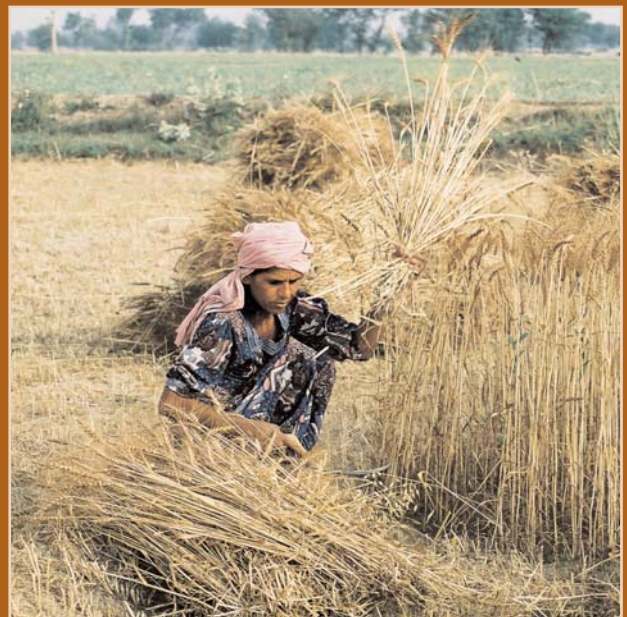


TRADE LIBERALISATION AND GENDER DYNAMICS OF EMPLOYMENT IN PAKISTAN



SPDC

Gender Research Programme
Research Report No.2

TRADE LIBERALISATION AND GENDER DYNAMICS OF EMPLOYMENT IN PAKISTAN

SPdC

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Research Report No.2

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FOREWORD

Social Policy and Development Centre (SPDC), realizing the importance of integrative research, has initiated a series of Research Reports under its Gender Research Programme (GRP). The areas identified for research are crucial and pertain to wide-ranging developmental issues existing in Pakistan. The overall objective of the research programme identified will help place gender on the map of policy-making in the country by creating awareness of gender implications of social and macroeconomic policies with a particular focus on women, work, and poverty. It will also help develop quantitative and qualitative data, including gender disaggregated statistics and indicators that will help map changes in gender roles and their access to equal rights and opportunities which consequentially will help bring the paradigm shift; add to the technical research in Pakistan on the gender aspects of social and macroeconomic policies; factor in gendered perspectives in 'hardcore' economic issues as well as social 'progress-engine' concepts of development, primarily by undertaking pioneering research and policy analyses.

The series of Research Reports produced will help open avenues for further research on issues of development, equal opportunities, equitable policies, and other issues of gender equality and equity.

Trade Liberalisation and Gender Dynamics of Employment in Pakistan is second in the series. The overall objective of this research report is to analyze the changing structure of economy and employment during the period of trade liberalisation and to estimate the effect of trade liberalisation and other relevant socio-economic characteristics on female participation in the labour force in Pakistan. Findings projecting the changing pattern of composition of GDP help in understanding the dynamics of male and female employment in Pakistan. It also indicates a limited effect of trade liberalisation on female participation in the labour force. The growth in the production of agriculture and manufacturing sector is found to be significantly influencing women labor force participation in Pakistan. The findings of the research report would help all tiers of the government in building a comprehensive and a proper set of policies that ensures gender balance in employment opportunities as well as those which economically empowers the female workforce.

SPDC is thankful to the Royal Norwegian Embassy in Pakistan for funding its Gender Research Programme.

Prof. Dr. Khalida Ghaus
Managing Director

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ACRONYMS

ADF	Augmented Dickey Fuller
APEC	Asia-Pacific Economic Cooperation
CGE Model	Computable General Equilibrium Model
CSW	Commission on the Status of Women
EPZ	Export Promotion Zone
ERP	Effective Rate of Protection
FBS	Federal Bureau of Statistics
FY	Fiscal Year
GDP	Gross Domestic Product
IGTN	International Gender and Trade Network
ILO	International Labour Organisation
IMF	International Monetary Fund
IWGGT	Informal Working Group on Gender and Trade
LFP	Labour Force Participation Rate
LFS	Labour Force Survey
MFA	Multi Fibre Agreement
NTB	Non Trade Barrier
PP	Phillips-Perron
SAP	Structural Adjustment Program
SPDC	Social Policy and Development Centre
SRO	Statutory Regulatory Order
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WTO	World Trade Organization

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Trade liberalisation or openness of an economy is an important aspect of economic globalization that involves a growing flow of goods and resources across national borders. Liberalisation policies that generally work through reduction and/or removal of trade barriers, increase openness to trade that creates competition which eventually benefits the economic growth and efficiency. Trade liberalisation policies also affect the level and composition of employment of a country and hence the gender patterns in employment opportunities.

The key measures taken under the trade liberalisation policies in Pakistan (initiated in 1988) were reduction in tariff rates, elimination of quotas, removal of subsidies, reduction in the number of items on the banned and restrictive list, and the like. The economic reforms bring changes in the production patterns and processes in the form of technology up-gradation which changes the capital/labour ratio and affect the dynamics of employment. The changing dynamics of employment by gender therefore, demands a proper and fuller understanding of the nexus that exists between trade liberalisation and female labour force participation in Pakistan.

The research report aims to look at the change in the structure of economy (i.e. the composition of GDP, export and import); the transformation in sex disaggregated employment trends and the nature and characteristics of job opportunities emerged for women and men; and the extent to which trade liberalization combined with socio-economic determinants affected the female participation rate in Pakistan.

The research report is divided into five chapters. Chapter 1, *Trade Liberalisation and Women Employment*, provides the theoretical framework of trade and employment, the trade liberalisation and female employment besides discussing the international recognition given to gender in trade liberalisation.

Chapter 2, *Structure of the Economy*, explains the change in the structure of GDP, exports and imports in order to relate it to the employment opportunities that emerged for the females in the liberalisation period. It shows that during the period 1972-73 to 2007-08 the composition of GDP changes significantly. The share of agriculture sector

declined from 35.7 percent to 21.3 percent while, that of services sector increased from 42.2 percent to 53 percent. The share of industry remained between 22 percent to 25.8 percent. The reduction of tariffs in Pakistan increased the dependence of its domestic production and consumption on imports, particularly on machinery and other raw materials that did not allow flourishing of industries like engineering and chemicals. The share of industrial raw material for consumer goods increased from 31 percent to 51 and that of capital goods remained at around 28 to 35 percent during 1972-73 to 2007-08. On the export front, the economy succeeded in developing only textile and clothing industry, constituting 60 percent of total exports, for which the basic raw material (cotton) was available locally since independence.

Chapter 3, *Nature of Female and Male Employment*, looks into the characteristics of employment and the change that have occurred in the female and male employment pattern. The analyses indicate that labour force participation rate of male declined from 88.5 percent in the 1971-72 to 83.6 percent in 1990-91 and then to 82.4 percent in 2007-08 while that of female increased from 9 percent to 13.9 percent and then to 21.7 percent (child labor excluded). Analysis of female employment structure reveals that their employment is not only concentrated in agriculture sector but also has increased from 65.7 percent in 1990-91 to 73.8 percent in 2007-08. Female labour force is largely engaged in agriculture, manufacturing and community and social services. Moreover, females are mostly engaged in occupations that often are low paid such as, skilled agricultural and fishery workers, craft and related trade workers and elementary (unskilled) workers. Majority of the women are working as unpaid family helpers and their share under this category increased from 56.8 percent in 1991 to 63 percent in 2007-08. The illiteracy level among employed female is much higher compared to that among employed males. Only 4 percent of employed females compared to nearly 7 percent of employed males have acquired education up to degree level. The findings indicate that in agriculture sector females are largely illiterate and majority of these illiterate females are unpaid family helpers.

Chapter 4, *Trade Liberalisation and Female Labour Force Participation*, quantifies the extent of the effect of trade liberalisation and other socio-economic variables of female labour force participation rate during 1972-73 to 2007-08. The empirical findings illustrate that the extent of the impact of openness or trade liberalisation is very limited on female participation rate in the labour force in Pakistan. If openness increases by one percent, increase in female participation rate is only 0.22 percent. This is due to fact that

there are certain specific economic sectors where females are largely employed. Commodity concentration which is associated with the risk to exports has a statistically significant negative relationship with female participation rate. Since women are mostly engaged in agriculture and manufacturing sector, and their contribution constitutes large part of Pakistan's exports, any risk to these exports affects the female employment and the participation rate. Again, increase in the output of agriculture and manufacturing sector is found to have significant positive impact on female labour force participation with elasticity of 0.44 percent. Moreover, the link between female education and participation rate is though positive but is extremely weak with the elasticity of 0.25 percent.

Chapter 5, *Conclusion and Recommendations*, presents the policy implication of the results obtained in the second, third and fourth chapters. It emphasises on the need to focus on enhancing the growth in agriculture and manufacturing sectors to encourage female labour force participation. The government must address the issue of unpaid family helpers by granting them their due right. Since, majority of the employed women in agriculture are unpaid family helpers, the question then remains to make them economically empowered and to deal with the gender biases in land ownership. Given that, in manufacturing sector relatively higher number of female are employed in apparel industry, enhancing the competitiveness of these exports, greater market access and presence of multinational firms and international brands in value added textile and leather items would contribute in increasing these exports which in turn would lead to female employment. Development of cottage and small scale industries needs to be encouraged that provides flexible working hours — which helps women to engage themselves in productive activities in addition to their reproductive role. Lastly, to ensure gender sensitivity in trade and labour force policies, representatives of women workers need to be involved in formulating policies.

Research produced and disseminated by SPDC as a result of this report will add to the existing research and will increase the technical ability of policy-makers in formulating gender sensitive policies and plans in this particular area.

CHAPTER 1

TRADE LIBERALISATION AND WOMEN EMPLOYMENT

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1.1 INTRODUCTION

Trade liberalisation is widely viewed as an essential component of economic growth for countries at different stages of development. It involves a growing flow of goods and resources across national borders. Trade expansion typically creates or expands some activities and destroys or diminishes other activities. Benefits from trade therefore crucially depend on whether an individual is working in the expanding sector or can shift from the diminishing sector to the expanding sector. It is argued that the impact of liberalisation may vary at different levels of the economy and may differ between women and men. For example, in some developing countries trade liberalisation has benefited women by increasing their access to formal sector employment, such as in export processing zones. At the same time, in other developing countries women have paid the price of adjustment in their roles in household management and traditional agriculture, which have been negatively affected. Gender analysis, therefore, is important in order to understand whether the benefits of trade expansion are different for women and men.

Trade liberalisation reduces limitations on trade that limit competition of domestic producers with foreign producers. These limitations can be imposed through tariffs - which raise the price of goods coming into a country (imports), quotas - a physical limit on the number of goods that can be brought into a country, and other non-tariff barriers such as regulations and legislation that makes it difficult for foreign competitors to sell goods to another country.

Thus, liberalisation policies generally work through reduction and/or removal of trade barriers. Whereas, the objective behind trade liberalisation is to get (relative) prices right in the tradeable sector, with a view to improve efficiency in the allocation of resources and to generate rapid economic growth fuelled by export growth. According to Krueger (1998), "any policy, which reduces the anti export bias will lead towards liberalisation of trade and reduction in import license premium is the fundamental step towards liberalised trade regime". Edwards (1993), expresses that a regime in which all trade distortions including import tariffs and export subsidies are completely eliminated is a liberal trade. The profitability of liberalisation can only be confirmed if its positive effects

proliferate the economy. In this regard, an argument in favour of trade liberalisation is that the process leads to higher growth both at the national and international level.

1.2 TRADE AND EMPLOYMENT: THEORETICAL FOUNDATION

Liberalisation by its nature implies adjustment and hence it is likely to have several distributional impacts which transmit themselves through different channels. An important distributional implication of trade liberalisation takes place through its effects on the level and composition of employment, which is the focus of this research report.

According to the neo-classical theoretical rationale, trade liberalisation increases openness to trade that eventually benefits economic growth and efficiency. It promotes specialisation in conformity with a country's comparative advantage, economies of scale due to the widening of markets, better utilisation of productive capacities, improved management methods and greater enthusiasm for innovation and technical progress in response to foreign competition. It fosters exchange of knowledge that is embodied in traded goods and services, spread of technology, efficient allocation of resources and thereby a significant increase in the productivity of human and physical capital. As a consequence, expansion in exports on a competitive basis, improvement in welfare (consumer and producer) as the price of imports decreases (goods that countries consume but do not have a comparative advantage in producing them), domestic production expands and income and employment opportunities in the economy increase. If reform increases the demand for labour-intensive products, the demand for labour also increases, which causes an increase in wages or employment or both. However trade liberalisation, if accompanied by skill-biased technical change, may benefit skilled labour relative to unskilled labour.

Discussion of trade and employment by Krueger (1998) argued that in developing-country trade liberalisation should boost labour-intensive output and increase employment. Case studies identified by her indicate that developing countries' manufactured exports were, indeed, labour-intensive, but that the employment effects of liberal trade policies were generally rather mild. She tentatively concluded that this was because of other distortions in factor markets^{1 2}. The Heckscher-Ohlin trade theory suggests that in countries that are relatively abundant in unskilled labour, trade liberalisation benefits unskilled labour.

In fact, the structure of the labour market is critical in determining the way trade liberalisation translates itself into wage and employment changes. Traditional international trade theory states that if labour supplies are fixed and wages are flexible, labour market adjusts through changes in wages. Alternatively, if labour supply is perfectly elastic and wages are fixed then the adjustment takes place in terms of employment. Moreover, the effects of trade liberalisation also depends on the segmentation of labour markets into formal sectors — where, there is excess supply of labour and wages are relatively at a conventional rate — and the informal or subsistence sector that pays wages below the conventional rate. Thus, essentially the effects of trade liberalisation depend on the magnitude of labour demand and the elasticity of labour supply. Also, the effects of trade reform on labour markets passes through the adjustment of output, which, in turn, depends on the structure of goods markets and on the extent of substitution between imports, exports and locally produced varieties (Winters et al. 2004).

