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The *Social Science and Policy Bulletin* is published quarterly by the Mushtaq Ahmed Gurmani School of Humanities and Social Sciences at LUMS. It provides a forum for debate on economic and socio-political issues pertaining to the formulation and execution of public policy as well as its impact. The Bulletin aims to disseminate high quality research and policy-oriented work being done by social scientists. The editors of the Bulletin welcome short essays, either analytical or quantitative, that are relevant as well as intellectually stimulating.

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Editors' Note

This bulletin includes three articles by Nazam Maqbool, all drawn from the research work at the MahbubulHaq Human Development Centre, LUMS.

Using findings from the Human *Development Report 2006*, the first article sheds light on the state of water access and sanitation in Pakistan. While official statistics claim a more than 90 percent access to safe water, the population of Pakistan continues to remain vulnerable to the water and sanitation crisis. The incidence of water-borne diseases is alarmingly high at 60 percent. Further to the health costs, the economic cost of poor sanitation alone in Pakistan is estimated to be 4 percent of the GDP (World Bank Report). Sanitary conditions are even worse in informal settlements and rural areas, necessitating a pro-poor strategy and strong political commitment from the government to achieve the MDG target of sanitation.

The second article discusses the dynamics of employment and labor market in Pakistan over the three decade period of 1980-2010. While employment rate has generally kept pace with economic growth, the quality of work remains sub-standard under poor working conditions. The primary focus has been the creation of jobs in the low productivity farm sector, whereas in the non-farm sector, 7 out of 10 workers are employed in the informal economy. Labor market policies and interventions do not have sufficient, or the desired, effect. First, institutes developed for the skill development of youth under Technical and Vocational Education and Training (TVET) system have poor accessibility due to educational and monetary requirements. Second, microfinance institutions, beset with fund constraints, have not initiated enough self-employment schemes. Third, social insurance in the form of pension and provident fund schemes, covers only the formal sector. Maqbool recommends efforts to support the informal sector in rural areas, including access to finance and skills and connectivity to the urban industrial sector, to combat the prevalence of vulnerable employment and working poverty. Further, it is advised that macroeconomic policies promoting youth and female employment, in particular, should be undertaken.

The final article focuses on policy options addressing issues of hunger, poverty and malnutrition in Pakistan. It analyses food production and consumption data along with relevant social and economic indicators over a thirty year period of 1980-2010. Maqbool suggests that despite sufficient food availability and reasonable economic growth, malnutrition and hunger, especially among women and children, have increased. High incidence of poverty and increasing income inequality explains this trend. Food inflation and decline in real wages across various sectors have further aggravated this problem. The author then analyses different poverty reduction and social security strategies employed during the period under review. He suggests that only pro-poor policies can make Pakistan nutritionally self-sufficient and food secure. For effective implementation, strong political commitment and governance system empowering local bodies are imminent. Moreover, social security nets prioritizing poor citizens and rural development schemes can help overcome hunger and malnutrition. According to the author, women empowerment can also contribute towards achieving a nutritionally rich Pakistan.

In his brief comments over the Economy and People, a report by MahbubulHaq Human Development Center, Syed Turab Hussain points out certain interesting assessments and conclusions drawn upon the comparison of indicators in the South Asian region. He comments that the report manages to show how Pakistan is turning towards becoming a 'ghetto' economy of the region and the Indian dream of becoming a global economic power rests heavily on the political and economic stability of Pakistan.

The Revealing Facts section examines basic human development indicators over a period of three decades ending in 2010 with respect to India, Pakistan, Bangladesh, Afghanistan, Sri Lanka, Nepal, Bhutan and the Maldives. The statistical table shows that while population growth rates and gender inequality have declined in all the countries, life expectancy, literacy rates and the Human Development Index (HDI) have improved consistently.

The Health Impacts of Inadequate Water Supply and Sanitation in Pakistan

by MahbubulHaq Human Development Centre

Abstract: In Pakistan, the official statistics show the number of people with access to safe water in excess of 90 per cent, however almost all cities are reporting impure drinking water and rural areas are facing the problem of the contamination of water. This is resulting in the high prevalence of water-borne diseases. About 60 per cent of the population of Pakistan is affected by an illness or disease directly linked to unsafe or too little water, poor or no sanitation, or faulty management of water resources. The provision of adequate water and sanitation services is a pro-poor strategy and is inevitable for the achievement of Sustainable Development Goals in order to decrease poverty and improve human development. There is need for a political commitment at the highest level of the government to address the issue on an urgent and emergency basis.

Provision of safe drinking water and improved sanitation facilities is necessary to ensure a healthy population. According to the *Human Development Report 2006*, water and sanitation are among the most powerful preventive medicines to reduce infectious diseases.[1] In Pakistan, the human right to water has been recognized constitutionally, legislatively and judicially, however the implementation of the right seems an unfulfilled dream. While access to safe water and sanitation has improved in the country, the high incidence of water-borne diseases poses doubt over the quality of these services. The majority of the population in the country is exposed to the hazards of drinking unsafe and polluted water. Insufficient attention to wastewater treatment and disposal in urban areas is also causing severe health issues.[2]

This paper discusses the health impact of access to drinking water and sanitation. It particularly addresses the following questions:

- What is the state of access to water and sanitation in Pakistan?
- How has access to water and sanitation affected health?
- What are the main challenges of the water and sanitation crisis in Pakistan?
- How these challenges can be addressed?

State of water and sanitation in Pakistan

The country had been on track to achieve the Millennium Development Goal (MDG) target for access to safe drinking-water (see table 1). However, this data relates to sources of water rather than safety levels. The country faces the issues of water quality, as almost all cities report impure drinking water supplies. According to a study, in Punjab, the province with the highest number of people, 79 per cent of water collected is unsafe for drinking.[3] The situation is even worse in informal settlements and rural areas. However, the country had not been on track to achieve the MDG target of sanitation. About 43 million people defecate in the open, and the improved sanitation goal may not be met until 2027.[4] Gaps in access to water and sanitation are significantly inter-related. Water pollution from a poor sanitation system or lack of such facilities can undermine the human development benefits of improved access to drinking water.

Impact on health

The water and sanitation crisis, both in terms of quantity and quality, has far-reaching

Table 1: State of drinking water and sanitation in Pakistan

(Government of Pakistan) 2013-14				UNICEF (2014)			
	Urban	Rural	Total		Urban	Rural	Total
Drinking water							
PW, HP, MP, DW*	88	90	90	Improved	96	89	91
Others	12	10	10	Unimproved	4	11	9
Sanitation							
Flush	98	61	7 4	Improved	72	34	48
Non-flush	1	13	9	Shared	6	6	6
No toilet	1	26	17	Other	18	26	23
…	…	…	…	Open defecation	4	34	23

*Note: *: PW means piped water, HP shows hand pump, MP indicates motor pump and DW reflects drug well.*
Sources: GOP 2015 and UNICEF and WHO 2014.

repercussions for human health. This has devastating consequences for the poor, children and women, especially living in urban slum areas and in rural areas. Water-borne diseases are largely preventable by good sanitation and hygiene and a sufficient and safe water supply.

Children: Water and sanitation is responsible for a large share of deaths among children in Pakistan. About 97,900 children die every year due to water-borne diseases. Diarrhoea alone accounts for 54,000 deaths among children under-five which means every hour more than five children die because of diarrhoea.[5] The situation is worse in slum areas. For instance, in 2006 the prevalence of diarrhoea among children was 23 per cent in slum areas of the country compared to 21 per cent in non-slum areas. [6]

Life cycle impacts: Diarrhoea among children leads to malnutrition and vitamin deficiency. While malnutrition also makes children vulnerable to diarrhoea. Overall, water-borne diseases impact health and learning abilities of children with life-long effects in the form of physical and mental weakness. This results in decreased learning capacity and increased chances of poverty.

