8
2009-10	76.3	76.2	77.7
2010-11	76.5	76.2	79.0
2012-13	77.4	77.4	78.2
2013-14	76.7	76.4	78.5

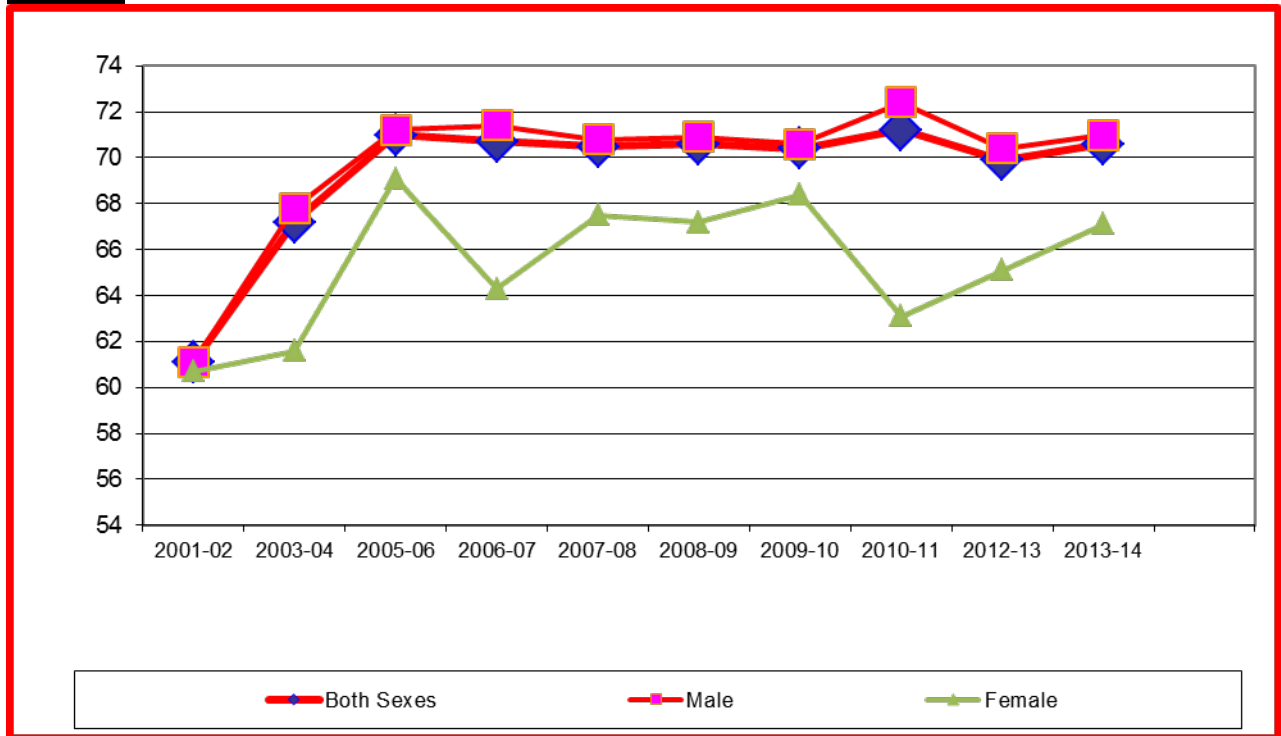
**Figure-8**



**TABLE-9: ACTIVITY STATUS (%)-INFORMAL  
Urban**

Years	Both Sexes	Male	Female
2001-02	61.1	61.1	60.7
2003-04	67.2	67.8	61.6
2005-06	71.0	71.2	69.1
2006-07	70.7	71.4	64.3
2007-08	70.5	70.8	67.5
2008-09	70.6	70.9	67.2
2009-10	70.4	70.6	68.4
2010-11	71.2	72.4	63.1
2012-13	69.9	70.4	65.1
2013-14	70.6	71.0	67.1