Trade liberalisation policies are often associated with change in production patterns and processes. In some sectors it shifts labour intensive processes towards capital intensive and vice versa in other sectors. Since trade liberalisation allows imports at competitive prices it facilitates transfer of technology and promotes technological transformation in the methods of production i.e. a shift from labour intensive to capital intensive method of production. The new technologies allow the various production stages to become one continuous process of interrelated activities where industries advance to higher value added segments, and become more skill-intensive over time. This results in better quality output at competitive prices which brings a faster response to changing market conditions. However, full exploitation of these technological improvements is dependent on further complementary changes in organization and management. While trade liberalisation opens new job opportunities both for men and women, there are concerns that technological advancement might hurt employment opportunities in labour-abundant countries where women might be at a disadvantage. Joekees (1999) argues that the disproportionate gains to women are reversed as industrial development reaches a higher technology level since the proportion of women employed declines as the technology level rises.

According to SPDC (2006)³, "the net effect on employment is ambiguous for two main reasons. First, some sectors expand and others contract as a result of trade liberalisation. Second, while increase in productivity leads to an increase in the

aggregate demand for labour, if there is also a substitution of capital for labour involved in the process of liberalisation, the overall employment could fall. Thus, the net effect on employment of trade liberalisation is theoretically ambiguous and becomes an empirical issue. Additionally, even if the higher growth from liberalisation is accompanied by higher employment on aggregate, the poverty consequences of these employment changes are not clear-cut. These would still seem to depend on whether the unskilled workers (which would include the poorer workers) are employed in the expanding or contracting sectors."

1.3 LINKAGES BETWEEN TRADE LIBERALISATION AND FEMALE EMPLOYMENT

Benería and Lind (1991) state that employment effects result from the impact of trade liberalisation on economic activity. They depend specifically on where women are located in the process of production. If located in industries or sectors with a comparative advantage in international trade, the effects for women are likely to be positive, as opposed to employment in industries losing ground to foreign competition. Employment effects will also depend on the extent to which trade liberalisation has an impact on relocation of production.

Wood (1994) illustrated that in developing countries comparative advantage often lies in unskilled labour and hence foreign trade exposure is likely to favour an expansion of labour-intensive activities and benefit unskilled labour. The literature produced also indicate that trade liberalisation policies in developing countries which are rich in unskilled labour would possibly shift investment and employment towards labour-intensive exportable sectors, while employment in import-competing industries would decline. The most labour-intensive industries are clothing, toys, consumer electronics and also some of the metal product industries. Trade theory also implies that with the opening of trade, labour-abundant countries will experience job creation and over time a rise in the relative wage of unskilled labour will occur⁴. Since women employment in developing countries is generally concentrated in labour-intensive industries, job creation in these industries benefit women.

When the supply capacity of a country is weak, trade liberalisation can bring losses rather than gains. For example, if a country is not capable of competing internationally (due to high production costs) its exports will decline (i.e. become uncompetitive because of high prices) and imports will increase (due to competition from cheaper

imports). This results in a reduction in domestic output and an unsustainable balance of payments, capital flight (because there are no viable opportunities for domestic investment). This causes a reduction in employment opportunities particularly for unskilled workers (i.e. production workers). In such a situation the most vulnerable are unskilled female workers, who suffer the most since they relatively require more time to find a new job because they are unskilled and work in certain specific sectors.

Fontana (1998) has argued that the effects of trade liberalisation for women, both in absolute term and relative to men, are found to have both positive and negative effects. They depend on a range of factors including gendered patterns of rights to resources, female labour force participation rates, education levels, patterns of labour market discrimination and segregation, and socio-cultural environments. She also states that in some parts of developing countries educated younger women have been drawn into paid work in the initial stages of the expansion of export production. The evidence, however, indicates that the benefits have been short-lived. According to Fontana, theoretical predictions about the effects of trade liberalisation on employment are based not only on the assumption of full employment of resources but also on the quickly adjusting and frictionless markets. She argues that in developing countries structural factors and non-price mechanisms continue to obstruct the response to changes in relative prices. Thus, due to labour market segmentation labour displaced in the sectors that contract may not easily be re-employed in the sectors that expand — a feature that is significant and important from a gender perspective.

Trade liberalisation affects men and women differently because of their gender specific roles. Gender and development theory suggests that women tend to be more vulnerable to the negative effects of neoliberal trade reforms because they are unusually responsible for domestic labour and have less access to economic resources like, basic and higher education, property, credit, training and promotion in the workplace [Sen and Grown (1987), Rathberger (1990), Connelly et al (1995) and Marchand (1996)]. Haddad et al (1995) expresses, "In order to participate an individual must own factors of production, or have access to them, and must be able to reallocate them in line with the new economic incentives that trade liberalisation precipitates."

An argument given by the proponents of free market policies is that increased trade and investment liberalisation can improve economic growth, which, in turn, can increase women's participation in the labour market as a result of increased employment in the non-traditional and informal sectors. On the other hand, it is also said that increased

trade and investment liberalisation lead towards greater flexibility (such as subcontracting, casual and fixed-term employment) and deregulation of labour markets and work across sectors due to global competitiveness and technological innovation. This tends to increase unemployment due to contraction of some subsectors and the expansion of others which may require different skills and/or fewer workers. A trend that makes women more vulnerable than men, who are perceived as the bread earners.

Cagatay (2001) examined the impact of trade liberalisation on gender inequalities via employment, wages and the care economy. She concluded that men and women are affected differently by trade policies and performance, owing to their different locations and control over resources within the economy. Moreover, gender-based inequalities, depending on the type of economy and sector, have a different impact on trade policy outcomes. Finally she suggested that gender analysis is essential to the formulation of trade policies that enhance rather than hinder gender equality and human development. She challenged the widely accepted view that expanding global trade is beneficial to all countries and their citizens. She advocated that measures of development based on market criteria (income or consumption) are being replaced by those based on human well-being, particularly of those often left out - poor people, racial and other minorities and women. She refers to the studies which show that export-orientation in developing countries develops in tandem with the increase in women's share of paid employment. In addition, increase in female employment through export-oriented production seems to be more common in the manufacturing sector and in semi-industrialized economies. Further, case studies also suggest that trade liberalisation in predominantly agricultural economies may put women at a disadvantage compared to men, even when traditional export crop production increases.

1.4 TRADE LIBERALISATION AND GENDER PERSPECTIVE: INTERNATIONAL RECOGNITION

The gender dimensions of international trade and investment are drawing increasing interest from academic and policy researchers, policymakers and civil society groups. World Trade Organization (WTO) expresses the gender-differentiated effects of trade liberalisation and other trade-related processes extremely relevant to its mandate and operations, effect that was particularly brought forward in Doha Development Agenda.

In seventies the International Development Strategy adopted by the United Nations General Assembly along with the first World Conference on Women held in Mexico City

in 1975 launched the UN Decade for the Advancement of Women. Consequentially a number of commitments were made at international and regional levels. For instance, at the conclusion of Fourth World Conference on Women in 1995 the Beijing Platform for Action adopted collectively made Governments commit to "ensure that national policies related to international and regional trade agreements do not have an adverse impact on women's new and traditional economic activities." Moreover, it also called on the UN General Assembly to "give consideration to inviting the World Trade Organization to consider how it might contribute to the implementation of the Platform for Action, including activities in cooperation with the United Nations system."

Gender issues related to increased global trade and investment have also been emphasized by the UN Commission on the Status of Women (CSW) expert committee. The CSW has proposed that governments, international organizations and other stakeholders must mainstream gender in development, trade and financial institutions. The commission also emphasised on the need to enhance market access for developing countries and transitional economies, particularly in sectors that provide greater employment opportunities for women; and to help women-owned businesses to benefit from international trade and investment in order to confront the challenges of poverty reduction and women empowerment in a globalizing world.

In 1999, the UN Conference on Trade and Development (UNCTAD) focusing on trade, sustainable development and gender along with the follow-up meeting of experts also emphasised on the respective governments to ensure mainstreaming gender concerns particularly in the areas of commodities, trade in services, foreign direct investment policy, enterprise development, and information and communication technologies. In 2003, a UN Inter-Agency Task Force on gender and trade lead by UNCTAD was constituted to coordinate research and to further capacity building and advocacy activities within the UN system.

In 1999, members of the Asia-Pacific Economic Cooperation (APEC) forum endorsed a Framework for the Integration of Women in APEC. In its Second Ministerial Meeting on Women held in 2002, the recommendations made included: APEC economies should intensify their work on gender analysis, collection of sex-disaggregated data and inclusion of more women in all APEC activities; APEC economies must take into account the gender-differentiated impacts of trade liberalisation in formulating trade policies; and

address the negative impact of restructuring of industry as a result of trade liberalisation on women workers.

The civil society organizations and gender networks across regions have also been actively involved in lobbying for gender concerns related to trade liberalisation and foreign direct investment at international, regional and national levels. For example, the Women Caucus was established at the First Ministerial Conference of the WTO in 1996 to advocate for gender-sensitive policies and procedures. The Women Caucus also formed an Informal Working Group on Gender and Trade (IWGGT), which met with WTO officials in 1997 to discuss opportunities for addressing gender issues within the WTO through Trade Policy Reviews. The group produced Briefing Papers on gender and trade and participated in civil society activities around the Second Ministerial Conference in 1998, and the Third Ministerial Conference in 1999. Whereas, the International Gender and Trade Network (IGTN) formed in early 2000 includes seven regional networks of women mainly involved in research, economic literacy and advocacy on trade and investment issues. IGTN members participated in civil society activities around the Ministerial Conferences of WTO in Doha and Cancun.

1.5 OBJECTIVES, SCOPE AND STRUCTURE OF THE REPORT

Pakistan since 1988 has initiated several economic reforms to strengthen its trade liberalisation policies. The aim of this research report is to look at the impact of trade liberalisation on female labour force participation in Pakistan.

Specifically, the research report focuses on the following areas:

- to what extent the structure of the economy transformed in the liberalisation period?
- to analyse transformation in sex disaggregated employment trends and the nature and characteristics of job opportunities created for women and men.
- to what extent trade liberalisation combined with socio-economic characteristics affected women participation in the labour force in Pakistan?

Scope of the Study

The study is limited to looking at nature of employment in the trade liberalisation period. Broadly, the research report examines the nature of employment existing both for women and men with specific focus on the impact of trade liberalisation on female

participation rate in the labour force. The other direct or indirect implications of trade liberalisation affecting the gender (like welfare implications on both females and males and the overall improvement of women's quality of life) though important are beyond the scope of this research report.

Structure of the Report

Chapter 2 of the research report studies the basic structure of the economy (GDP, imports, exports) by using secondary data from the Economic Survey, Government of Pakistan (various issues) and Annual Report, State Bank of Pakistan (various issues). Chapter 3 looks at the transformation in sex disaggregated employment trends during the liberalisation period. It also examines the nature and characteristics of job opportunities which have emerged for women and men. The analysis has been done using micro datasets of all available Labour Force Surveys conducted by the Federal Bureau of Statistics, Government of Pakistan. Chapter 4 presents the empirical estimates of the effect of trade liberalisation and other socio-economic variables on the female labour force participation rate in Pakistan. Chapter 5 concludes the report and suggests recommendations for policy formulation in order to promote female employment in the context of trade liberalisation policies.

NOTES:

¹ Factor market implies a market where exchange of land, labour and capital takes place. Labour include: illiterate, unskilled, skilled and educated) and capital include: both monetary (investment) and physical (machinery and equipment) capital.

² Distortions in factor markets implies factors preventing the efficient allocation of resources like inappropriate monetary and fiscal policies, inefficiency in different sectors (agriculture, industry and services), rigid corporate governance, issue of non-performing assets, savings-investment imbalance, imperfect competition, factor immobility and so on. These factors inhibit economic growth and lead the economy to produce less than its potential output.

³ SPDC (2006), Social Development in Pakistan: Trade Liberalisation, Growth and Poverty, Annual Review 2005-06, Social Policy and Development Centre.

⁴ See Hecksher- Ohlin and Stolper-Samuelson trade theory.

CHAPTER 2

STRUCTURE OF THE ECONOMY

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CHAPTER 2 STRUCTURE OF THE ECONOMY

The supporters of trade liberalisation generally argue that it tends to enhance economic growth, which is usually considered a necessary condition for generating employment opportunities. Therefore, it is important to study the changes that have occurred in the production structure of a country during the period of trade liberalisation. This would help understand the changes that have occurred in the employment structure of women and men in the liberalisation period. Thus, the chapter examines the changes in the trend of composition of gross domestic product (GDP), exports and imports¹.

2.1 TRADE LIBERALISATION POLICIES IN PAKISTAN

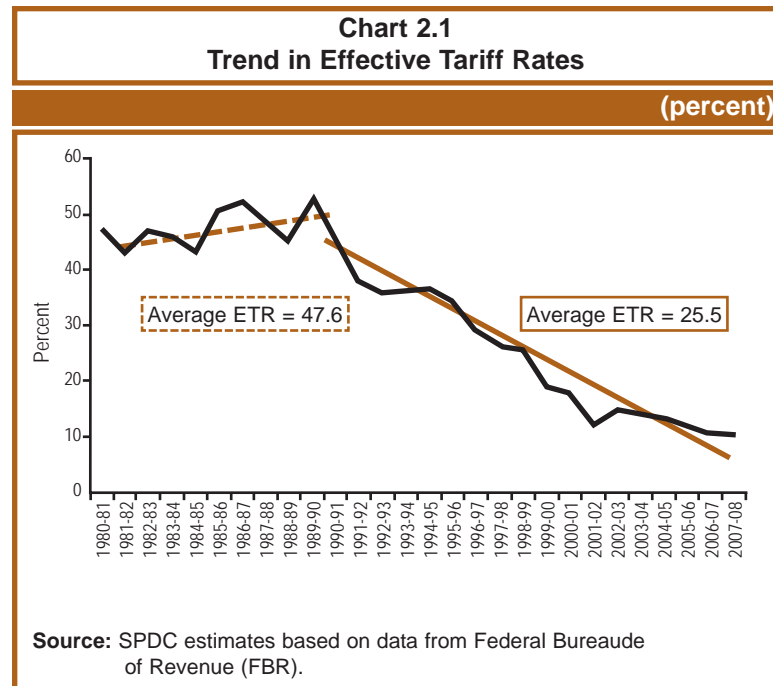
This section presents an overview of the trade policies that Pakistan pursued under trade liberalisation.²

In 1988, the government initiated reforms to bring liberalisation of the economy under the Structural Adjustment Program (SAP) — reforms that were recommended by the International Monetary Fund (IMF) and the World Bank. In addition to taking measures like privatization, deregulation and liberalization of capital accounts, steps were also taken to liberalise trade. The objective behind trade liberalisation was to get (relative) prices right in the tradable sector that would help improve efficiency in the allocation of resources and generate rapid economic growth fuelled by export growth. However, meaningful and substantial trade liberalization policies were only initiated in early nineties.