Girls and women: Poor access to drinking water and improved sanitation facilities has devastating consequences for the health and well-being of girls and women. Compared to men, women face the higher burden of such deprivations. They have to travel long distances to collect water which not only affects their health but also their education and earning potential. Besides direct effects for women and girls, poor access to water and sanitation services also impacts future generations. As such diseases transmit from mothers to children.

Broader health consequences: More than three million people in Pakistan suffer from water-borne diseases every year while 0.1 million die.[7] Overall, about 60 per centof people in Pakistan are suffering from one or more of the main diseases associated with inadequate provision of drinking water and improved sanitation.[8] These diseases are diarrhoea, guinea worm, trachoma, and schistosomiasis. They fill about one-third of hospital beds and account for about 40 per cent of all deaths in the country.[9] Recently, Pakistan

has also seen the emergence and resurgence of diseases like polio, dengue fever, and hepatitis A and E.

Financial costs: Beyond the human costs, the financial repercussions of dirty water and poor sanitation are immense. According to the World Bank's report on *The Economic Impacts of Inadequate Sanitation in Pakistan,* the economic cost for poor sanitation alone in Pakistan is four per cent of GDP.[10] This cost is seven times higher than the national health budget and 3.5 times the national education budget. All such costs and related human health impacts can be avoided by improving investment in water and sanitation services. This will not only improve health outcomes in terms of reduction in infectious diseases but will also have benefits in the form of decrease in poverty, increase in productivity and rise in economic growth. According to the *Human Development Report 2006*, every US$1 invested in water and sanitation sector in developing countries creates US$8 in terms of costs averted and productivity gained.[11]

Main challenges

The water and sanitation sector in Pakistan is facing a number of issues and challenges which needs to be addressed effectively.

Complex institutional framework: There is no focal authority to handle the issues of water and sanitation in urban, rural and slum areas of Pakistan. A number of agencies and entities such as ministries of health, environment, water, climate change, industry, agriculture, food security, etc., are involved in addressing the provision of water and sanitation services. Water and sanitation sector policies are in place at the national level and even in some provinces such as the National Drinking Water Policy 2009 and National Sanitation Policy 2006; however, there is lack of clarity about the coordination mechanism and responsibilities among relevant institutions along with poor accountability mechanism. Moreover, the policies have been failed due to shortage of financial resources and lack of localized solutions.

Low spending: Despite high returns on investment in the sector and a very high cost benefit ratio, the level of public spending has been low. Although in absolute terms, the expenditures on water and sanitation sector increased from Rs.4.6 billion in 2002 to Rs.36.6 billion in and decreased to Rs.32 billion in 2014, they are very low compared to the requirement.[12] According to the Human Development Report 2006, developing countries should spend 1 per cent of their GDP on water and sanitation while in Pakistan this ratio is only 0.1 per cent (in 2014).[13]

Political leadership and ownership: Low priority of the sector shows the neglect of the political leadership to recognize the potential of the sector for not only wider health benefits but also for poverty reduction. This shows the inability of the policy makers to focus on the issues of the poor, children and women. The experience of the developed countries shows that the incidence of infectious diseases has become almost negligible due to significant improvement in water and sanitation services, resulting in considerable decline in infant mortality rates and increase in life expectancy.

Poor quality of water and sanitation services: According to the *Economic Survey of Pakistan 2012,* the majority of the population in the country is exposed to the hazards of drinking unsafe and polluted water from both surface and groundwater sources.[14] In the absence of sanitation and waste management facilities, much of the wastewater, raw sewage and solid waste are discharged into

surface water. The groundwater is also found to have arsenic fluoride and bacterial contamination. Similarly, the population getting piped water runs through the risk of contaminated water. The quality of sanitation services is also poor with most of the latrines having unhealthy conditions. A national level study has found no difference in the frequency of diarrhoeal episodes between households with latrines and without latrines.[15] Poor quality water and unhealthy latrines or lack of sanitation facilities undermine the health benefits of improved water and sanitation and worsen the situation.

Inefficient infrastructure: Political dynamics play a crucial role in access to water and sanitation in Pakistan. Planned areas and settlements get access to filtered water and improved sanitation and solid waste system. However, majority of the people, especially living in slums and rural areas, face problems in the form of irregular supply of water, illegal connections of water, leakage of water, and mixing of water and sanitation pipelines.

Changing conditions: Increasing population, faster urbanization and increasing competition among economic sectors for the use of water are going to put pressure on water and sanitation systems. Climate change is expected to worsen water-borne diseases by affecting the supply, quality and infrastructure of water, and sanitation systems.[16]

Water or sanitation?: Although access to water has increased and the country had been on track for MDG of access to water, at least in terms of quantity, however lower access to sanitation undermines this. The role of improved and healthy sanitation is crucial for reduction in water-borne diseases. Moreover, it is impossible to ensure access to safe water without access to improved sanitation facilities. So, the government has to focus on both safe water and improved sanitation at the same time.

Policy recommendations

- **Political commitment:** The government needs to give priority to the water and sanitation sector at federal, provincial and local levels by increasing political backing and preference for the provision of safe water and hygienic latrines in urban, rural and slum areas.
- **Focal institution with better coordination:** There is need for the formation of a single focal institution for drinking water and sanitation. This institution should have a strong coordination with all the relevant ministries, departments and institutions.
- **Provincial level initiatives with clear and attainable targets:** All the provinces should have clear vision, strategy and plans for drinking water and sanitation under the guidance, supervision and assistance of the federal government. The plans should be based on clear and attainable targets, and sufficient financial allocations and proper utilization of funds.
- **Increase in financial allocation:** Besides creating proper institutional environment, the government needs to increase the allocation of funds for the sector with an objective to not only prevent infectious diseases but for wider human development and economic growth benefits. As per the Sector Status Report of 2012, the country needs Rs.268 billion or US$2.7 billion to achieve the target of 100 per cent improved sanitation services, which is eight times more than the water and sanitation sector allocation of Rs.32 billion in 2014.[17]
- **Integrated approach for water and sanitation:** There is a need to have an integrated approach for both safe water and sanitation services with focus on improved governance and better infrastructure to maximize the health benefits.

- **Effective local level governance system:** There is also need to empower local governments, both financially and administratively, to ensure that they have capacity to deliver water and sanitation services in accordance with guidelines from the provincial and federal governments. This should be based on local solutions and local ownerships by ensuring the involvement of local communities in the decision making and planning process.
- **Comprehensives:** Besides quantitative assessments, there is need to ensure the quality, reliability, safety, easy access and sustainability of water and sanitation services.
- **Role of media and civil society:** The role of media and civil society is crucial in raising the awareness about the importance of the provision of water and sanitation services, among the policy makers, politicians and the people.

This paper is drawn on the research work at MahbubulHaq Human Development Centre. The author, Nazam Maqbool, is a senior research fellow at MahbubulHaq Human Development Centre.

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Notes

[1] UNDP 2006.
[2] See MHHDC 2013 and 2014 for a detailed discussion of water pollution.
[3] Tahir et al. 2011.
[4] Khisro 2014.
[5] Sahi 2013.
[6] UN-Habitat 2010.
[7] Haydaret al. 2009.
[8] GOP 2009.
[9] Haydaret al. 2009.
[10] World Bank 2011.
[11] UNDP 2006.
[12] GOP, *Annual Report: The State of Pakistan's Economy* (various issues).
[13] UNDP 2006.
[14] GOP 2012.
[15] UN-Habitat 2010.
[16] See MHHDC 2013 for detailed discussion on the impact of climate change on water and health.
[17] GOP, *Annual Report: The State of Pakistan's Economy* (various issues) and Sahi 2013.

The Dynamics of Employment and Labour Market in Pakistan: 1980-2010

by Mahbubul Haq Human Development Centre

Abstract: Over the last three decades, economic growth in Pakistan has resulted in the creation of sufficient number of employment opportunities. However, the country faced issues with respect to the quality of work. Despite the formulation of numerous labour market policies and programmes, a majority of workers are employed in low productivity jobs and are working in poor working conditions. There is a need for pro-poor economic growth framework that ensures not only the creation of jobs but also improves the quality of work.