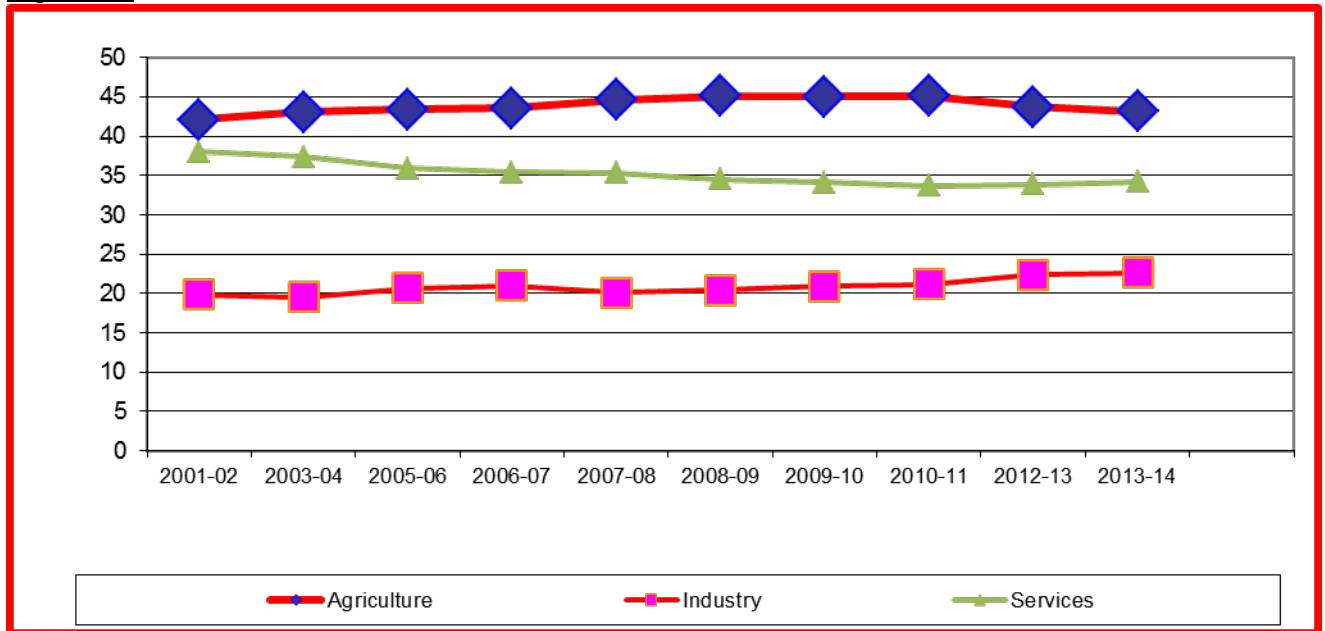
**Figure-9**



**TABLE-10: EMPLOYMENT BY SECTOR (%)-BOTH SEXES**

Years	Agriculture	Industry	Services
2001-02	42.1	19.9	38.0
2003-04	43.1	19.5	37.4
2005-06	43.4	20.7	35.9
2006-07	43.6	21.0	35.4
2007-08	44.6	20.1	35.3
2008-09	45.1	20.4	34.5
2009-10	45.0	20.9	34.1
2010-11	45.1	21.2	33.7
2012-13	43.7	22.4	33.9
2013-14	43.2	22.6	34.2

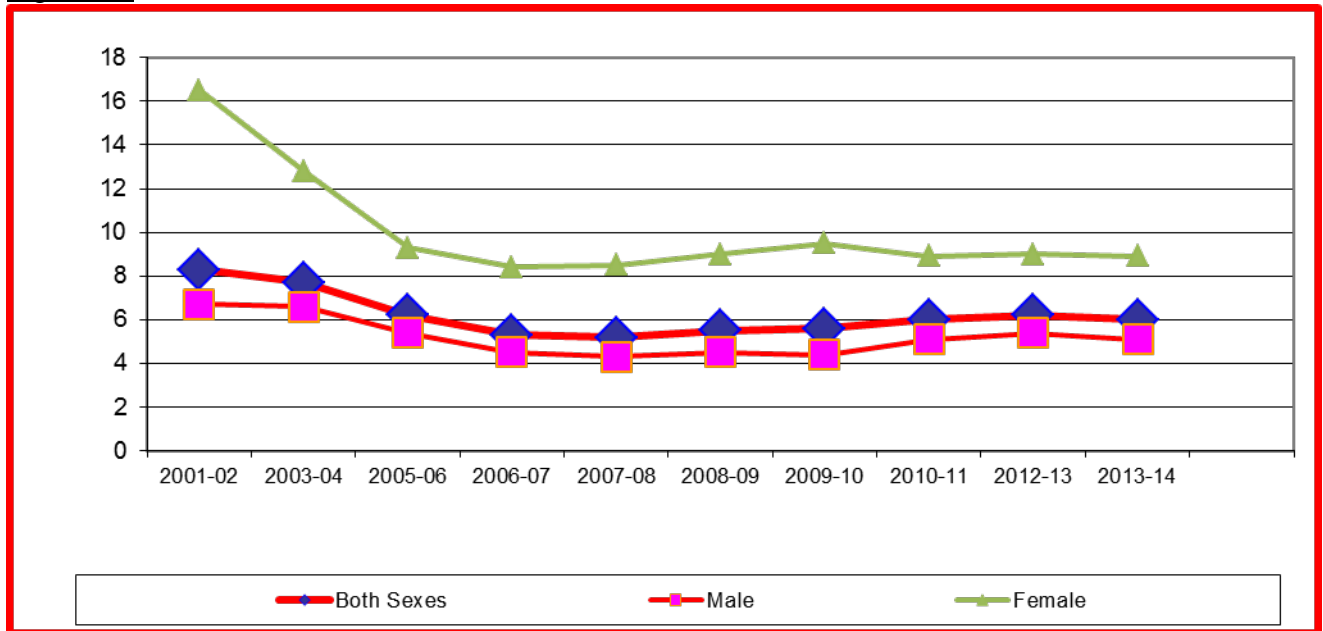
**Figure-10**



**TABLE-11: UNEMPLOYMENT RATES (%)**  
**Pakistan**

Years	Both Sexes	Male	Female
2001-02	8.3	6.7	16.5
2003-04	7.7	6.6	12.8
2005-06	6.2	5.4	9.3
2006-07	5.3	4.5	8.4
2007-08	5.2	4.3	8.5
2008-09	5.5	4.5	9.0
2009-10	5.6	4.4	9.5
2010-11	6.0	5.1	8.9
2012-13	6.2	5.4	9.0
2013-14	6.0	5.1	8.9