Trade liberalisation policies initiated included removal of quantitative barriers, reduction in tariffs, conversion of non-tariff barriers into tariffs, provision of various exemptions and concessions on customs duties, elimination of quotas, removal of subsidies, reduction in the number of items on the banned and restrictive list, abolishment of industrial licensing, and the reform of exchange rate regime. In particular, import taxes were reduced besides reducing the number of items on the banned and restrictive list from 300 to 75, industrial licensing was abolished, SROs (a major source of trade distortions) were mostly withdrawn, and NTBs were largely dismantled. These measures were accompanied by greater capital account liberalization, opening up to foreign investment, and more liberal policies on the domestic front. Whereas, the trade policies adopted till the 1960s were largely based on import substitution strategy, which, despite criticism, increased

industrialisation. Unfortunately in seventies, dismember of East Pakistan, nationalisation of major industries along with first oil crises had a dampening affect on the economy. The political instability of the seventies and eighties impeded the socio-economic development process. The changing governments, having their own set of priorities, and a different understanding of developmental needs initiated different trade policies. The different regimes, however, confronted a high degree of tariff and nontariff protection.

Ever since 1988, in spite of the frequent change of government, all have focused on export-led or outward-oriented and liberal trade policies. The effective tariff rate which is often used to judge the extent of trade liberalisation in the economy is shown in Chart 2.1. It was on an average 47.6 percent per annum during 1980-81 to 1987-88 while it declined on an average to 25.5 percent per annum during 1988-89 to 2007-08. This primarily is a consequence of the substantial cascading down of import tariffs in an effort to liberalize trade in the country.



Considering the gender aspects of employment generation, trade policies were rather silent on gender roles in employment structure and did not explicitly illustrate their implication on women. Since the idea behind trade liberalisation was to promote exports induced growth by increasing competition, it was thought that the entire process would in turn create employment opportunities for both men and women. This was guided by the assumption that women would automatically be inducted in to the labour force and would get employment. The trade policies did not take into consideration the socio-cultural realities and the constraints imposed on women to participate in economic activities - a fact that requires simultaneous response from all other relevant ministries and line departments.

2.2 COMPOSITION OF GDP, EXPORTS AND IMPORTS

Table 2.1 gives the composition of GDP by sector. According to this table the composition of GDP has changed substantially over time. The share of commodity producing sector, comprising of agriculture and industry, declined while that of services increased. During the 1970s and 1980s, the commodity producing sector constitute more than 50 percent of the GDP. During the 1990s and 2000s, the share of agriculture sector in GDP persistently declined and as a result the share of commodity producing sector reduced to less than 50 percent. In 2007-08, services sector was 53 percent of GDP, industry 25.7 percent and agriculture 21.3 percent. Looking at the structure of GDP it is important to understand its implication for the structure of female and male employment by sector. Chapter 3 looks into the various dynamics of its influences.

Sector	Pre-Liberalisation Period				Liberalisation Period				
	1972-73	1975-76	1980-81	1985-86	1990-91	1994-95	1999-00	2003-04	2007-08
1. Agriculture	35.7	32.0	30.8	27.6	25.7	25.9	25.9	22.9	21.3
2. Industry	22.1	22.7	22.6	23.3	25.8	24.5	23.3	25.5	25.7
i. Mining & Quarrying	0.6	0.8	0.4	0.7	0.7	0.5	2.3	2.6	2.6
ii. Manufacturing	16.2	14.9	15.1	16.3	17.5	17.1	14.7	17.3	19.2
iii. Electricity and Gas Distribution	1.6	1.4	2.4	2.3	3.4	3.3	3.9	3.7	1.6
iv. Construction	3.7	5.6	4.7	4.1	4.2	3.6	2.5	2.0	2.4
3. Services	42.2	45.2	46.6	49.0	48.6	49.6	50.7	51.6	53.0
i. Wholesale and Retail Trade	14.5	15.8	15.1	15.6	16.7	16.3	17.5	18.2	17.3
ii. Transport, Storage & Communication	6.9	7.0	9.7	8.8	8.6	10.1	11.3	10.9	10.2
iii. Finance and Insurance	2.3	2.5	2.2	3.2	3.0	3.3	3.7	3.4	6.4
iv. Ownership of Dwellings	3.6	3.6	4.5	5.0	4.4	4.3	3.1	3.0	2.7
v. Public Administration & Defense	7.2	7.9	7.8	9.0	8.4	7.7	6.2	6.3	5.9
vi. Community, Social & Personal Services	7.5	8.4	7.3	7.4	7.5	7.8	9.0	9.7	10.6

Source: GoP, Economic Survey (various issues)

Composition of exports and imports also changed substantially with the passage of time. In the 1970s, primary commodities that constituted over 40 percent of Pakistan's exports declined rapidly to less than 20 percent since the 1990s (Table 2.2). On the other hand, the share of manufacturing exports grew sharply from over 30 percent in the 1970s to over 70 percent in the 2000s. At present (2007-08), primary commodities provide 17 percent to total exports, semi-manufactures 15 percent while manufactured goods 74 percent. As far as imports are concerned, Pakistan's reliance on imports of raw material

Table 2.2
Composition of Exports and Imports

Year	(% Share)						
	EXPORTS				IMPORTS		
	Primary Commodities	Semi-Manufactures	Manufactured Goods	Consumer Goods	Industrial Consumer Goods	Raw Material for Capital Goods	Capital Goods
PRE-LIBERALISATION PERIOD							
1972-73	40	30	30	30	31	10	30
1975-76	44	18	38	21	38	6	35
1980-81	44	11	45	15	50	8	28
1985-86	35	16	49	18	40	5	37
LIBERALISATION PERIOD							
1990-91	19	34	57	16	44	7	33
1994-95	11	25	64	14	46	5	35
1999-00	12	15	73	14	54	6	26
2003-04	11	10	79	9	50	6	35
2007-08	17	9	74	13	51	9	28

Source:GoP, Economic Survey (various issues)

for consumer goods accelerated over time. Imports of consumer goods depicted a continuous declining trend till mid-2000s which, however, increased later. The imports of capital goods remained between 28 to 35 percent. Table 2.2 clearly indicates that Pakistan largely imports capital goods and raw material for consumer goods.

2.3 MAJOR EXPORTS AND IMPORTS OF PAKISTAN

The commodity concentration of Pakistan's exports has not changed much over time. Although, the contribution of manufactured goods exports has risen to more than 70 percent, it is mainly related to textile-sector exports. The expansion of the manufacturing sector largely reflects the expansion of the textile sector as the share of cotton and cotton products has noticeably increased from 47 percent in 1980-81 to more than 69 percent in 1995-96 (Table 2.3). Though, the share later declined yet it constituted more than 50 percent in total exports. The other major exports include rice, leather and leather products, carpets and rugs, fish and fish preparation and sports goods. The extent of improvement in other sectors is very low or has even declined in some cases. This suggests a degree of concentration in Pakistan's exports towards textile sector.

The reliance on a single category manufacturing exports, in general, bears considerable risks as it increases the vulnerability of exports by confining them to developments in a

Table 2.3
Major Exports of Pakistan

(% Share)

Commodities	1980-81	1985-86	1990-91	1995-96	2000-01	2005-06	2008-09
Cotton & Cotton Products	47.1	54.4	65.5	68.9	64.4	59.9	53.8
Rice	19.1	11.1	5.7	5.8	5.7	6.9	11.2
Fish & Fish Preparations	1.9	2.7	1.9	1.6	1.5	1.2	1.3
Fruits & Vegetables	0.0	0.0	0.8	0.7	1.3	1.1	1.3
Carpets & rugs	7.7	5.4	3.6	2.4	3.1	1.6	0.8
Leather & Leather Manufactures	3.4	6.8	8.9	6.8	7.2	6.1	4.7
Sports Goods	1.1	1.6	2.2	2.8	2.9	2.1	1.5
Petroleum & Products	5.7	1.0	1.6	0.8	2.0	5.1	4.6
Surgical & Medical Instruments	0.9	1.7	1.4	1.5	1.3	1.0	1.4
Others	13.2	15.2	8.4	8.7	10.5	15.1	19.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source:GoP, Economic Survey (various issues)

Table 2.4
Break-up of Textile Products

(% Share)

Commodities	1980-81	1985-86	1990-91	1995-96	2000-01	2005-06	2008-09
Cotton Yarn	25.1	24.5	32.9	28.1	18.5	14.0	11.6
Cotton Fabrics	27.9	27.2	18.7	22.9	17.8	21.4	20.2
Readymade Garments	8.7	17.8	13.8	11.8	14.3	13.3	13.0
Bed ware	2.4	7.8	6.8	7.7	12.9	20.7	17.9
Knitwear	2.7	4.7	9.3	12.8	15.7	17.8	18.0
Towels	5.5	5.8	3.6	3.2	4.2	6.0	6.6
Tarpaulin & Canvas	7.5	2.7	2.2	0.7	0.8	0.4	0.6
Synthetic Textiles	14.8	4.3	9.6	8.6	9.4	2.0	3.3
Other textile made-up	1.3	4.5	3.0	3.3	5.7	4.1	5.1
Others	4.1	0.8	0.1	1.0	0.6	0.4	3.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source:Federal Bureau Of Statistics, GoP

specific world market segment. In case of textile sector, in particular, the risk is substantial particularly since it depends on a good cotton crop, which unfortunately is exposed to dangers of virus attack, floods and bad weather. Besides concentration, the level of value-addition is very low in Pakistan's exports. For example, in textiles Pakistan has largely been relying on export of cotton yarn, cotton cloth and bed ware. The share of readymade garments which is a high value added item is very low (Table 2.4). The following chapter examines the absorption of female and male employment in the export sector.

Table 2.5
Major Imports of Pakistan

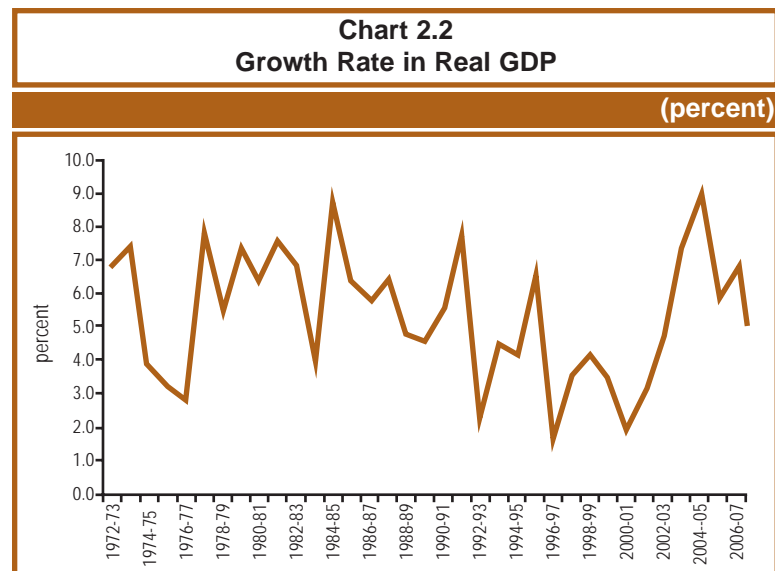
Commodities	(% Share)						
	1980-81	1985-86	1990-91	1995-96	2000-01	2005-06	2008-09
Food	10.4	20.9	12.3	14.1	10.5	7.2	11.9
Petroleum & Products	28.4	18.4	22.1	16.8	31.3	23.4	27.3
Machinery	14.2	19.9	20.4	21.7	15.3	21.3	18.9
Transport Equipment	7.4	10.1	6.7	4.7	4.0	7.8	3.8
Chemical Group	13.7	12.8	16.3	18.5	17.7	14.6	15.0
Iron and steel	4.9	3.7	6.3	4.1	2.6	4.8	4.0
Others	21.0	14.2	15.8	20.0	18.6	20.9	19.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Federal Bureau Of Statistics, GoP

Table 2.5 reflects Pakistan's continuous reliance on imports of machinery, chemicals and miscellaneous items (including important inputs for industrial sector) besides petroleum and related products. This indicates that manufacturing sector has not broadened to produce capital goods and industrial raw materials. Success that is achieved in shifting exports from primary commodities to manufactured goods lessened when huge amount of foreign exchange is required for importing inputs for manufacturing production.

2.4 ECONOMIC GROWTH AND TRADE INDICATORS

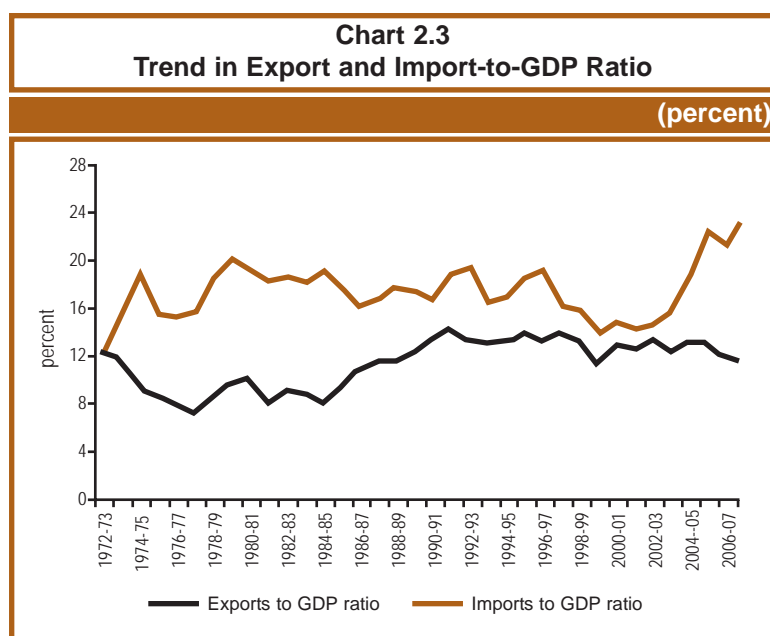
Chart 2.2 shows the performance of economic growth in terms of real GDP growth. It indicates that economic growth though remained volatile since 1972-73, a downward trend is particularly apparent between 1990-91 and 2000-01. It then increased till 2004-05 and then declined thereafter.