Pakistan's economic growth has been accompanied by simultaneous increase in employment opportunities, resulting in a low level unemployment rate. However, given the high prevalence of low quality jobs, this does not represent the true picture. Most employment opportunities have been created in the low productivity farm sector. In the non-farm sector, 7 out of every 10 workers are employed in informal activities. Youth and women are among the most vulnerable in the labour market. The paper addresses the following questions:

- What has been the experience of Pakistan in raising economic growth with more and better jobs over the three decades (1980-2010)?
- What has been the role and impact of labour market laws, policies and programmes?
- How can the government play an efficient role in a labour-intensive growth strategy?

Trends in employment

Employment and unemployment rates

Over the last three decades, the economy of Pakistan has grown at an annual rate of 5.1 per cent. Both the labour force and the employment increased at the same rate of 2.6 per cent per annum between 1979 and 2010, indicating the creation of sufficient number of jobs. Resultantly, the unemployment rate remained at a low level of 5.6 per cent in 2010 (see table 1). During the three decades, the share of industry and services in total employment increased from 47.3 per cent to 55.0 per cent, while that of agriculture decreased.

Despite the low overall unemployment rate, youth

Table 1: State of drinking water and sanitation in Pakistan

	Absolute value		Annual change (%)
	1979	2010	1979-2010
GDP (Rs. billions)	1,871.9	8,801.4	5.1
Civilian labour force (age 10+) (millions)	24.5	54.9	2.6
Employed (age 10+) (millions)	23.6	51.9	2.6
Unemployment rate (age 10+) (%)	3.6	5.6	3.8

Sources: GOP, *Labour Force Survey (various issues), Economic Survey of Pakistan* (various issues) and MHHDC computations.

and women still appear to be disadvantaged with high unemployment rates.

Youth employment: With 28 per cent and 27 per cent share in the total labour force and the total employed respectively, the youth (aged 15-24 years old) accounted for 42 per cent of the total unemployed in 2010 which are higher than the values in 1979.[1] They not only have the highest rate of unemployment among all the age groups, but their unemployment rate increases with an increase in educational achievements. This phenomenon reflects the mismatch between skill demand and supply, as well as a gross misallocation of scarce resources. In 2010, the unemployment rate was 8.9 and 7.9 per cent among the youth in the age brackets of 15-19 years and 20-24 years, as compared to 5.6 per cent and 5.0 per cent respectively in 1988. High unemployment, especially among the educated, pushes the youth to migrate to countries with better job opportunities and higher earnings. Pakistan has the highest rate of skilled emigration (12.7 per cent) in South Asia only after Sri Lanka.[2]

Employment of women: Over the last three decades, the share of female in total labour force and employed has increased significantly due to more employment opportunities in the modern service sector. However, the female labour force participation rate in Pakistan (21.5 per cent in 2010) is the lowest in South Asia only after Afghanistan. Despite low labour force participation rate, the unemployment rate of women (9.5 per cent in 2010) is more than double the unemployment rate of men (4.4 per cent).[3] Overall, women work for more hours than men, but their non-market work is not counted in the system of national accounts.

Quality of employment

In Pakistan, the official unemployment rate does not reflect the true picture of the labour market. The lack of social protection forces the low skilled and the poor to undertake any form of work for their survival. Therefore, it is more meaningful to assess the nature of work, earnings and working conditions instead of unemployment rate. Job quality can be determined by calculating the United Nations (UN) indicators of vulnerable employment, working poverty, labour productivity and informal employment.

Vulnerable employment: In Pakistan, vulnerable employment—defined as the share of own-account and unpaid family workers in total employment—decreased to 63.3 per cent in 2010 compared to 71.0 per cent in 1979, indicating an increase in wage employment.[4] However, in the country, 6 out of every 10 workers are still working in vulnerable jobs. Workers in vulnerable employment are less likely than wage employees to have formal working arrangements, be covered by social protection systems such as pensions and health insurance, or have regular wages.

Women are over-represented in this category. In Pakistan, the vulnerable employment rate reached 79.9 per cent for women compared to 58.7 per cent for men in 2010.

Working poverty: Besides a high share of vulnerable employment, working poverty also prevails at a very high level in Pakistan. Based on the US$2 a day international poverty line in 2005, 56.4 per cent of total workers were categorized as working poor. The poor fared better in the 2000s as compared to the 1990s. Although the prevalence of working poverty declined, yet 35.7 per cent of total workers in Pakistan were living at

the edge of working poverty (between US$2 and US$4). This indicates that only 7.9 per cent of the total workers were out of working poverty range (more than US$4).[5]

The fall in working poverty is attributed to an increase in wages. In Pakistan, real wages have increased over the last two decades across sectors. Between 1991 and 2010, real wages increased by 1.1 per cent annually. The increase was the highest in the sub-sector of electricity, gas and water (2.8 per cent), followed by construction (1.0 per cent), transport (1.0 per cent), and financial sectors (0.9 per cent). Agricultural sector wages decreased by 0.2 per cent, indicating lower productivity of workers and insufficient mobility of workers from the farm to the non-farm sector due to insufficient employment opportunities. Wages in manufacturing rose by 0.4 per cent only.[6]

Labour productivity: In Pakistan, real output per worker increased from US$6,550 to US$7,443 between 1991 and 2010, growing at an annual rate of only 0.7 per cent.[7] However in terms of global labour productivity, the average Pakistani worker produces half the output of her East Asian counterpart, 94 per cent of South Asia, 67 per cent of developing countries, and 41 per cent of the world average.

A low level of productivity is attributed to a higher share of employment in the farm compared to the non-farm sector. Despite significant structural transformation, about half of the country's total workers (45.0 per cent in 2010) remain employed in agriculture.[8] Agricultural productivity is significantly lower compared to the industrial and service sectors. In Pakistan, productivity in the industrial and service sectors for 2008 was 2.9 and 3.3 times that of the farm sector respectively.[9]

Informal employment: The incidence of informal employment is not only high, but has also increased over time. In Pakistan, 73.3 per cent of workers were employed in informal activities in the non-farm sector in 2010 compared to 67.8 percent in 1998.[10]

Labour market laws, policies and programmes

Pakistan has formulated various laws, policies and programmes for the protection of workers' rights and the provision of decent employment. A number of employment generation programmes have also been initiated for skill enhancement, provision of microfinance, short-term employment and social insurance. There have been mixed results with respect to the effectiveness and the success of these initiatives.

Labour laws: The Constitution of Pakistan recognizes the right to work and decent living. The country has ratified all International Labour Organization (ILO's) fundamental conventions. A number of national and provincial level laws and policies also address labour market issues. The national level policies are Labour Policy 2010, draft Emigration Policy 2013 and the Vision 2025. The provincial level initiatives include the Punjab Youth Policy 2012, the Home-based Workers Policy drafts in Punjab and Sindh, and the Social Protection Policy draft in Khyber Pakhtunkhwa (KPK). Promulgated labour laws include the Industrial Relations Act 2009, the Sindh Industrial Relations Act 2013, and the KPK Industrial Relations Act 2010. In practice, however, ratification of ILO conventions and the formulation of laws and policies is but a first step in addressing labour market issues. There is limited enforcement capacity, and it has been difficult to protect the rights of workers due to large informal employment.

Pakistan's labour market programmes can be grouped into four broad categories: a) training; b) microfinance for self-employment; c) public works; and d) social insurance for workers.