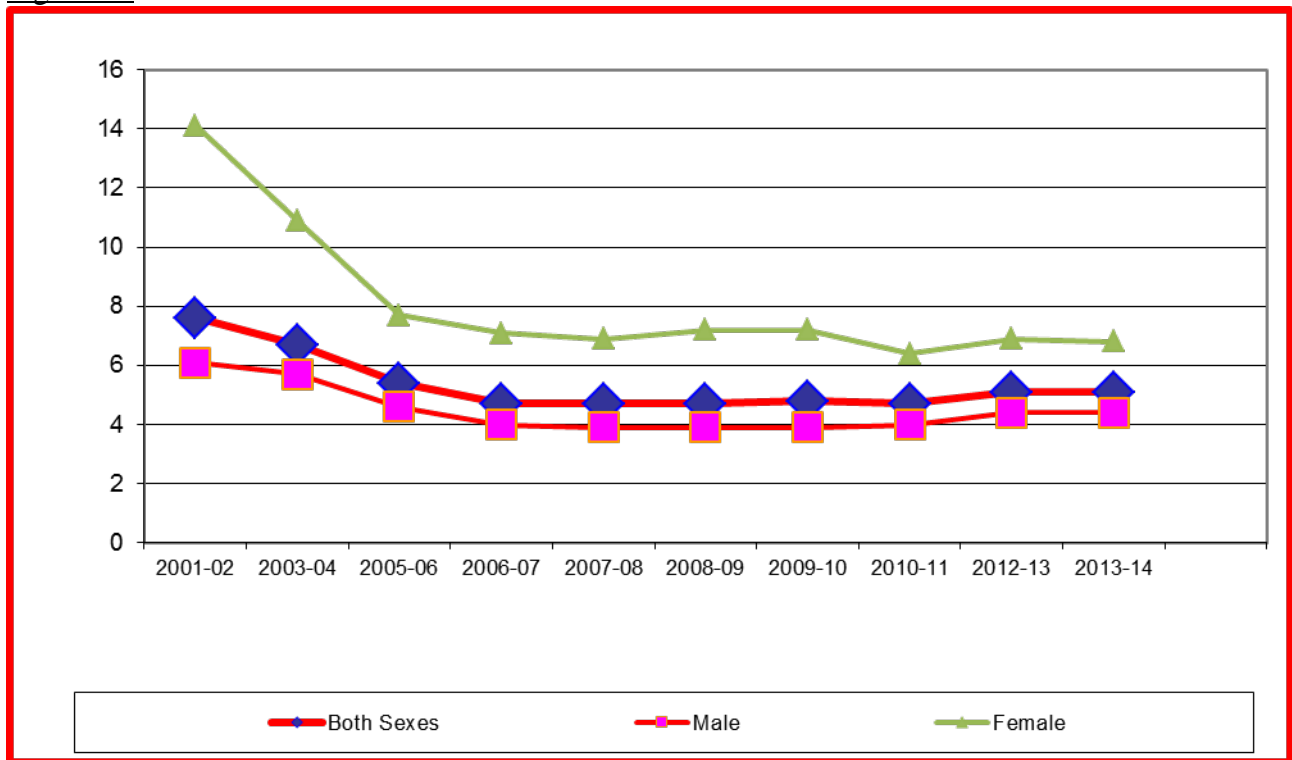
**Figure-11**



**TABLE-12: UNEMPLOYMENT RATES (%)**  
**RURAL**

Years	Both Sexes	Male	Female
2001-02	7.6	6.1	14.1
2003-04	6.7	5.7	10.9
2005-06	5.4	4.6	7.7
2006-07	4.7	4.0	7.1
2007-08	4.7	3.9	6.9
2008-09	4.7	3.9	7.2
2009-10	4.8	3.9	7.2
2010-11	4.7	4.0	6.4
2012-13	5.1	4.4	6.9
2013-14	5.1	4.4	6.8

**Figure-12**



**TABLE-13: UNEMPLOYMENT RATES (%)**  
**URBAN**

Years	Both Sexes	Male	Female
2001-02	9.8	7.9	24.2
2003-04	9.7	8.4	19.8
2005-06	8.0	6.9	15.8
2006-07	6.7	5.6	14.6
2007-08	6.3	5.0	17.7
2008-09	7.1	5.6	17.6
2009-10	7.2	5.3	20.8
2010-11	8.8	7.1	20.7
2012-13	8.8	7.3	19.2
2013-14	8.0	6.4	19.4

Figure-13