Exports as percent of GDP

shows a declining trend in the 1970s from over 12 percent to 8.5 percent, which later increased to over 12 percent in the 1980s. After trade liberalisation, this ratio remained

within the range of 12 percent to 14 percent in the 1990s and the first half of 2000s. Imports as percent of GDP, though fluctuated, remained in the range of 12 percent to 19 percent during 1973-74 to 1995-96. The ratio kept declining and reached 14.5 in 2002-03. Subsequently, an upward trend is noticed when it reached to over 24 percent in 2007-08 (Chart 2.3).



2.5 CONCLUSION

The purpose of this chapter was not to look at the impact of trade liberalisation on economic growth and trade performance in the pre and liberalisation period but to understand the changing patterns of economic growth and trade in order to project the employment opportunities that emerged for female in the liberalisation period.

The findings emerging from the chapter indicate that the share of agriculture in GDP has declined whereas that of services significantly increased. The share of industry however, did not increase considerably. The reduction of tariffs in Pakistan increased dependence of domestic economy on imports, particularly on machinery and other raw materials, which did not allow industries like engineering and chemicals to flourish. The economy succeeded in developing the textile and clothing industry for which the basic raw material (cotton) has been available locally since independence.

In Pakistan, the volatility of the GDP growth seemingly was one of the reasons for not achieving remarkable export performance in spite of trade liberalisation policies. Ara (1999) found that in Pakistan causality runs from GDP to export, in case of both primary and manufacturing exports. Pakistan's exports are largely based on agricultural and manufacturing output even after opening up of trade. It has yet to make inroads into meaningful export of services.

Findings of SPDC (2006) indicated a number of factors hurting the economic growth between late 1980s and 2001. For example, the cumulative adverse effects of the twin

deficits (budget deficit and trade deficit), the environment of political instability and exogenous shocks, such as economic sanctions following the nuclear tests, made it difficult to achieve a measure of economic stability. Second, fiscal consolidation did take place but without an increase in the tax-to-GDP ratio and with a run-up in public debt and its servicing costs, the brunt of the adjustment fell on the development expenditures. Third, concerns about inflation necessitated a tight monetary policy, particularly during the late 1990s. Fourth, the export performance did not pick up right away as trade was liberalized. These factors contributed to annual economic growth declining from an average of 6.7 percent during the FY78 to FY88 period to 4.1 percent during the FY89 to FY99 period and a further decline to 3.1 percent during the FY00 to FY02 period whereas, the growth rate of manufacturing was 9.2 percent, 4.2 percent and 5.1 percent, respectively, over the three periods. Agriculture was the only major sector where annual growth increased to 4.5 percent over the period 1989-1999 from about 4 percent in the earlier decade.

In addition, increase in the cost of production during the last couple of decades created further challenges. Ara (2004) while assessing the competitiveness of manufacturing sector of Pakistan found that between 1972-73 and 2002-03, the price of energy, machinery and transport and wages have grown faster than the general price level. A fact that worked against any profits in the manufacturing sector and is detrimental for exporters to stay in business.

NOTES:

¹ The benefits of trade liberalisation vary from country to country and depend on the socio-economic characteristics of country. This chapter focuses on examining the structure of economy rather than investigating the impact of trade liberalisation on economic growth.

² See SPDC (2006), Zaidi (2005), Malik et al (1994), and Ahmed and Amjad (1984).

CHAPTER 3

NATURE OF FEMALE AND MALE EMPLOYMENT

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CHAPTER 3 NATURE OF FEMALE AND MALE EMPLOYMENT

After having discussed the pattern and trends of economic growth and trade, this chapter looks into the characteristics of employment and the change that have occurred in the female and male employment pattern. The analysis is based on data from Labour Force Survey (LFS) carried out periodically by the Federal Bureau of Statistics (FBS). The estimates are largely derived by using micro data sets of LFS available from 1990-91 onwards.

LFS defines labour force or economically active population as, "currently active population or labour force comprises of all persons ten years of age and above who fulfil the requirement of inclusion among employed or unemployed during the reference period i.e. one week preceding the interview." Since the population in the age group 10-14 years is considered as child labour as per international labour laws and International Labour organization guidelines, the research report considers labour force as population 15 years of age and above.

The chapter specifically looks at the following areas:

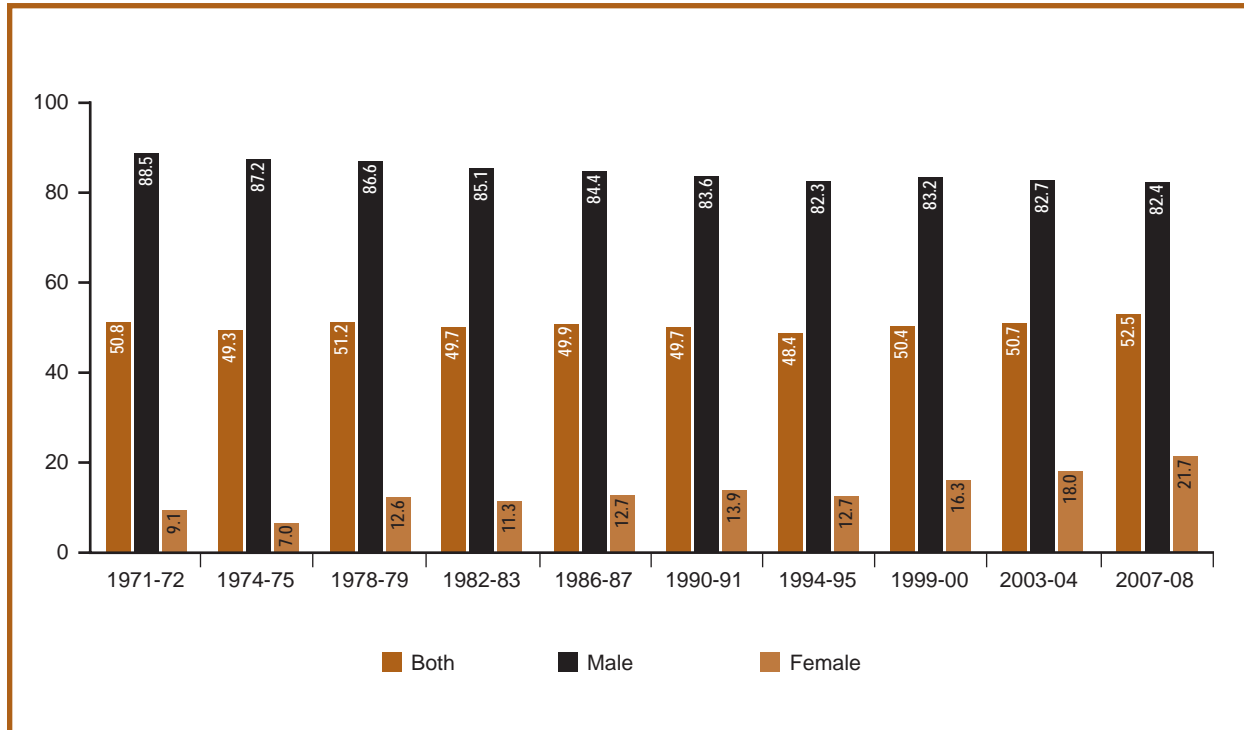
- Labour force participation rate and growth in employment;
- Various dimensions of the structure of employment; and
- Level of education of employed labour force.

3.1 LABOUR FORCE PARTICIPATION RATE

Chart 3.1 gives the female and male participation rates. The Labour Force Participation Rate (LFP) is defined as the ratio of labour force (both employed and unemployed but seeking work) to the population of respective age cohort. Being a key determinant of the currently active population or an indicator of the magnitude of supply of labour in the economy, it is a crucial component of long term economic growth.

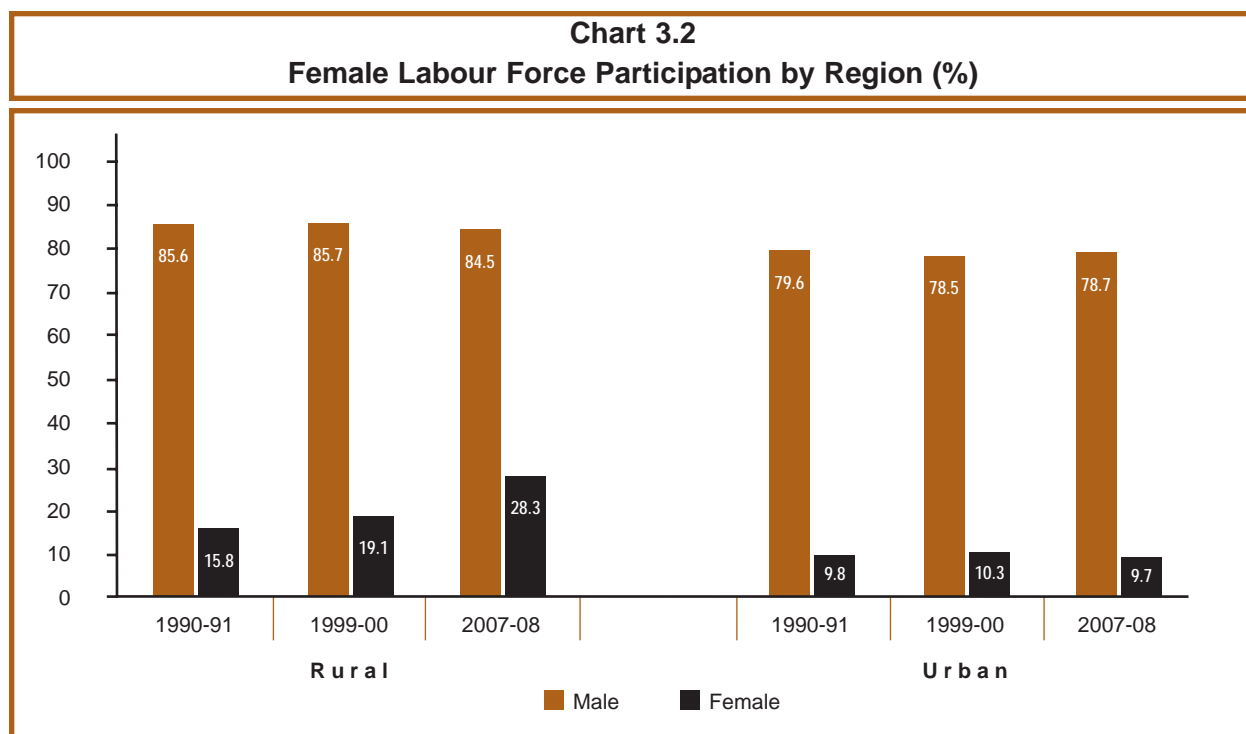
In Pakistan, the overall labour force participation rate remained roughly in the range of 49 percent to 51 percent during 1971-72 to 2003-04. However, it increased to 52.5 percent in 2007-08. This means that of the total population in 2007-08, aged 15 years

Chart 3.1
Labour Force Participation Rate (%)



and above, 52.5 percent is economically active or part of the labour force whereas 47.5 percent is economically inactive or out of the labour force. The gender-wise percentage mentioned in Chart 3.1 indicates that labour force participation rate of male declined from 88.5 percent in the 1971-72 to 86.6 percent in 1990-91 and then remained between 82 percent and 83 percent during the 1990s and in the current decade. As opposed to this, the labour force participation rate of female increased from a very low level of 9 percent in 1971-72 to 21.7 percent in 2007-08. Female labour force participation rate increased in the 1970's, remained firm in the 1980's and increased substantially in mid-2000's. The trend emerging from chart 3.1 though positive and indicates that the overall gender gap in labour force participation rates is narrowing, it is still disappointing that 78.3 percent of the total female population of age 15 years and above continue to be out of the labour force as against 17.6 percent in the case of male.

Female labour force participation rate in rural areas increased from 15.8 percent to 28.3 percent from 1990-91 to 2007-08 and comparatively remained around 9.7 percent to 10.3 percent in the urban areas (Chart 3.2).



3.2 GROWTH IN EMPLOYMENT

Table 3.1 gives decade-wise growth rates in employment of female and male along with GDP, exports and imports growth rates. Some important conclusions emerged from the analysis of these annual growth rates for four decades: (1) there is a lack of variability in the growth rate of male employment that remained between two to three percent per annum irrespective of the overall trends seen in the labour market while the growth rate in female employment experienced large fluctuations; (2) growth in female employment declined to 2.7 percent per annum in the 1980s from 8.6 percent per annum in the 1970s whereas the average annual growth rate of real GDP and real exports increased in the 1980s; (3) while growth in real GDP, real exports and real imports though declined in the

Table 3.1
Trend in Growth rates of GDP and Trade

Period	Real GDP	Real Exports	Real Imports	EMPLOYMENT GROWTH		
				Both	Male	Female
PRE-LIBERALISATION PERIOD						
1970s	5.4	1.5	9.0	3.3	2.8	8.6
1980s	6.1	7.3	2.9	2.1	2.0	2.7
LIBERALISATION PERIOD						
1990s	4.2	2.6	2.1	2.8	2.5	4.8
2000s	5.8	8.8	11.1	3.4	2.4	8.2

Source: Economic Survey, GoP, Labour Force Survey.

1990s, growth in employment, both female and male, picked up; (4) in the 2000s, growth in female employment bounced back and nearly reached to the employment growth rate of 1970s; the growth in real GDP, real exports and real imports also substantially increased.