Skill development: The formal technical and vocational education and training (TVET) system in Pakistan has poor accessibility due to educational and monetary requirements. The system also lacks adequate capacity to induct new students. There are 1,647 TVET institutes in Pakistan with an enrolment capacity of 315,000 students. The government is introducing more programmes to increase enrolment. However, given that Pakistan's labour force is increasing by 1.8 million (as of 2014), access is very limited.[12] According to *Pakistan's New Growth Strategy 2011*, less than six per cent of the youth has acquired technical skills through the TVET system, and only 2.5 per cent of them have received in-service training.[13] The formal system is characterized by low coverage, poor quality, and insufficient linkage with industry. The most widespread method of training is the informal system, commonly known as the *ustad-shagird* system (master-apprentice). A survey has revealed that skill acquisition through apprenticeship is twice that of the formal system.[14]

Microfinance: Microfinance has been an important source of self-employment. Microfinance banks, microfinance institutions and rural support programmes provide small loans to the poor. In 2010, about 2.0 million people in Pakistan borrowed from microfinance organizations which is very low compared to India (22.6 million) and Bangladesh (30.0 million).[15] The main constraints in Pakistan have been funding limitations, insufficient organizational capacity, high operating cost to loan ratio (22 per cent), and lack of diversification and expansion.[16]

Public works: Public works programmes are used to create income-earning opportunities for low-income workers. Such programmes have been most successful in India (Mahatma Gandhi National Rural Employment Guarantee Act) and Bangladesh (Employment Generation for the Poorest Programme). Pakistan also has a long history of programmes to provide temporary employment through construction projects. The *Khushhal* Pakistan Programme and the *Tameer-e-Watan Programme* (1991-99) were operated during the tenures of different governments. Currently, one such programme—the People's Work Programme I and II—is operational. In 2012, expenditure on the People's Works Programme I was Rs.4.3 billion or 0.02 per cent of GDP.[17] The budget for People's Works Programme II was Rs.33.6 billion or 0.16 per cent of GDP. In 2009, 132,207 jobs were created through 2,288 such development schemes.[18]

Social insurance: In Pakistan, pension and provident fund schemes cover only formal sector workers, while the informal sector is excluded. The *Pension scheme for retired government employees and soldiers* involves an estimated outlay of Rs.215 billion as projected for 2015, financed partly by employee contributions. Of this, 76 per cent is for retired military personnel and 24 per cent is earmarked for retired civil servants.[19] In 2010, the scheme benefitted 344,315 and 145,731 individuals in Punjab and Sindh, with a budget of Rs.18.7 billion and Rs.12.8 billion, respectively.[20]

A large number of schemes also cover private sector workers. For instance, the *Employees' Old Age Benefits Institution* insured 5.8 million workers in 2014 compared to a mere 8,807 in 1977.[21] The scheme is financed by employers, income from investment and donations. The *Employees Social Security Institutions* are

administered by provincial governments. In 2010, the scheme covered 1.3 million workers working in 70 thousand establishments, with a disbursement of Rs.5.5 billion.[22] The *Workers Welfare Fund* aims to finance projects for the establishment of housing schemes for industrial workers, as well as other welfare measures in the areas of education, training, marriage and death grants, and scholarships for higher education. In 2012, the scheme benefitted 21,775 people, with a disbursement of Rs.1.5 billion.[23]

Policy recommendations for employment generation in Pakistan

Around two-thirds (64 per cent or 121 million in 2015) of Pakistan's population is under the age of 30 years.[24] These young people could prove valuable in the country's quest for sustainable economic growth, if they are provided with education, health and employment. It is projected that in Pakistan, the proportion of working age population (aged 15-64 years) will reach a peak of 66.6 per cent in 2050 (from 60.5 per cent in 2015).[25] This means that the working age population will continue to increase in the country over the next three decades and a half. Considering the fact that the country will add about 1.4 million (at the current rate) new entrants per annum to the labour force, the country has a dual challenge: firstly, it has to create sufficient jobs and secondly, it has to improve the productivity of workers. To address these twin challenges, the following policies are a step in the right direction.

Political commitment: A strong political commitment is needed to make employment creation the main objective of a people-centered growth strategy. Much can be learned from the experience of East Asia. Singapore adopted a development framework based on labour-intensive manufacturing industries in the 1960s. China's 12th Five Year Plan (2011-15) calls for strengthening of the social welfare system, prioritising job creation and improving income distribution. Similarly, the Philippines Development Plan 2011-16 seeks to ensure that growth is inclusive, leads to productive job creation and contributes to poverty reduction.

Macroeconomic policies: The current policiesin Pakistan have an explicit focus on employment creation. Such policies have increased economic growth at the expense of unemployment among the youth and women. Despite increased employment opportunities, a majority of workers are engaged in low quality work. Macroeconomic policy needs to protect public sector development expenditure, increase spending on farm sector research and extension activities to improve the productivity of small farmers, and develop the rural non-farm sector by providing access to finance, skills and connectivity to the urban industrial sector.

Investing in worker's skills: Pakistan has very few people with the technical skills required to produce goods and services to compete in the world. The country needs to improve both the quantity and quality of education at every level. These opportunities have to be provided irrespective of gender, caste, ethnicity or income level. There is a particular need to upgrade the skills of the youth in accordance with the demand in national and international job markets. Pakistan can learn from the experience of Republic of Korea, Singapore, Malaysia and China. They improved the skills of their people in accordance with demand in the market, who then contributed to the economic growth process. The country also needs to focus on nutrition, health, safe water and improved sanitation to increase the productivity of the workforce.

Expanding opportunities for women: Women comprise half of the population in Pakistan. However, Pakistani women have one of the lowest labour force participation rate in the world. This may be attributed to low educational attainments, cultural obstacles and poor access to productive resources. Moreover, among employed women, the majority are employed in the farm sector and informal non-farm sector. There is a need to not only increase the basic literacy of women, but also to provide them with market relevant skills, and access to land and capital. Also, they should be provided equal job opportunities in all occupations. This will empower them economically, politically and socially. The increased involvement of women in the information technology and business process outsourcing (IT-BPO) sector in India and readymade garments sector in Bangladesh, shows that women can be provided high productivity non-farm jobs given proper education, training and freedom of choice.

Supporting the informal sector: The informal sector is a source of employment for the majority of workers in Pakistan. An increase in the productivity and working conditions of the informal sector is critical. This will also reduce the prevalence of vulnerable employment and working poverty. Currently, informal employment mostly remains outside the purview of regulations that govern the protection of labour and society. The country needs to formulate and implement policies in a way to effectively address the dimensions of informality. Efforts are required on two fronts. *First*, programmes and plans have to be formulated to improve the earnings and working conditions of those likely to remain in the informal sector for a significant time. *Second*, a mechanism needs to be developed to increase the formalization of the economy and employment, to encourage labour to move out of the informal economy. Pakistan can learn from the successful experience of Brazil, which has used both these options to address the issues of informal employment.

Protection of labour rights and implementation of laws: Pakistan has ratified all of ILO's conventions related to labour rights. Also, the country has a number of laws and policies in place to address issues of the labour market. However, these apply to formal sector workers only. There is a need to implement all these laws and policies, not only in the formal sector, but also in the informal sector equally for the youth, children, minorities, disabled and adults. Also, there is a critical need to expand the social protection system to all workers.

This paper is drawn on the findings of Human Development in South Asia 2015: The Economy and the People. The author, Nazam Maqbool, is a senior research fellow at MahbubulHaq Human Development Centre.

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Notes

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Food Security in Pakistan: Challenges and Response

by MahbubulHaq Human Development Centre

Abstract: During the last thirty years (1980-2010), Pakistan has produced enough food to ensure food availability for all. However, the county has failed to translate this achievement into sufficient reduction of hunger, poverty and malnutrition. This is attributed to unequal access to food due to low purchasing power. Pakistan needs to focus on pro-poor and inclusive growth policies with high level of political commitment to reduce food insecurity. The paper suggests ways and policy options to address the issues of hunger, poverty and malnutrition.

Food security is a pre-requisite for human development, yet economic growth alone, while necessary, is not a sufficient condition for either. The character and distribution of growth are just as important. Over the last three decades, Pakistan experienced economic growth of over five per cent per annum. A sufficient increase in food production has ensured adequate food availability to meet nutritional requirements, with poverty, hunger and malnutrition falling accordingly. However, income inequality has increased in the country, undermining the positive impact of growth on the alleviation of poverty, hunger and malnutrition. Despite a marked increase in food production and availability over the past three decades, 6 out of every 10 people in Pakistan are food insecure and do not have enough to eat. More than four out of every ten children are stunted (low height for age), three in ten are underweight (low weight for age), and 15 per cent are wasted (low weight for height). Similarly, about half of the women are suffering from anaemia. In addition, one in three people live below the national poverty line in Pakistan.

This paper addresses following questions:

- What has been the state of food security in Pakistan over the last 30 years (19080-2010)?
- What has been the role of poverty reduction strategies and policies for the reduction of hunger, poverty and malnutrition?
- Have social safety nets improved the food security of people?
- How can the country formulate a growth policy that ensures food security for all?

Food production, availability and access

Over the last three decades, food availability has increased at a reasonable rate. The country has enough food for people to meet their minimum energy requirements. However, the majority of people lack money to purchase sufficient quantities of nutritious food. This is evident from the high levels of malnutrition, hunger and poverty in Pakistan.

Food production: Pakistan has sufficient capacity to ensure food availability for all of its residents. Over the last three decades (1980-2010), food production and availability has increased. For instance:[1]

- The agricultural sector output grew at an annual rate of 5.1 per cent.
- Total food grain production increased by 2.6 per cent per annum.
- All food items such as cereals, pulses, milk, meat and eggs increased.
- Per capita net food production increased by 1.0 per cent per annum.
- As a result, per capita food availability also

increased from 2,302 kcal/person/day to 2,415 kcal/person/day, which is higher than the minimum requirement of 2,350.

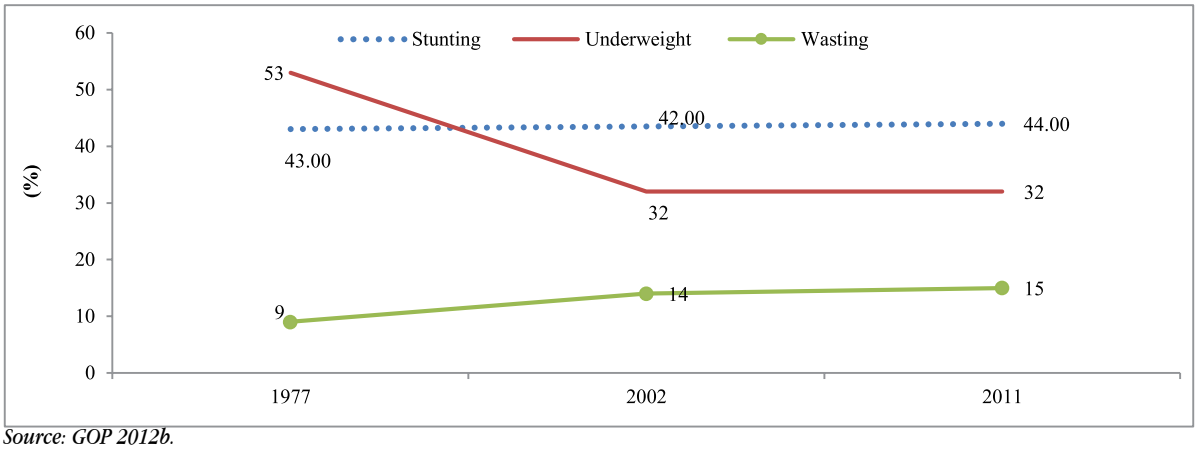
Sufficient availability and production of food has been attributed to sustained and high growth of agriculture. This fact has been emphasized in various policy documents. The focus has been on increase in farm sector productivity to ensure food security. The main objectives have been food self-sufficiency, stable food prices for consumers and suitable prices for farmers. A number of measures have been used for this purpose such as direct subsidies, price controls, minimum support prices, restrictions on the movement of food and agricultural goods, etc.

Nutrition: While food availability has improved, the indicators of malnutrition and hunger show a different picture. They remain very high especially among children and women. The nutritional status of the population appears to have stagnated, or perhaps even deteriorated, with variations between rural and urban areas and among provinces, with women receiving less nutrition than men.

Between 1977 and 2011, the stunting rate among children under-five increased from 43 to 44 per cent, the wasting ratio also rose from 9 to 15 per cent, while the percentage of underweight decreased from 53 to 32 per cent in 2002 but remained stagnant after that (see figure 1). Micronutrient deficiency is also very high. The prevalence of anaemia among children under-five decreased marginally from 65 to 62 per cent between 1987 and 2011. While the prevalence of anaemia among pregnant women increased from 49 to 51 per cent between 1990 and 2011. Overall in 2011, 58 per cent of people in Pakistan were food insecure compared to 38 per cent in 2003.[2]

Notwithstanding high economic growth, ample food production and reduction in food insecurity, Pakistan underperforms on child nutrition indicators compared to average value for South Asia and other regions of the world. Table 1 shows that the prevalence of child malnutrition in Pakistan is even worse than in Sub-Saharan Africa. Low birthweight is the single largest predictor of malnutrition, and 32 per cent of Pakistani babies are born underweight, which is much worse than the Sub-Saharan African average of 12 per cent. Other causes of malnutrition include low

Figure 1 Malnutrition trends among children under-five in Pakistan, 1977-2011



Source: GOP 2012b.

economic, social and political empowerment of women as well as poor hygiene and sanitation.

Access to food: The high levels of hunger and malnutrition are attributed to low purchasing power, exacerbated by high levels of poverty, inflation, inequality and low quality of work.

Poverty: In Pakistan, the incidence of poverty declined in the 1980s, but the trend reversed in the 1990s. In the first half of the 2000s, poverty first declined, then increased in the second half on account of high food and non-food inflation, low economic growth and floods in 2010. However, there are some disputes regarding recent poverty figures, as lower poverty figures appear in various published documents.

Income inequality: Income inequality as measured by Gini coefficient decreased in the 1980s from 0.39 in 1977 to 0.35 in 1988. Between 1988 and 2005, it increased from 0.35 to 0.41. The situation worsened in the 2000s: the ratio of consumption of the richest 20 per cent to the poorest 20 per cent of the population increased from 3.76 per cent in 2002 to 4.25 in 2011.[3]

Food inflation: Between 1980 and 2010, food inflation increased by 9.3 per cent annually. It increased from 7.9 per cent in the 1980s to 10.1 per cent in the 1990s, and reached to 14 per cent between 2005-10.

Employment: Economic growth has created sufficient number of jobs, however there have

Table 1 Indicators (in %) of economic and nutritional status in the world by region, 2011

	Stunting	Wasting	Underweight	Low birthweight
Pakistan	44	15	32	32
South Asia	39	16	33	28
Sub-Saharan Africa	40	9	21	12
Middle East and North Africa	20	9	8	…
East Asia and the Pacific	12	4	6	6
Latin America and the Caribbean	12	2	3	8
Central and Eastern Europe	12	1	2	7
World	26	8	16	15

Sources: UNICEF 2013 and 2014.

been issues with respect to the quality of work. Half of the jobs are in the farm sector where real wages have declined. In the non-farm sector, 73 per cent of total workers are employed in the informal sector.[4]

An evaluation of poverty reduction strategies and policies

Historically, the focus of economic policy in Pakistan has been on the reduction of poverty, hunger and malnutrition. Since the First Five Year Plan (1956-60), different governments tried to create physical and social infrastructure and social protection measures for the poor, hungry, deprived and vulnerable. The Village Aid Programme (1952-61), the Rural Works Programme (1963-72), the People's Works Programme (1972-80), the Five Point Programme (1985-88), the *Tameer-e-Watan Programme* (1991) and Social Action Programme (1993) are few examples.

1980s: In the 1980s, the 6th Five Year Plan focused extensively on agricultural and rural development, education and health sector. The government implemented various rural development programmes (Prime Minister's Five Point Programme) (see table 2) that were successful: economic growth and human development improved, while poverty, hunger and malnutrition decreased.