Statistics presented in Table 3.1 apparently indicate a weaker link that exists between the female employment and real GDP growth. The role that export growth played is also invisible in the growth of female employment. While the average annual growth in real GDP and real export was 5.4 percent and 1.5 percent respectively in the 1970s, female employment growth was 8.6 percent. During 1980s this trend reversed when real GDP and exports grew by 6.1 percent and 7.3 percent respectively and female employment grew only by 2.7 percent. The only period where GDP, exports and female employment growth show a similar trend is 2000s.

3.3 STRUCTURE OF EMPLOYMENT

This section discusses four indicators that discussed the various aspects of female and male employment in Pakistan. These include nature of employment by economic activity, sector, occupation and status.

3.3.1 Employment by Economic Activity

Table 3.2 indicates that agriculture work is far more common for women than for men. Roughly, more than two-thirds of employed women work in agriculture sector compared to over a third of employed men. The sharp decline in the share of employed male in agriculture indicates replacement of men with female workers in

	1996-97	1999-00	2003-04	2007-08
FEMALE				
Agriculture	66.4	73.7	66.6	73.8
Formal	12.9	9.5	11.8	7.4
Informal	20.7	16.8	21.5	18.8
Total	100.0	100.0	100.0	100.0
MALE				
Agriculture	39.7	43.4	37.0	35.2
Formal	21.7	19.8	19.0	17.9
Informal	38.6	36.8	44.1	47.0
Total	100.0	100.0	100.0	100.0

Source: Labour Force Survey, GoP

the agriculture sector. The male replaced have largely entered informal sector. Despite high economic growth (on average 6 percent per annum), employment opportunities in formal sector has been declining both for male and female where the decline in the case of female is much sharper. Compared to males, females do not have much employment opportunities in the informal sector as well.

3.3.2 Employment by Sector

Table 3.3 indicates trend in distribution of and relative shifts in employment by sector for female and male in Pakistan. Agriculture remains an integral sector in generating employment opportunities both for male and female. In 1990-91, agriculture sector constituted 44 percent of male employment and 66 percent of female employment. In 2007-08, male employment associated with this sector despite experiencing a decline continued to be more than a quarter of total employment. However, the percentage of total female employment associated with this sector increased to nearly three-quarters.

Sectors	1990-91	1994-95	1999-00	2003-04	2007-08
MALE					
Agriculture, Forestry, Hunting and Fishing	43.9	43.1	43.4	37.0	35.2
Mining and Quarrying	0.2	0.1	0.1	0.1	0.1
Manufacturing	12.0	10.5	12.0	13.6	13.5
Electricity, Gas and Water	1.0	1.0	0.8	0.8	0.9
Construction	7.6	8.2	6.9	7.2	8.0
Wholesale and Retail Trade & Restaurants/Hotels	14.9	16.3	15.5	17.7	18.3
Transport, Storage and Communications	6.1	5.8	6.0	7.0	7.0
Financing, Insurance, Real Estate & Business Activities	1.0	0.9	1.0	1.3	1.8
Community, Social and Personal Services	13.3	14.1	14.4	15.1	14.9
Activities not adequately defined	0.1	0.1	0.0	0.1	0.1
FEMALE					
Agriculture, Forestry, Hunting and Fishing	65.7	66.4	73.6	66.5	73.8
Mining and Quarrying	0.0	0.0	0.0	0.0	0.0
Manufacturing	12.6	9.2	8.0	14.6	11.9
Electricity, Gas and Water	0.1	0.0	0.1	0.1	0.0
Construction	1.2	1.2	0.3	0.3	0.3
Wholesale and Retail Trade & Restaurants/Hotels	3.2	3.0	2.5	1.8	1.9
Transport, Storage and Communication	0.5	1.0	0.2	0.1	0.2
Financing, Insurance, Real Estate & Business Activities	0.2	0.2	0.2	0.1	0.2
Community, Social and Personal Services	16.4	19.1	14.9	16.4	11.5
Activities not adequately defined	0.0	0.0	0.0	-0.2	0.0

Source: Labour Force Survey, GoP

Among the non-agriculture sectors male employment is spread across various sectors including wholesale and retail trade, community, social and personal services, manufacturing, construction and transport, storage and communications. Female employment, however, is more concentrated in manufacturing and community, social and personal services. In manufacturing sector their inclusion increased during mid-1990s to mid-2000s and then declined afterwards. It can be said that a recent slowdown of the manufacturing sector output caused a decline in female employment, particularly,

of firms that are export-oriented (textile and clothing, leather, sports goods) and where females are mostly engaged.

Findings reveal that employment opportunities for women grew rather rapidly in agriculture while its importance for men declined during the past 18 years. During the same period the share of agriculture in the economy (GDP) also declined¹. During 1990-91 to 2007-08, the share of agriculture registered a decline of 4.4 percentage points in GDP and 8.7 percentage points in terms of male employment whereas an increase of 8 percentage points in terms of female employment. Furthermore, the analysis shows that female employment largely remained concentrated in three sectors i.e. agriculture, manufacturing and community and social services. Females in Pakistan have not succeeded in entering sectors such as, wholesale and retail trade, banking and insurance, and transportation and communications. Several factors are attributed for such a discriminatory pattern of female employment. The most frequent being low level of educational attainment compared to men, social custom or employer preference along with the socio-cultural traditions including household responsibilities.

Table 3.4 gives the sub-division of sectors where female employment is concentrated by rural and urban areas, i.e. agriculture, manufacturing, community and social services. In rural areas females are largely engaged in economic activities related to agriculture, livestock and hunting. Their share in these sectors has increased in recent years. In urban areas females are mainly concentrated in textile, wearing apparel and leather industries, social and related community services, and personal and household services.

Table 3.4
Distribution of Female and Male Employment by Sub-division of Manufacturing Sector and Region (percent)

Sub-Division of Manufacturing Sector	RURAL			URBAN		
	1990-91	1999-00	2007-08	1990-91	1999-00	2007-08
Agriculture, livestock and hunting	77.97	86.83	83.21	14.32	8.90	16.43
Forestry and logging	0.02	0.00	0.75	0.00	0.21	0.00
Manufacture of food, beverage and tobacco	0.39	0.16	0.10	1.83	1.42	0.87
Manufacture of textile, wearing apparel and leather industries	8.50	3.62	6.61	19.92	21.29	28.26
Manufacture of wood and wood products including furniture	0.06	0.00	0.13	0.57	0.20	0.20
Manufacture of paper & papers products, printing & publishing	0.00	0.06	0.03	0.69	0.95	0.26
Manufacture of non-metallic mineral products	0.77	0.40	0.74	1.15	0.35	0.81
Manufacture of fabricated metal products, machinery & equipment	0.00	0.05	0.03	0.70	0.17	0.14
Other manufacturing industries and handicrafts	0.70	0.33	1.04	0.34	0.38	0.49
Public administration and defence services	0.19	0.01	0.12	5.67	0.73	1.55
Social and related community services	2.82	3.42	3.93	26.89	35.11	28.36
Personal and household services	4.64	2.66	1.54	15.88	20.07	12.97
Other	3.94	2.46	1.76	12.05	10.22	9.67
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Labour Force Survey, GoP

Given that Pakistan's exports largely consist of agriculture and textile, wearing apparel and leather products, concentration of female employment in these sectors indicate that they are largely employed in export oriented sectors. Trend that is in-line with the literature presented in chapter 1, which indicated that in developing countries females are usually employed in the export-oriented sectors.

3.3.3 Employment by Occupation

Table 3.5 gives the percentage of employed male and female by occupational categories. While agriculture occupations account for the single largest grouping both among male and female, it is even more visible for female than male. The proportion of employed female engaged in this sector increased from 48 percent in 1996-97 to 67 percent in 2007-08 while that of employed male decreased from 39 percent in 1999-00 to 33 percent in 2007-08.

Sectors	1997-97	1999-00	2003-04	2007-08
MALE				
Legislators, senior officials and managers	10.0	13.0	14.2	16.2
Professionals	3.2	2.3	2.1	1.7
Technicians and associate professionals	2.7	4.0	4.3	5.2
Clerks	3.4	1.9	2.0	2.1
Service workers and shop and market sales workers	8.3	4.9	5.9	5.9
Skilled agricultural and fishery workers	33.9	39.2	33.5	32.6
Craft and related trades workers	9.7	15.8	16.3	16.3
Plant and machine operators and assemblers	5.7	4.0	4.7	5.2
Elementary (unskilled) occupations	22.9	14.9	17.0	14.8
Total	100.0	100.0	100.0	100.0
FEMALE				
Legislators, senior officials and managers	1.9	2.4	1.5	2.0
Professionals	6.8	2.4	2.0	0.8
Technicians and associate professionals	4.2	6.6	9.4	7.2
Clerks	0.3	0.2	0.3	0.2
Service workers and shop and market sales workers	4.6	0.5	0.8	0.6
Skilled agricultural and fishery workers	49.7	57.4	52.1	66.6
Craft and related trades workers	9.5	8.8	14.3	11.9
Plant and machine operators and assemblers	0.3	0.3	0.6	0.2
Elementary (unskilled) occupations	22.8	21.4	19.2	10.5
Total	100.0	100.0	100.0	100.0

Source: Labour Force Survey, GoP

Among other sectors, male employment relatively spread in different occupational categories whereas that of female largely remained confined to craft and related trade, workers, elementary (unskilled) occupations, and technicians and associate professionals. A relatively large percentage of women in technical occupations may seem surprising, however, the occupations covered in this category include computer-related occupations, nursing aides and midwives, and less qualified primary, pre-primary and special education teachers.

The category of professionals associated with relatively high earnings is largely dominated by the males. Whereas, in categories such as technicians and associate professional, skilled agricultural and fishery workers associated with low pay the proportion of females has increased over the years. The occupational segregation, thus, is among the key determinants to understand the gender differentials of earnings.

Among the four categories where female employment is concentrated, occupation related to skilled agricultural and fishery workers largely exists in rural areas while the remaining three are concentrated in urban areas (Table 3.6). The decline in the share of elementary unskilled occupations in both rural and urban areas is, however, encouraging.

Table 3.6
Occupational Categories of Employed Females by Region
(Percent)

Occupational Category	RURAL		URBAN	
	1999-00	2007-08	1999-00	2007-08
Technicians and associate professionals	2.93	4.16	23.64	25.82
Skilled agricultural and fishery workers	68.21	75.25	5.44	13.76
Craft and related trades workers	5.45	8.86	25.00	30.60
Elementary (unskilled) occupations	20.94	9.73	22.80	14.94
Other	2.47	2.00	23.12	14.89
Total	100.00	100.00	100.00	100.00

Source: Labour Force Survey, GoP

Table 3.7 highlights the distribution of occupational category of employed female in sectors where their employment is concentrated. It shows that in agriculture sector 90 percent of the employed females are skilled agricultural and fishery workers and 9.7 percent are working as elementary unskilled workers. In manufacturing sector over 95 percent are working as craft and related trade workers. However, in community, social and personal services 61 percent are technicians and associate professionals and more than 22 percent are elementary unskilled workers. Indicators confirm that women are mostly engaged in low-paid jobs.

Table 3.7
Occupational Categories of Employed Females by Sector 2007-08

(Percent)

Occupational Category	Agriculture, Forestry, Hosiery and Fishing	Manufacturing	Community, Social and Personal Services
	Legislators, Senior Officials and Managers	0.08	0.44
Professionals	0.00	0.10	6.43
Technicians and Associate Professionals	0.00	0.82	60.78
Service Workers and Shop & Market Sale Workers	0.00	0.35	2.44
Skilled Agricultural and Fishery Workers	90.12	0.00	0.13
Craft and related trade Workers	0.04	95.57	4.31
Elementary (Unskilled) Occupations	9.70	2.55	22.50
Others	0.06	0.15	1.02

Source: Labour Force Survey, GoP

3.3.4 Employment by Status

According to the LFS, employed labour force is divided into the following four categories of employment status: employer, self-employed, employee, and unpaid family helpers. Table 3.8 gives the distribution of employed female and male by the categories of employment status.

Among employed women majority have been in the category of 'unpaid family helpers'. Unpaid family helper implies that a person though engaged in production is not getting money for his/her services. As apparent from Table 3.8, in this category of employment both males and females remained concentrated in rural areas. The share of unpaid

Table 3.8
Distribution of Employed Female and Male by Employment Status

(Percent)

Year	Employer		Self-employed		Unpaid family helpers		Employees	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
F E M A L E								
1990-91	0.15	0.12	13.15	3.14	52.99	3.87	14.33	12.25
1994-95	0.05	0.23	11.51	2.44	57.38	2.49	13.23	12.66
1999-00	0.04	0.08	13.15	3.24	46.88	1.98	20.63	14.00
2003-04	0.03	0.06	12.89	4.11	48.43	3.00	18.69	12.78
2007-08	0.01	0.02	11.63	2.29	59.76	3.40	14.46	8.43
M A L E								
1990-91	0.69	1.28	37.50	10.46	11.47	2.44	19.28	16.88
1994-95	0.34	0.77	37.39	10.65	12.69	2.44	20.68	15.06
1999-00	0.14	0.81	36.91	11.33	11.57	2.89	20.04	16.04
2003-04	0.20	0.89	31.31	11.61	12.85	3.32	20.99	18.85
2007-08	0.33	0.90	29.76	11.49	13.55	3.43	21.49	19.06

Source: Labour Force Survey, GoP

family helpers in total employed women in rural areas increased from 53 percent in 1990-91 to 60 percent in 2007-08 while that of males increased from 11.5 percent in 1990-91 to 13.6 percent in 2007-08.

Looking at the percentage of gender patterns in the status of employment it is evident that a sizeable number of unpaid family helpers are included in the standard labour force statistics of Pakistan, particularly in the case of females. It is surprising that though the economy added around 3.9 million jobs for women during 2000-01 to 2007-08, 85 percent of these consisted of the unpaid family helpers, implying that women tend to dominate in categories that are linked with unpaid work and have less authority.

Table 3.9 reveals that 94 percent of females among unpaid family helpers and 62 percent among self-employed are working in agriculture sector. Within the category of employees, 43 percent are engaged with community, social and personal services and 27

	Agriculture, Forestry, Hunting and Fishing	Manufacturing	Community, Social and Personal Services	Other
Self-Employed	62.3	24.5	7.5	5.8
Unpaid family helpers	94.0	3.4	0.9	1.7
Employees	25.4	27.5	43.3	3.8
Employers	0.0	49.0	51.0	0.0

Source: Labour Force Survey, GoP

percent with manufacturing. The female employers are mainly working in manufacturing (49 percent) and community, social and personal services (51 percent) sectors.

3.4 EMPLOYMENT PATTERN BY LEVEL OF EDUCATION

Table 3.10 is about the education attainment of employed force in Pakistan. Altogether, five categories of level of education are reported here. These include illiterate, below primary level (no formal education, kinder-garden, nursery, below primary) primary level (primary and middle), matriculation level, intermediate, graduate and above degree (graduate, post-graduate) and professional education.

Educational Category	1990-91	1994-95	1999-00	2003-04	2007-08
MALE					
Illiterate	55.04	52.57	48.20	40.66	37.25
Below Primary	5.63	4.67	2.95	6.19	3.34
Primary	23.51	24.14	27.34	28.83	31.27
Matriculation	9.36	10.76	12.26	13.51	15.35
Intermediate	3.24	3.99	4.39	4.83	6.00
Degree	3.21	3.87	4.87	5.98	6.79
FEMALE					
Illiterate	82.55	80.09	82.41	73.46	76.37
Below Primary	2.19	1.90	1.07	2.42	1.64
Primary	6.82	6.17	6.33	10.44	11.09
Matriculation	4.31	5.22	4.48	5.89	4.28
Intermediate	1.57	2.55	2.19	2.66	2.35
Degree	2.56	4.07	3.52	5.13	4.27

Source: Labour Force Survey, GoP

According to Table 3.10, progress occurred in the educational attainment across all levels of education both for female and male during 1990-91 to 2007-08. However, gender gaps in the level of educational attainment are evident. The illiteracy level among employed female is much higher (76 percent in 2007-08). The proportion of employed male having primary and above primary education level is 59 percent whereas it is 22 percent for employed female. Only 4 percent of employed female compared to 7 percent of employed male have acquired education up to degree level.

Though, education attainment among employed women has improved, the process of attaining education remained very slow during a period of 18 years. In rural areas more than 80 percent and in urban areas more than 40 percent of the employed females are illiterate. Only 20 percent of the employed females in urban areas have education up to degree level (Table 3.11).

	RURAL			URBAN		
	1990-91	1999-00	2007-08	1990-91	1999-00	2007-08
illiterate	89.79	90.88	82.24	52.44	41.40	40.72
Below Primary	1.79	0.76	1.60	3.87	2.56	1.90
Primary	4.04	3.31	7.49	6.49	8.07	10.90
Matriculation	4.12	4.71	6.93	25.09	29.04	26.92
Degree	0.26	0.33	1.74	12.10	18.93	19.57
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Labour Force Survey, GoP

Table 3.12 gives the educational level of female in sector where their employment is concentrated. Of the total illiterate employed female, 86 percent are employed in agriculture, forestry, hunting and fishing. Those who are educated up to primary level or below primary level majority are engaged in agriculture sector followed by manufacturing

	Agriculture, Forestry, Hunting and Fishing	Manufacturing	Community, Social and Personal Services	Other
	Illiterate	85.9	8.8	3.6
Below primary	65.4	23.0	7.5	4.1
Primary	55.5	30.7	8.5	5.3
Matriculation	18.7	22.0	51.1	8.3
Intermediate	6.4	11.6	75.2	6.8
Graduate and Above	1.3	3.3	88.4	7.0
Professional Graduate	3.9	9.7	74.8	11.7

Source: Labour Force Survey, GoP

sector. While, those who are educated up to intermediate level, graduate and above and have a professional degree are associated with community, social and personal services.

Table 3.13
Level of Education of Female by Status 2007-08
 (% Share)

	Employers	Self	Unpaid Family Helpers	Employees
Illiterate	-	13.66	71.49	14.84
Below primary	-	20.83	52.75	26.42
Primary	0.09	17.66	54.95	27.30
Matriculation	-	13.76	25.99	60.25
Intermediate	0.14	11.80	11.18	76.88
Graduate and Above	1.43	21.21	2.47	74.89
Professional Graduate	0.25	6.37	5.46	87.92

Source: Labour Force Survey, GoP

Table 3.13 gives the educational level of female by employment status. It illustrates that in almost 72 percent of the illiterate female work as unpaid family helpers. In addition, more than half of females who are educated either up to primary or below primary and more than one-third of females who are educated up to matriculation also work as unpaid family helpers. Three-fifth of females who are educated up to matriculation and more than three-fourth who are educated up to intermediate or graduate and above work as employee.

3.5 CONCLUSION

This chapter discusses the various aspects of female and male employment patterns in Pakistan with a focus on female employment. The labour force or economically active population is defined as the population comprising of all persons 15 years of age and above - the definition recommended by the ILO. With the exclusion of child labour from the analysis, the trends indicated may be different from those that incorporate child labour.

The analyses indicate that labour force participation rate of male declined from 88.5 percent in the 1971-72 to 83.6 percent in 1990-91 and then to 82.4 percent in 2007-08 while that of female increased from 9 percent to 13.9 percent and then to 21.7 percent (child labor excluded). On the other hand, LFP (child labor included) declined from 76.7 percent in 1974-75 to 69.5 percent in 2007-08 among male while it moved upwards from 6.4 percent to 19.6 percent among females during the same period.

The female employment structure exhibits that their employment is concentrated in agriculture, manufacturing and community and social services sectors. Majority of the females are associated with the agriculture sector with their share increasing over time.

On the other hand, the share of male in agriculture sector is declining indicating that its importance for men has declined. In manufacturing sector female largely work in textile, wearing apparel and leather industries. This shows that concentration of female employment largely exists in sectors that produce for exports. Moreover, females are engaged in occupations that often are low paid such as, skilled agricultural and fishery workers, craft and related trade workers and elementary (unskilled) workers. It is alarming to notice that the share of unpaid family helpers in agriculture sector has increased over time.

It can be said that men prefer to get employment in sectors other than agriculture and women are substituting them in agriculture sector and working as unpaid family helpers. Moreover, if unpaid family helpers are excluded from labour force then the female participation rate depicts an increase from 7.3 percent in 1990-91 to 9.2 percent in 2007-08. This indicates that a rapid increase in female participation rate seems to be largely due to increase in unpaid family helpers (see SPDC, 2009).

The trade reforms initiated during the last couple of decades, unfortunately, have not created jobs opportunities for women in Pakistan, neither have they gained the benefits of trade liberalisation. The assumption that trade reforms would help create greater employment opportunities both for men and women have largely proven to be false. Generally, the failure is attributed to the socio-cultural environment, gendered decision of labor, limited mobility, low level of education, absence of technical skills, and behaviour of male workers. The impact of the non-conducive social environment needs to be addressed and engendered socio-economic policies needs to be designed which are crucial to address inequalities in employment.

NOTE:

¹ See Chapter 2.

CHAPTER 4

TRADE LIBERALISATION AND FEMALE LABOUR FORCE PARTICIPATION

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CHAPTER 4 TRADE LIBERALISATION AND FEMALE LABOUR FORCE PARTICIPATION

This chapter addresses the extent of the impact of trade liberalization and economic growth as well as that of the social characteristics on the labour force participation rate of women in Pakistan. For this, an empirical analysis is carried out by considering trade liberalisation, economic growth and other relevant determinants of female labour force participation rate in Pakistan by employing co-integration technique for the period 1972-73 to 2007-08. The chapter consists of literature review, description of the empirical model and results of estimation.

4.1 REVIEW OF LITERATURE

Meyer (2006) estimated the impact of trade liberalization and risk associated with participation in the global trading system on female labour force participation in a cross-section framework by considering a period from 1971 to 1995 and 120 nations (classified into five regions). She addresses the issue whether or not trade liberalization and the risks associated with trade openness provide women with increased access to resources through their integration into national labour markets. Her analysis suggests that while trade liberalisation facilitates women in attaining paid employment, it declines their representation in national labour force (i.e. in unpaid employment). Given these conflicting views she proposes that reforms based on trade liberalisation do not necessarily improve women's access to economic resources. She also points out that higher foreign investment in the form of transnational corporations plays a positive role in enhancing women's share in labour market; trade openness has a larger effect in middle-income countries compared to low-income and advanced industrialised countries; and greater volatility and exposure to shocks in the labour market as a result of trade openness exerts an adverse impact on women's employment in the formal labour market in semi-peripheral countries.

Nordas (2003) while studying five developing countries estimated the impact of changes in export and import value on women's share in employment and women's wages relative to men. He pointed out that trade liberalization can provide employment opportunities for women in labour-rich developing countries, where there is a growth in exports leading to increase the share of female employment. He also argues that though there exists a tendency to employ men in import competing industries, they do not

remove women from employment due to increased import competitions. On the contrary, there are concerns that women's gains from trade liberalization tend to decline as countries move towards higher value added industries and more technologically sophisticated production, since these industries require highly skilled and educated labour force.

Studies also shows that export promotion zones (EPZs) have largely contributed towards women employment in export-oriented manufacturing firms in developing countries where they are better paid than in domestic industries. Evidences and studies indicate that in many EPZs in Asia young single women were to be employed at least in the initial stage (Baden and Joekes, 1993). Moreover, the growth of export-oriented manufacturing has benefited women by creating jobs for them (both absolutely and relative to men) where they often earn wages that are higher than those working in other sectors. However, these gains happened to be only short term [Kabeer (1995) and Joekes (1995)].

Wood (1991) states, "increased manufactured exports from the South are very strongly associated with the feminisation of the industrial labour force." In a study on formal sector employment he shows a strong relation between increased exports and increased female employment in manufacturing particularly in Mauritius, Tunisia, Sri Lanka, Malaysia and the four East Asian tigers.

In Pakistan, there is lack of empirical research that develops linkages between gender and trade liberalisation indicators in order to estimate a relationship among them. Khattak (2001) probed the effects of SAP on women employment in Pakistan and hence on their empowerment and lives by conducting a survey of altogether 630 women workers in Karachi, Lahore, Peshawar and Quetta. The findings indicated that sexual division of labour by and large did not change women's lives and they were more burdened with work than men in the event of worsening economic conditions since they had to carry out both paid work and unpaid domestic work. Women had little control over resources - even the ones generated through their work.

Siegmann (2005) evaluated the likely effects of the termination of the quota regime on the male/female composition of the workforce in textile and clothing industry of Pakistan by conducting ten semi-standardized interviews with textile/clothing industry managers in Faisalabad in April 2004. The findings indicated that it was likely that Pakistan might

lose out in the market for clothing and may then specialize in the market of textiles and yarn, which will affect the employment of women workers greatly as majority of women are engaged in stitching. Women workers also lose out as they might have difficulty in finding alternate jobs as a result of the fact that they were concentrated only in few sectors of the economy.

Ahmed and Bukhari (2007) explored the impact of trade liberalization on gender inequalities in Pakistan. Their regression analysis illustrates that trade liberalization has significantly played a part in reducing overall gender inequality, specifically in the labour market. They indicated that export-oriented industries, particularly the textile industry contributed in absorbing a higher proportion of female workers.

Siddiqui (2009) investigated gender dimensions of the effects of trade liberalization in Pakistan by using Computable General Equilibrium (CGE) model. She used reduction in effective rate of protection (ERP) as a proxy of trade liberalization and simulated its gendered impacts on various indicators including income poverty, time poverty, capability poverty, and welfare. Her simulation results show that revenue-neutral trade liberalization in Pakistan increased women employment in unskilled jobs and increased women's real wage income more than men's for all types of labour. The division of labour is biased against women. The study finds that Pakistan's trade liberalization adversely affected women in relatively poor households by increasing their workload, deteriorating capabilities, and increasing relative income poverty. However, the effects remained gender neutral or favoured women in the richest group of households.

4.2 EMPIRICAL MODEL

This section establishes the empirical model used to determine the impact of trade liberalisation on female labour force participation. Here, we discuss the dependent variable, both external and internal determinants of female labour force participation and empirical methodology. The rationale for including these determinants in the model is illustrated below.

4.2.1 Dependent variable

The dependent variable in our model is female labour force participation rate. The labour force for the analysis has been defined as population comprising of persons with age 15 years and above.

4.2.2 External determinants

The magnitude of trade openness or the participation of a country in the global trading system is often measured by the sum of the value of its merchandise exports and imports as percent of the value of GDP. This variable tests the effect of the trade liberalisation or openness of the economy on female labour force participation. The sign of this variable can be positive or negative. A positive sign implies that female labour force participation increases with the increase in openness and vice versa.

$$OPEN = \frac{Exports + Imports}{GDP}$$

Commodity concentration in export sector is also expected to affect employment opportunities. Lack of diversification in export commodities leads to instability in the export earnings as any downward fluctuation in the export causes a decline in the entire export earnings. As against, if a country exports many different commodities then shifts in demand for some commodities can be compensated by shifts in demand for other commodities. Studies have pointed out that overspecialisation in trade or high degree of commodity concentration lowers women share in employment [Clark et al. (1991) and Miler (1999)]. We use the Gini-Hirschman Index to measure the commodity concentration of Pakistan's exports. It is defined as

$$G_t = \sqrt{\sum_{i=1}^n (X_{it} / X_t)^2}$$

where, x_i is the value of a country's exports in commodity i while x is the value of total trade. A higher value of index implies that exports are limited to only few commodities and vice versa.

4.2.3 Internal Determinants

The theory suggests that levels of economic development influence women participation in the labour force in developing countries. High level of modernity as result of economic development is associated with increased demand for labour and with social acceptance of women's employment and education. Thus, economic development evaluated in terms of economic growth positively affects the female participation in the labour force. In Pakistan, women are largely engaged in commodity producing sectors (agriculture and manufacturing sectors). Therefore, the GDP of commodity producing sectors is taken here instead of overall GDP.

Family structure is also considered as an important indicator that has an effect on female participation in economic activity. Given that women perform the role of primary caretakers of children around the world, it is likely that they prefer to stay home and remain out of labour force particularly, during the period when children are young. This indicator is captured by taking the ratio of number of children in the age group 0-9 and the number of women in the age group 20-44. This measure captures childrearing duties more directly than the crude birth rate or the total fertility rate and also captures the current size of the population needing care [Pampel and Tanaka (1986), (Semyonov, 1980), Meyer (2006)].