1990s: In the 1990s, the poverty reduction strategy was framed under the Structural Adjustment Programme (in 1993). Realizing the role of human development for sustained economic growth and poverty reduction in the long run, the programme aimed to increase public spending on health, nutrition, education, water and sanitation in rural and slum areas, and population welfare with a special focus on women and children. Between 1993 and 2002, the programme spent about Rs.420 billion against the total budget of Rs.627 billion and failed in terms of coverage, quality and utilization of funds.[5] Public sector development expenditure also decreased from 7 to 4 per cent of GDP between 1980s and the 1990s.[6] During the period, the growth rate of GDP decreased,

Table 2 Programmes for poverty reduction and human development in Pakistan, 1985-2002

Programmes	Period	Expenditure (Rs. billions)
Prime Minister's Five Point Programme	1985-88	3.3
People's Programme	1988-91 and 1994-97	16.2
Tameer-e-WatanProgramme	1991-93 and 1998-2000	9.7
Social Action Programme	1993-2002	419.6
Total	1985-2002	448.8

Source: Khan 2001.

while poverty, inequality and child malnutrition increased.

2000s: In the 2000s, Pakistan followed the strategy of Poverty Reduction Strategy Programme (PRSP). The country formulated its strategies in the light of interim-PRSP in 2001, PRSP-I for 2004-06 and PRSP-II for 2008-10 and beyond. The aim of these strategies is to achieve economic growth and macroeconomic stability, improve governance, invest in pro-poor sectors, and transfer growth benefits to the vulnerable. Poverty alleviation programmes were grouped into four categories: income and employment creation, social and human development, infrastructure and community development, and social protection schemes. Between 2002 and 2012, pro-poor budgetary expenditures increased at an annual rate of 28 per cent.[7] However, the share of expenditure on health, education, population planning, and water supply and sanitation in total pro-poor expenditure declined massively. Poverty, hunger and malnutrition decreased during the first half of the 2000s (due to inflow of foreign aid and remittances), but rose during the second half.

Recently in 2014, the government formulated the Vision 2025 for sustained and inclusive growth. The plan addresses the issues of availability, access and utilization of food and targets to reduce malnutrition from 60 to 30 per cent. The government's financial allocations, however, donot show its commitment for social sector and human development. The government has also formulated specific policies for food security. A draft of National Food and Nutrition Security Policy 2014 is being revised on the basis of provincial policy strategies. Recently, the provinces of Balochistan and Khyber Pakhtunkhwa have passed Promotion and Protection of Breastfeeding and Child Nutrition Acts 2014 and 2015 respectively to promote breast milk. In 2002, a law to discourage bottle-feeding was set up at the federal level, but the Infant Feeding Board established last year that is responsible for its implementation, has been ineffective so far.

Social safety nets to improve the food security of people

The government provides social safety nets through direct transfers as well as through subsidies on food and non-food items to improve access to food. Indirect assistance is through subsidies on wheat flour, electricity, gas and oil, and other food items, where as direct support includes programmes such as Zakat, Pakistan Bait-ul-Mal, and the Benazir Income Support Programme (BISP). The impact of these programmes varies with respect to their effectiveness for reduction of poverty, hunger and malnutrition.

Subsidies: In Pakistan, a large proportion of social protection spending is provided in the form of subsidies for food, fertilizer and energy. Of total federal subsidies in 2013, the power sector accounted for 96.1 per cent, food and agriculture for 2.4 per cent, and oil refineries for 1.0 per cent.[8] Table 3 shows the continuous increase in subsidies over the last decade. An analysis of the provision of subsidies shows their regressive nature.

The government intervenes in the food market through 'Utility Stores' channel. However, most of the benefits go to the rich. This is evident from the fact that the Utility Stores are situated in urban areas and provide both food and non-food subsidized goods without any discrimination among the poor and the non-poor. The government also provides subsidy on flour prices, however the benefits go to the flour millers and traders. A similar situation is observed in case of fertilizer subsidies. Energy

subsidies are even more regressive than food subsidies. In 2013, less than 30 per cent of the electricity subsidies went to the poorest 40 per cent of population, compared to 40 per cent of the electricity subsidies going to the richest 20 per cent.[9]

Social assistance programmes: Besides subsidies, the government also has three social assistance programmes to address the issues of hunger, poverty and malnutrition: BISP, Pakistan Bait-ul-Mal and Zakat. The allocations for these programmes have increased significantly (Rs.45.3 billion in 2012) from a historical low level. The performance of these programmes varies with respect to coverage, targeting, leakage and adequacy. BISP has addressed most of these issues.

BISP. Initiated in 2008 with the allocation of Rs.34 billion to 3.5 million people, the programme aimed to provide Rs.1,000 per month to families earning less than Rs.6,000. According to the *Economic Survey of Pakistan 2014-15*, the beneficiaries of the programme increased from 1.8 million to 5.0 million (women head of families) between 2009 and 2015. Annual disbursement also increased from Rs.15.8 billion to Rs.90.0 billion (see table 4). BISP also has four graduation programmes: *Waseela-e-Sehat, Waseela-e-Taleem, Waseela-e-Haq and Waseela-e-Rozgar.* The coverage and the impact of these programmes have been limited.

Table 3 Subsidies in Pakistan, 2002-13

	Rs. billions	% of GDP
2002	5.5	0.13
2008	54.9	0.5
2010	234.9	1.6
2011	497.4	2.7
2012	689.0	3.4
2013	556.1	2.5

Source: GOP, Annual Report: The State of Pakistan's Economy (various issues).

Pakistan Bait-ul-Mal. initiated in 1992, the programme provides support to the needy irrespective of religion. Food Support Programme, the largest component of Pakistan Bait-ul-Mal, was launched in 2000. In 2008, it benefited 1.8 million households with a budget of Rs.6 billion, but disbanded in 2009 due to poor targeting and BISP.[10] Another initiative, *Tawana* programme to provide cooked food to school-going children was also discontinued due to targeting and logistics. In 2012, Pakistan Bait-ul-Mal benefitted 0.85 million people with a budget of Rs.1.8 billion. Independent evaluations of Pakistan Bait-ul-Mal indicate lack of inclusiveness, efficiency and fairness. One of its major weaknesses is dependence on government funding, which is subject to vulnerability during times of fiscal distress. The coverage, the amount paid to the beneficiary, and the selection criteria are also not found to be satisfactory.[11]

Zakat. The initiative was started in 1980 to benefit the poor Muslims by collecting a religious levy

Table 4 Benazir Income Support Programme (BISP): Beneficiaries and disbursements in Pakistan, 2009-14

	Beneficiaries (millions)	Cash disbursements (Rs. billions)
2009	1.8	15.8
2015	5.0	90.0

Source: GOP 2015.

on bank accounts. It was mandatory in the start but now account holders can opt out. As a result, Zakat collections declined from 0.3 per cent of GDP in the 1980s to 0.05-0.08 percent in 2004-06.[12] The number of zakat beneficiaries, who are selected by local mosque-based committees, has been around one million per annum. After the 18*th* Amendment, the institution of Zakat has been devolved to the provinces. In 2012, Zakat benefited 1.04 million recipients with the cost of Rs.3.13 billion.[13]

Policy recommendations to improve food security in Pakistan

The Government of Pakistan needs to focus on a pro-poor and inclusive growth policy with the clear objective of addressing the issues of hunger, poverty and malnutrition. To that end, the government has to take following steps.

Political commitment: A high level of political commitment is essential to prioritize at policy levels the need to end hunger, poverty and malnutrition. Much can be learned from Brazil where poverty, income inequality, hunger and malnutrition decreased significantly as a result of that country's clearly stated political commitment. Inclusion of all stakeholders in decision-making:It is crucial to have a truly representative local level governance system. This will ensure the inclusion of input from all stakeholders in the process of the formulation of food security and related policies as well as the effective implementation of policies.

Small-scale farming and rural non-farm sector: The focus of rural development programmes should be on promoting small scale farming by endowing the poor with land, credit, crop and farm technology, and access to output markets. It should also promote the non-farm sector to provide jobs to surplus labour.

Better coordination and governance mechanism: Policies to ensure access, availability and use of food should clearly define the roles and responsibilities of all relevant institutions. This will not only improve the effectiveness of initiatives, but will also address the problems of inefficiency, corruption, and patronage. In this context, coordination between the departments of agriculture, health, education, women's empowerment, social protection, and water and sanitation is critical.