To take into account the supply of female per male labour force, sex ratio of working-age population is also incorporated. This is computed by dividing the females of age 25-64 years by the number of males of the same age.

An important factor that stimulates a woman to participate in the labour force is their level of educational attainment. Increase in the level of education of women is assumed to cause the participation rate positively. Level of education is captured through female literacy rate.

Overseas migration of labour force creates shortage of labour force in the domestic market. As a consequence, it can be assumed that the availability of job induces women to take advantage from this opportunity and hence positively affects women participation. Overseas migration as a percent of total population is taken to capture this effect.

Data sources

The data for this analysis is obtained from various issues of Labour Force Survey, Government of Pakistan and Economic Survey, Government of Pakistan.

4.2.4 Empirical Methodology

Based on the theoretical background, an empirical analysis is carried out to investigate the impact of above mentioned variables on female labour force participation rate in Pakistan. The following functional form for female labour force participation is estimated for the period 1972-73 to 2007-08 by using Johansen-Juselius (1990) co-integration technique.

$$LFPP = f(OPEN, CC, YCOM, MFWR, CWR, LRF, MIG)$$

Where,

LFPF = Labour force participation rate female

OPEN = Openness

CC = Commodity concentration

YCOM = GDP of commodity producing sector

MFWR = Ratio of female working age population to male working age population

CWR = Child to women ratio

LRF = Literacy rate of females

MIG = Ratio of overseas labour force migration and population

4.3 RESULTS

In this section, we first discuss the data and do some preliminary descriptive analysis before moving to empirical results.

4.3.1 Descriptive Analysis

Table 4.1 gives summary statistics of the variables used in the analysis with Chart 4.1 providing plots of these variables.

Labour force participation rate of female depicts an obvious increasing trend with some wavering movement during mid-

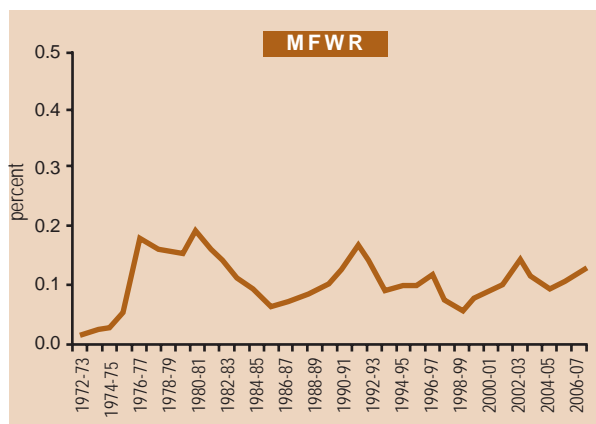
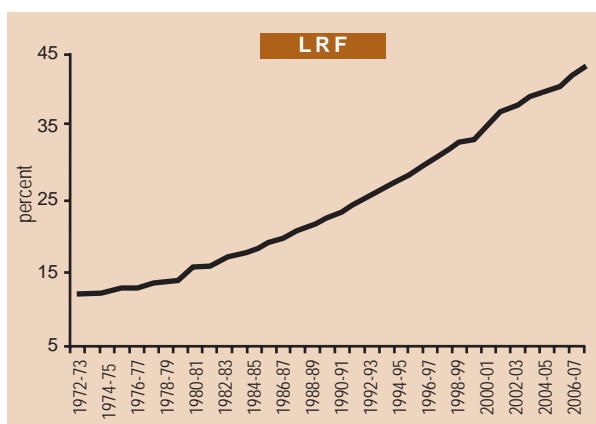
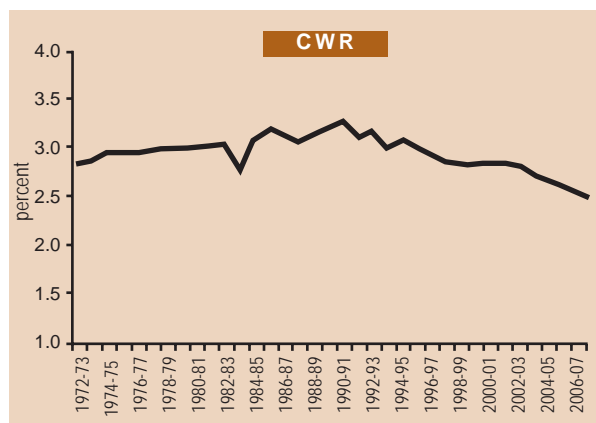
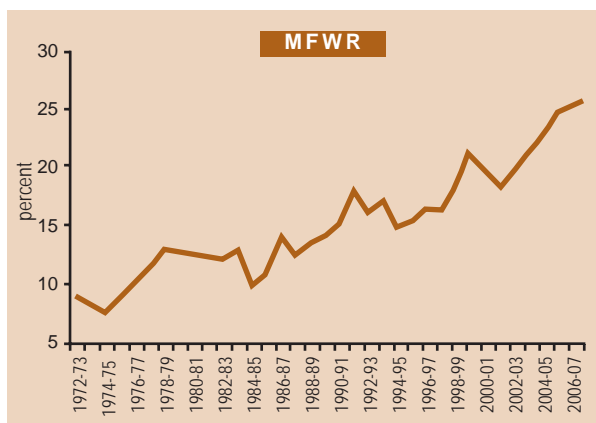
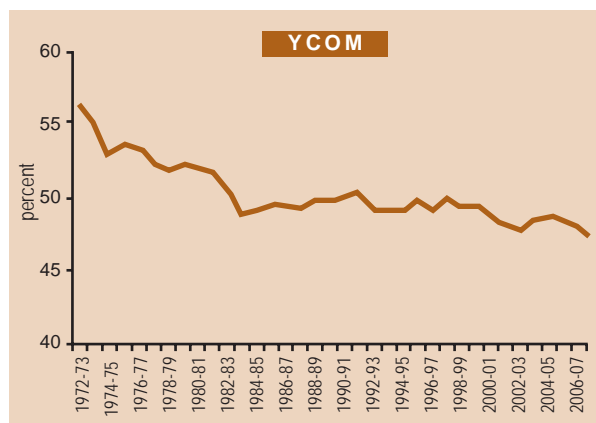
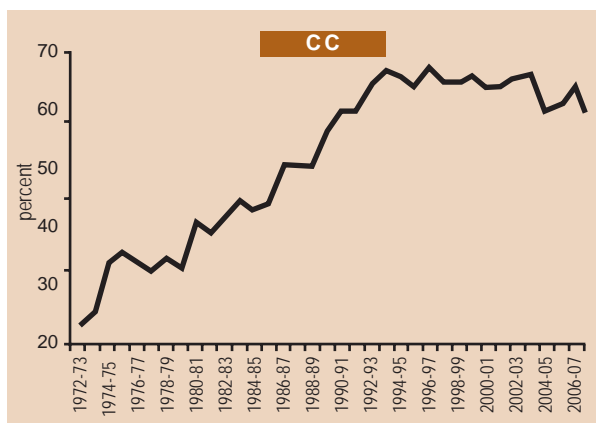
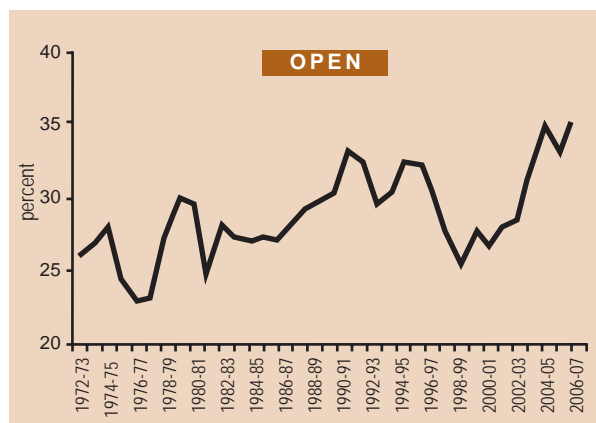
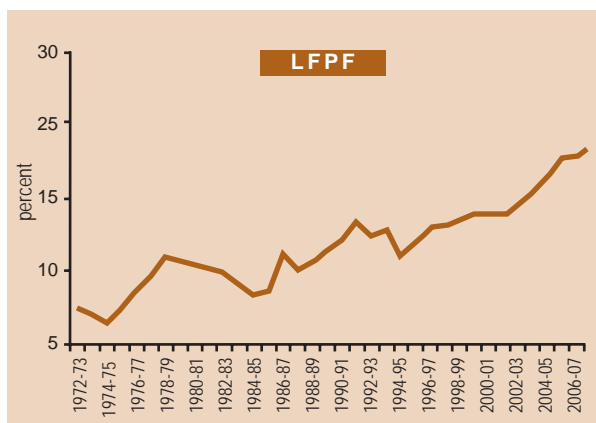
1980s to mid-1990s. It increased from a very low base of 9 percent in 1972-73 to 21.7 percent in 2007-08 and remained on average 13.5 percent with a standard deviation of 3.8 percentage points. Apparently, this indicates that the overall gender gap in labour force participation rates is declining in Pakistan. However, it is still depressing as out of total female population (15 years and above) 78.3 percent are out of labour force.

There have been several episodes of declining and increasing trends in the variable capturing openness (trade as a percentage of GDP). On an average the share of trade in GDP has been about 29 percent over the sample period with a standard deviation of 3 percentage points. Smoothing through the oscillations, there apparently is an increasing trend in the openness of Pakistan's economy for external trade as this share has improved from 26 percent in 1972-73 to 36 percent in 2007-08.

Table 4.1
Statistics of Time Series

Variables	Mean	Standard Deviation
Labour force participation rate female	13.54	3.83
Openness	28.86	3.10
Commodity Concentration	51.58	13.80
GDP of commodity producing sector	50.14	2.14
Ratio of female to male working age population	15.29	4.85
Child to women ratio	2.94	0.19
Literacy rate of females	24.72	10.07
Ration of overseas labour force migration and population	0.0011	0.0004

Chart 4.1
Plot of Variables



Commodity concentration of Pakistan's exports increased enormously over the sample period with a mean of about 52 percent and a standard deviation of 14 percentage points. The massive increase took place during 1972-73 to 1996-97 when it increased from as low as 23 percent to as high as 67 percent. Later it slightly declined and remained around 65 percent per annum. Later, it started declining but remained around 60 percent per annum. The decline in commodity concentration occurred when quota under Multi Fibre Agreement (MFA) ended in 2004 and Pakistan's textile exports started declining. Pakistan then took some initiative to start diversifying its exports.

The real output of commodity producing sector as percent of GDP shows a declining trend. Prior to 1983, it declined sharply but the average share in GDP was relatively high (53 percent per annum). However, during the post-1983 period, it remained somewhat stable but the average share was lower (49 percent). Over the full sample period commodity producing sector as percent of GDP averaged 50 percent with a standard deviation of 2 percentage points.

Sex ratio, which explains the ratio of working-age population of female to working-age population of male, enhanced over the sample period although with some volatility. It displays that female working age population as a percent of male working age population was only about 9 percent in 1972-73. This share reached to 25 percent in 2007-08.

Literacy rate of female appears to be the only variable that displays a clear continuous increasing trend with a mean of roughly 25 percent and a standard deviation of 10 percentage points.

The variable child women ratio displays a rather horizontal line with little jerks having a mean of 3 and a much lower standard deviation of 0.19. A notable turn down is evident in this variable after 1995-96 when it shows a steadily declining trend with the ratio reaching 2.4 in 2007-08.

Migration though small in numbers shows large oscillations. It varies with international shocks and stages of development of different countries that created demand for skilled and unskilled labour from a developing country like Pakistan.

4.3.2 Empirical Results

In this section, we discuss the stationarity of the time series, estimation results and the interpretation and explanation of results.

Order of Integration or Stationarity of the Variables

Prior to estimating equation, it was essential to conduct the unit root test to check the stationarity of the time series. For this, we employed the Augmented Dickey Fuller (ADF) test and Phillips-Perron (PP) test. In doing this test, optimal lag length was chosen using Schwarz Info statistical criterion. All explanatory variables are taken in log form. Table 4.2 presents the results of the unit root tests. When applied to each time series the null hypothesis of unit root was considered against the alternative hypothesis of no unit root or the time series is stationary.

The results reveal that all the variables have a unit root (non-stationary) in their log-level, while the null hypothesis of unit roots can be rejected when the variables are considered in their first differences (see Table 4.2). This indicates that all variables have first order of integration or I (1).

	ADF Test Statistic		Phillips-Perron Test Statistic	
	Level	1 st Difference	Level	1 st Difference
Log(LFPF)	-0.696	-5.256*	-0.717	-5.241*
Log(OPEN)	-1.781	-5.496*	-1.697	-7.722*
Log(CC)	-1.727	-6.279*	-1.517	-7.484*
Log(YCOM)	-2.494	-5.972*	2.880	-6.127*
Log(MFWR)	-0.800	-6.226*	-0.645	-6.355*
Log(CWR)	-0.103	-6.767*	-0.285	-6.779*
Log(MIG)	-1.349	-3.994*	-3.243	-4.009*
Log(LRF)	-0.080	-7.451*	-0.046	-7.450*

Note: * represents 1% level of significance

Interpretation and Explanation of Results

The results reported in Table 4.3 show that for Likelihood Ratio, the null hypotheses $R = 0$ (no co-integrating relationship), $R = 1$ and $R = 2$ can be rejected in favor of its alternative $R = 3$. This indicates that there exist at least three co-integrating vector and confirms that a co-integrating relationship exists among the concerned variables in the model. Table 4.3 also shows that for Maximum Eigen values there exists at least three co-integrating vector, which further confirms the existence of co-integrating relationship among the variables. This indicates that there prevails a co-integration or a long run association between female labour force participation rate and its determinants (taken in this model) in the case of Pakistan.