Targeting of social safety nets: The focus of social safety nets should shift from all the population to just the poorest 40 per cent of the population, with the objective of reducing their poverty, hunger, malnutrition and income inequality, and empowering them. The approach of these initiatives should be comprehensive, ranging from the provision of food, cash, education, clean water and sanitation to general awareness about the nutritional aspects of food.

Empower women to ensure their food security and improve their human development: Empowering women can help achieve progress across multiple dimensions of food security—production, access and use. Despite their significant contribution to food and non-food production, women are most vulnerable to food insecurity in Pakistan. Their lower level of economic, social and political empowerment compared to men means that women have less control over assets such as land and credit. They donot get recognition in the national income accounts, and have poor access to markets. An improvement in food security requires more educational opportunities, control over resources, and participation in decision-making. Such efforts will also raise child nutrition,

as female empowerment is significantly related to a decrease in undernourishment among children.

This paper is drawn on the findings of Human Development in South Asia 2015: The Economy and the People. The author, Nazam Maqbool, is a senior research fellow at Mahbubul Haq Human Development Centre.

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Comments on the Mahbubul Haq Report 2015 – The Economy and the People

by Syed Turab Hussain

The Economy and People is a departure from previous reports by the Center which have been more topical and focused on a particular development issue in South Asia. This report offers a much broader and comprehensive assessment of South Asian performance across the main dimensions of Human Development over a thirty year period. Given the time limitation my comments cannot possibly cover all the interesting facets of the report – I would therefore restrict myself to some of its key findings. I would start by commenting on the macroeconomic assessment of South Asia before discussing the economy and people nexus put forward by the report.

The first important macroeconomic observation is on economic growth. South Asia has grown at a remarkably high annual rate of 5.9 per cent in the last three decades making it the second fastest growing region in the world after East Asia. However, this growth has not been even across countries. While India post liberalization reforms has registered impressive and sustained GDP growth rates, Pakistan's performance has been volatile and in recent years is the slowest growing economy of South Asia with an average ten year growth of just 4.2 per cent. Moreover, Pakistan has the lowest saving and investment rate in the region. In fact over time saving rates in Pakistan have shown a secular decline and the proclivity towards high consumption explains to a great extent the laggard and volatile performance in GDP growth. Such trends do not bode well for the country – low and falling savings amongst other factors is indicative of low expectations of the population in the country's economic future. If Pakistan remains stuck in this low saving - low growth trap, the differential in income per-capita with the rest of South Asia would multiply with each successive decade pushing the country towards the status of a 'ghetto' economy of the region. Just to illustrate how serious this issue is - in 1990 Pakistan's per capita income was $3094 while that of China and India was $1520 and $1754 respectively. Two and a half decades of sustained growth has led to China's income per capita reaching $11747 and India's $5497. Pakistan has fallen behind both countries with an income per capita of $4866. Thus we have no option but to reverse this divergent trend and the solutions are by no means elusive. By solving the energy crisis alone, Pakistan can add an estimated two percentage points to its economic growth. Some much needed structural reforms would further add a couple of points and with future gains coming through the China Pakistan Economic Corridor we can expect growth to be around 8 per cent.

Another important observation of the report is the skewed sectoral transformation in South Asia over the past three decades. While agricultural share in GDP has declined across the region, the share of services has grown substantially with manufacturing sector shares registering a nominal increase. This leap frog into services led growth with a sluggish manufacturing sector has implications on both employment generation and sustained growth. In countries with high population growth rates (Pakistan tops the charts here) this means a relatively lower absorption capacity of the millions entering the labour force every year. This trend is particularly evident in Pakistan where the share of manufacturing has been stagnant for three decades and most of the employment generation has been left to the

services sector - which explains both increasing unemployment and the burgeoning informal sector in the country. The crippling energy crisis has been the main factor behind lack of growth in manufacturing, although there are other more chronic constraints, such as lack of skilled labour, excessive regulation, corruption etc. which have progressively worsened over the years in Pakistan. Poor manufacturing growth is the reason why Pakistan's export base remains narrow and concentrated in low value added products. For example, in Textiles and Clothing we have not been able to climb the global value chain, while Bangladesh, a relative late comer in the sector, has done much better in the ready-made garments and has taken a substantial share of the global market. In 1990 Bangladesh's export share in the world market for Textile and Clothing was 0.46 per cent and Pakistan's was 1.73 percent. After twenty five years Bangladesh is now at 3.38 per cent while Pakistan is stuck at 1.76 per cent.

Now coming to the economy and people nexus - the report shows that although South Asia has shown impressive improvements in economic growth and human development in the last thirty years, it still remains mired in poverty and income inequality with large variations in human development outcomes across countries and within countries at the sub-national level. In line with the ideas of Sen and Haq, there is a clear stress in the report on the importance of looking at human development indicators such as school enrollments, infant mortality and gender participation in the labour market as ends in themselves. However, at the same time it underscores the critical two way link between human development and income per capita growth. Economic growth thus comes as an essential by product of enhancements in capabilities and functionings of people. In turn growth creates the resources and the necessary fiscal space to ensure requisite investment in social infrastructure and human development. However, economic growth can only translate into betterment of people's lives, if there is a concerted effort by the state to invest resources in reducing poverty, illiteracy and disease. The broader message of the report is clear - countries which consistently invest in developing the social sector will reap benefits not only in terms of better educational or health outcomes but also in terms of increases in income per capita. Here again we see much variation in the region. Pakistan has one of the lowest spending on education and health as a share of its GDP and resultantly one of the poorest educational and health outcomes in the region. Sri Lanka on the other hand has consistently performed well in the human development indicators. India shows large variations across regions with south India remaining a clear outlier.

The growth and people nexus which seems tenuous in South Asia was much more effective in the development miracle of East Asia. It was not just the oft quoted five year plans but their earnest implementation and a set of favorable conditions which gave countries like Korea and Taiwan the conditions necessary for rapid industrialization, export and income growth. The success stories of Japan, Korea, Taiwan and more recently China, rest on a sustained emphasis of the state on both primary and secondary education. For example, Korea in the 1950s had secondary school enrollment of around 75 per cent and a literacy rate above 50 per cent which are above Pakistan's current figures on enrollment and literacy. Furthermore, income and land inequality in Korea and Taiwan was much lower back in the 50s than it currently is in South Asia. The state was free of powerful vested interests and the gains generated from growth were evenly spread across

society making the process of development broad based and sustainable. In contrast the unevenness of growth and development with significant intra country variations in development outcomes and poverty incidence is a major obstacle to sustained growth in South Asia. India, for example, has been a stellar performer in terms of growth in South Asia, but around the enclaves of prosperity in Bangalore, Chennai and Mumbai, there still are millions living in abject poverty. Similar is the story in Pakistan – Punjab the most populace and economically buoyant province has major disparities in terms of income and human development between the north and the south. These disparities are not just geographical – the report shows major differences across gender in income, education and labour market participation in South Asia. This is corroborated by research conducted at LUMS on participation of women in the labour market in Pakistan. Preliminary results of the research suggests increased 'feminization' of agriculture and women employed as 'secondary' or supplementary workers in the manufacturing sector in times of recession. This indicates the persistent marginalization of women in the labour market particularly in the manufacturing sector.

A major strength of the report is that its findings have been contextualized in the changing political economy of South Asia. South Asia today is much more democratic with greater civil liberties than it was thirty years ago. However there are certain trends which can have major consequences on the economy and people nexus in the region. With economic liberalization in the 90s under a neo-liberal agenda there has been a gradual shift in politics towards the right, particularly in India and Pakistan. The report through its conceptual framework explains how the aspirations of the growing middle class and those aspiring to join the ranks of the upwardly mobile have shaped this political landscape. With an increasingly marginalized political left, the hope of the teeming masses in South Asia, especially in India and Pakistan, seems to be pinned to the right wing promises of prosperity through the invisible hand of the market. The irony of course is that the market often excludes the poor, asset less and uneducated – which pretty much describes the bottom 40 per cent of South Asia. What is to be seen is the impact of this conservative-rightward shift on social sector spending, income support programmes and other safety nets which provide a cushion to the very poor and marginalized groups. Also, the excessive reliance of policy makers on the private sector or public private partnerships as viable solutions to education and health provision to the poor is problematic. However, the proliferation of civil society organizations championing the cause of the poor is a ray of hope and so is the continuation and strengthening of democracy and democratic institutions in the region. In any case, taking such a political economy perspective in relation with the changing demographics of South Asia is imperative if we are to better understand the current situation and perhaps to some extent predict the future trajectory of the region.

Finally and perhaps most importantly, where South Asia has failed miserably is in intra-regional trade and economic links. Normalization of trade between the two largest economies, Pakistan and India, remains elusive and at the mercy of an increasingly sour political relationship. In my opinion the fragility of this relationship is precisely because of a lack of economic ties – at present there is no real economic cost to both countries of severing relations. The future prosperity of the region is inextricably tied to the improvement of relations between India and Pakistan. For Pakistan the real advantage of its geo-strategic location would only be realized if it consolidates both the

north south and east west corridor. For India its dream of becoming a regional and global economic power house cannot come true in the presence of an economically and politically unstable Pakistan. Hope this realization comes sooner rather than later!

Syed Turab Hussain is Associate Professor Economics at Lahore University of Management Studies. He can be reached at turab@lums.edu.pk

Revealing Facts

Basic Human Development Indicators

	India	Pakistan	Bangladesh	Afghanistan	Nepal	Sri Lanka	Bhutan	Maldives	South Asia (weighted average)	Developing countries
Total estimated population (millions)										
1980	699	80	82	13	14.4	14.7	0.41	0.15	904T	3,378T
1990	869	111	107	12	18.1	17.0	0.54	0.22	1,135T	4,139T
2000	1,042	144	132	21	23.2	19.1	0.56	0.27	1,382T	4,891T
2010	1,206	173	151	28	26.8	20.7	0.72	0.33	1,609T	5,597T
2050	1,620	271	202	57	36.5	23.8	0.98	0.50	2,211T	8,248T
Annual population growth rate (%)										
1980-90	2.2	3.3	2.7	-1.2	2.3	1.4	2.6	3.4	2.3	2.1
1990-2000	1.8	2.6	2.1	5.8	2.5	1.2	0.5	2.4	2.0	1.7
2000-10	1.5	1.9	1.3	3.3	1.5	0.8	2.4	1.8	1.5	1.4
1980-2010	1.8	2.6	2.0	2.6	2.1	1.1	1.9	2.5	1.9	1.7
Life expectancy at birth										
1980	55	58	55	41	48	68	45	52	55	60
1990	59	61	60	49	55	70	52	61	59	63
2000	62	64	65	55	62	71	60	69	63	66
2010	66	66	69	60	67	74	67	77	66	68
Adult literacy rate (% aged 15 years and above)										
1981	41	26	29	18[a]	21	87	…	92[b]	39	68[b]
1991	48	43[c]	35	…	33	…	…	96[d]	46	68
2001	61	50[e]	47	…	49	91	53[e]	96[f]	58	77
2011	63[g]	55	59[h]	32	57	91[i]	…	98[g]	61	80
Female literacy rate (% aged 15 years and above)										
1981	26	15	18	5[a]	9	82	…	92[b]	25	60[b]
1991	34	29[c]	26	…	17	…	…	96[d]	32	60
2001	48	35[e]	41	…	35	89	39[e]	96[f]	46	71
2011	51[g]	42	55[h]	18	47	90[i]	…	98[g]	50	75
Gross combined 1st, 2nd and 3rd level enrolment ratio (%)										
1980	40	24	33	20[j]	28[j]	57[k]	30[l]	…	38	…
1990	48[m]	29	37	18	58	67[n]	…	…	45	…
2000	52	34[o]	51[e]	46[o]	59	…	43[p]	79	50	58
2011	70	44	59	62	77	77	68	…	66	69
Infant mortality rate (per 1,000 live births)										
1980	114	122	134	170	141	39	135	107	117	89
1990	88	106	100	121	99	18	93	68	91	69
2000	67	88	64	95	60	14	59	35	68	58
2010	46	73	39	75	36	9	34	11	48	41

Continued

	India	Pakistan	Bangladesh	Afghanistan	Nepal	Sri Lanka	Bhutan	Maldives	South Asia (weighted average)	Developing countries
GDP growth (%)										
1980-90	5.7	6.6	3.5	…	4.1	4.4	10.1	…	5.5	3.4
1990-2000	5.6	4.0	4.9	…	5.0	5.3	5.5	…	5.3	4.0
2000-10	7.2	4.2	5.8	9.1	4.1	5.3	8.6	7.8	6.7	5.9
1980-2010	6.3	5.0	4.6	…	4.3	4.9	8.0	…	5.9	4.5
GDP per capita (PPP[q], constant 2011 international US$)										
1990	1,812	2,961	1,239	…	1,240	3,340	2,332	…	1,885	3,579
2000	2,600	3,366	1,606	1,053[r]	1,577	4,946	3,596	6,577[s]	2,578	4,562
2010	4,638	4,220	2,459	1,637	1,999	7,572	6,516	10,681	4,331	7,347
Human Development Index (HDI)										
1980	0.369	0.356	0.336	0.230	0.286	0.569	…	…	0.365	…
1990	0.431	0.402	0.382	0.296	0.388	0.620	…	…	0.424	…
2000	0.483	0.454	0.453	0.341	0.449	0.679	…	0.599	0.477	…
2010	0.570	0.526	0.539	0.453	0.527	0.736	0.569	0.688	0.562	…
Gender Inequality Index (GII)										
2005	0.621	0.613	0.587	0.743	0.630	0.445	…	0.424	0.616	…
2010	0.590	0.561	0.539	0.720	0.496	0.408	…	0.350	0.580	…

Sources: Rows 1, 2: UNPD 2015 and MHHDC staff computations; Row 3, 7: World Bank 2015b; Rows 4-6: World Bank 2015a; Rows 8, 9: World Bank 2015g; Rows 10, 11: UNDP 2015.

Highlights
(as evidenced by statistics of 1980-2010)

Population growth rate has declined in all countries of the region over the last three decades. The growth rate of population has been the lowest in Sri Lanka and the highest in Pakistan. By the mid of 21st century, the growth rate of population will further decline.

Life expectancy has improved in all countries with the highest rate of increase in Bhutan and the Maldives respectively, and the lowest rate of increase in Sri Lanka and Pakistan respectively.

Literacy rates and gross combined enrolment ratios have increased in all countries with the lowest latest values in Pakistan and Afghanistan.

Between 1980 and 2010, *GDP* growth rate has been the highest in Bhutan (8.0 per cent), followed by India (6.3 per cent) and Pakistan (5 per cent). *GDP per capita* value has increased at the highest rate in India and the lowest in Pakistan between 1990 and 2010; only Sri Lanka and the Maldives have the higher recent values of per capita GDP compared to developing countries.

Human Development Index (HDI) value has improved for all countries with the highest rate of improvement in Afghanistan. However, the HDI value is still the lowest in Afghanistan and the highest in Sri Lanka, followed by the Maldives, India and Bhutan. Moreover, recently only Sri Lanka is in the category of 'high human development', while the Maldives, India and Bhutan are in the category of 'medium human development'. The remaining four countries, Pakistan, Bangladesh, Afghanistan and Nepal, are in the classification of 'low human development'.

Gender inequality has decreased in all countries of the region with the highest rate of decline in Nepal followed by the Maldives, Bangladesh and Sri Lanka respectively. Currently, gender inequality is the highest in Afghanistan and the lowest in the Maldives.

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Phone: 92-42-35608000
Fax: 92-42-35894990 E-mail:sspb@lums.edu.pk