Table 4.3
Johansen First Information Maximum Likelihood Test for Co-Integration

Hypotheses	Likelihood Ratio	5 percent Critical	Inst-Values	Maximum Eigen Values	5 percent Critical	Inst-Values
R = 0	269.30	159.53	0.00	96.90	52.36	0.00
R = 1	172.40	125.62	0.00	70.14	46.23	0.00
R = 2	102.26	95.75	0.02	41.53	40.08	0.09
R = 3	64.73	69.82	0.12	29.32	33.88	0.16

Table 4.4 gives the estimation results of the LFPF equation on annual data for the period 1972-73 to 2007-08. It reports the estimated coefficients and their t-statistic. Since all the variables are in logarithmic form, the estimated coefficients give the elasticity of the respective variable.

Table 4.4
Results of Co-integration - 1972-2008
Dependent Variable - Female labour force participation rate

Independent Variable	Log(OPEN)	log(CC)	log(YCOM)	log(FMWR)	log(CWR)	log(LRF)	log(MIG)
Coefficient	0.22	-0.39	0.44	0.68	0.34	0.25	0.06
t-Statistic	5.98*	-15.39*	8.99*	6.75*	1.15	17.47*	6.17*

Note: * represents 1% level of significance

The coefficient of OPEN is positive and significant indicating that openness or trade liberalisation contributed towards the increase in female participation rate in the labour force. However, its impact remained relatively inelastic in nature. If openness increases by one percent, increase in female participation rate is only 0.22 percent. The coefficient of CC is negative and significant showing an inverse relationship between commodity concentration and female labour force participation. In terms of percentage change, a one percent increase in commodity concentration decreases the female participation by 0.39 percent.

There are certain specific economic sectors where females are largely employed. For example, agricultural sector absorbs the bulk of the female work force followed by manufacturing (garment and surgical industries) and community, social and personal service (nursing and teaching). According to labour force survey, 65.7 percent of the total employed females were associated with agriculture and forestry, 12.6 percent with manufacturing and 16.4 percent with community and social services in 1990-91. These percentages changed alarmingly to 73.8 percent, 11.9 percent and 11.5 percent respectively in 2007-08.

In agriculture majority of the women (over 50 percent) are engaged in livestock since the sector is well integrated into the family economy which efficiently utilizes family labour. Women are involved in almost all aspects of animal health, maintenance, rearing and production. This is followed by crop farming (agriculture) where females are mostly involved in agriculture support activities like, weeding, grass cutting, cotton picking, stick collection and separation of seeds from fibre and so on. Women are also either self-employed or employees who are involved in some businesses and in other off-farm activities like embroidery and tailoring, carpet making, teaching, or are health workers and government employees [UNDP (2007-08) and SPDC (2009)].

In manufacturing sector women are largely associated with textile, wearing apparel and leather industries. It needs to be mentioned that within textile and leather industry majority of women are associated with garments sector. In sectors like yarn and cloth generally men are employed as the production is mechanised in nature. These machines require specific skills to run which women usually do not attain.

Moreover, in textiles Pakistan performs well in low value added items like yarn and cloth while in garments which is a high value added item its performance is not as impressive as that of its competitors like Bangladesh and India. For example, each of these two countries continue to have over 3 percent share in world clothing exports, whereas, Pakistan has only one percent share. Unfortunately, significant efforts have not been made to expand the garment sector where women could have reaped the benefits of trade liberalisation.

Fontana (2004) pointed out, "Since the establishment of the garment factories in the 1980s, considerable changes in female labour force participation have taken place in Bangladesh with export sectors employing more women. Women have gained in terms of higher market employment and wages. Importantly, it is not only their absolute wages that increase, but also their wages relative to men. Whether women benefit from a country's greater exposure to trade depends on which factors of production experience a rise in demand, and what are the prevailing gender norms regulating ownership of the factors that stand to gain."

Seigmann (2008), while discussing the impact of removal of textile quotas on female employment in Pakistan, states "in both the sectors that employ the most women-agriculture and forestry, fishing, and hunting-and in the manufacturing sector, labour-intensive subsectors (including garment and soccer-ball manufacturing as well as cotton

picking) have been stimulated through trade, and women have been recruited on a preferential basis. This has provided women with employment and, thus, cash income in an environment that discourages women's participation in the paid labour market."

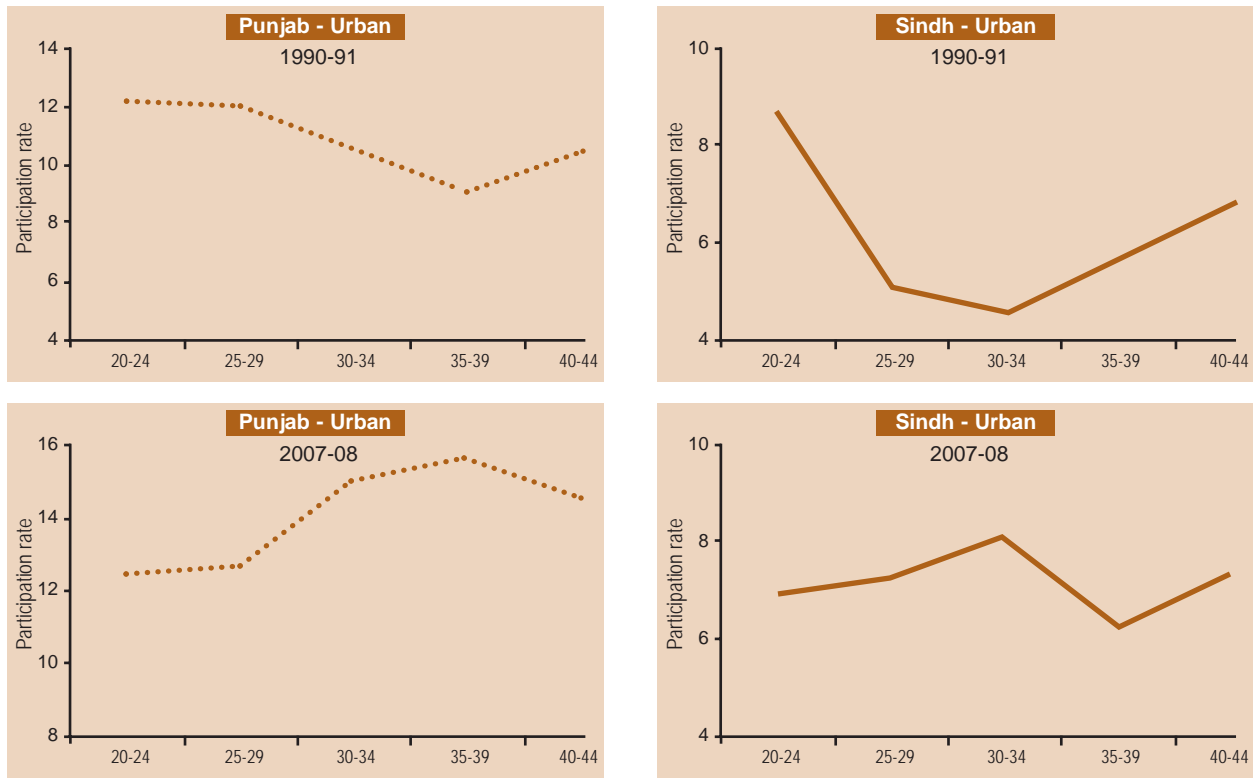
Thus, continued concentration of female employment in specific sectors and inadequate measures to diversify exports which would have created employment opportunities for women in other sectors did not allow translating the effect of openness on women participation in the labour force.

Pakistan exports consists of textiles and wearing apparel (60 percent) such as raw cotton, cotton yarn, cotton cloth, bed wear, knitwear and garments; rice (11 percent); leather and leather manufactures (5 percent). Commodity concentration act as a risk to exports. It is regarded as one of the major cause for instability in export. If any external or internal shock affects exports then commodity concentration exerts a negative pressure on considerable part of production and hence on employment, in general. Since women are not only engaged in certain specific sector but also are less skilled as compared to men, they are more vulnerable to lose their job compared to men. Thus, commodity concentration negatively affects female employment and hence the participation rate.

The positive and significant coefficient of YCOM implies that an increase in the output of commodity producing sector (agricultural and manufacturing) increases the female participation in the labour force. In terms of elasticity a one percent increase in the output of commodity producing sector brings 0.44 percent increase in the female labour force participation rate. It is apparent that large part of Pakistan's export depends on production of agriculture and manufacturing. The two sectors are of prime importance not only for Pakistan's exports but also for bringing an increase in female participation rate. Thus, a combination of openness and growth in agriculture and manufacturing output would possibly have a positive affect on female participation. Certainly, the share of services sector has increased in Pakistan but opportunities for female employment has not increased accordingly.

The coefficient of MFWR is positive and statistically significant, which shows high association between female working age population and their participation rate. It is included to control for the supply of female working age population in relation to male working age population. Increase in working age female population definitely generates a positive impact on female participation rate.

Chart 4.2
Fertility Age and Female Labour Force Participation Rate



Source: Labour Force Survey, GoP

Child-women ratio is found to have a positive relationship with female participation in the labour force but it is not significant. To further understand its influence analysis was done by drawing graphs considering female labour force participation rate and fertility age using data from LFS. Chart 4.2 clearly shows the absence of decline in participation rate during fertility period. Moreover in Pakistan no visible decline is noticed in child-bearing age- which implies that women are compelled to undertake work along with domestic work and child-bearing, especially in rural areas.

Literacy rate has a positive and significant influence on female participation in the labour force but it holds a weak elasticity of 0.25. This indicates that a one percent increase in the number of literate women brings only 0.25 percent increase in participation rate. Findings are similar to that of SPDC (2009) which states, "An extremely weak link that exists between education and employment in Pakistan. Women, though, are entering higher educational institutions it does not ensure their subsequent entry into the labour force. Neither, it has helped in addressing the restrictions on labour force participation and the gender discrimination that are prevalent in the labour market."

Labour force survey 2007-08 shows that illiteracy level among the female labour force is higher (75 percent) compared to that of male labour force (37 percent). Further, the Education Census (2005) gives striking figures where females have made progress particularly at the degree level and are approaching to one half of the total enrolment. In spite of the progress, their share in labour force is only 19 percent.

The positively significant coefficient of MIG indicates that overseas migration has created space for employment of females at home. For instance, in 1970s and 1980s development in UAE provided opportunities to largely unskilled male from rural areas of Pakistan. This provided a window of opportunities to rural women to work in place of men. At later stage Dubai and American Lottery and Canadian immigration also provided opportunities to women when migration of skilled and qualified men took place.

4.4 CONCLUSION

This chapter presents an empirical analysis to evaluate the extent of the impact of trade liberalisation, economic growth and other relevant determinants on female labour force participation rate in Pakistan by employing Johansen-Juselius co-integration technique for the period 1972-73 to 2007-08. The explanatory variables used in the model include: sum of the value of merchandise exports and imports as percent of the value of GDP to measure the effect of openness, Gini-Hirschman Index to measure the commodity concentration of exports, GDP of commodity producing sectors, child women ratio to measure female childbearing role, female literacy rate and overseas migration of labour force. The findings indicate that the extent of the impact of openness or trade liberalisation is very limited on female participation rate in the labour force in Pakistan. Women of Pakistan continue to be concentrated in traditional economic sectors. Commodity concentration of Pakistan's exports negatively influences female labour force as export of few items limits employment opportunities for females. Since women are not only engaged in certain specific sector but are less skilled as compared to men, they are more vulnerable to lose their job compared to men. Thus, commodity concentration negatively affects female employment and hence the participation rate.

Increase in the output of commodity producing sector (agricultural and manufacturing) increases the female participation in the labour force as majority of the women are associated with agriculture and manufacturing. Child women ratio does not have any significant impact on female participation indicating that women continue to face the

double-burden i.e. domestic work and child-bearing responsibilities along with work. Literacy rate affects female participation in the labour force positively but the extent of its impact is small implying that efforts are required to increase the education among females and then to induct these females into labour force.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

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Implication of trade liberalization on women is a complex issue and has multiple dimensions. In line with the objectives of the study an attempt is made to analyze the implications of openness of trade on women labour force participation rate. The research report has also examined the change in the pattern of GDP, exports and imports to see the structure of production in Pakistan. It has also carried out a detailed analysis on female and male employment structure.

1. SUMMARY OF FINDINGS

1.1 Impact of Trade Liberalisation on Structure of the Economy

The findings indicate that during the period 1972-73 to 2007-08 the composition of GDP changed significantly. The share of agriculture sector declined and that of services sector increased considerably while the share of manufacturing sector remained firm to some extent. Importantly, the reduction in tariff made Pakistan dependent on imported raw materials and capital goods which have been continuously increasing. While its exports overtime largely concentrated in the sectors of textile and related products. Any concrete efforts towards diversification of exports are not visible in the exports of Pakistan.

1.2 Nature and characteristics of job opportunities emerged for women and men during trade liberalisation

Considering the female and male employment, the analysis shows that female participation increased remarkably over time. Agriculture sector is found to be a major sector of employment both for female and male. However, the concentration of female in agriculture increased over time while that of male has declined. Three sectors where females are largely present are agriculture, manufacturing and community and social services. In agriculture and manufacturing more than 90 percent females are associated with occupations that often have lower pay, like skilled agriculture and fishery worker and craft and related trade workers. Among employed women majority have been in the category of unpaid family helpers. The share of unpaid helpers in total employed women has increased alarmingly over time. Among unpaid family helpers 94 percent are associated with agriculture sector. The illiteracy level among employed female is much higher to employed males. Only 4 percent of employed females as against 7 percent of

employed males have acquired education up to degree level. Among those females who are either illiterate or educated up to primary level or below are associated with agriculture sector. This confirms that in agriculture sector females are largely illiterate and majority of these illiterate females are unpaid family helpers. Among those who acquire a degree majority are engaged in community, social and personal services. In manufacturing sector, females are concentrated in export-oriented sectors like textile, wearing apparel and leather manufacturing. They are educated up to matriculation or below matriculation level of education and are employed in low-paid jobs. Majority of the illiterate females and those who are educated primary or below primary level of education are unpaid family helpers.

1.3 Impact of trade liberalisation and other socio-economic variables on female labour force participation

An empirical analysis was carried out to assess the effect of trade liberalisation on female labour force participation rate in Pakistan along with its other relevant determinants. The findings, though, indicate a positive effect of trade liberalisation on female labour force participation but its tendency to influence female employment is weak as apparent from the elasticity of 0.22 percent. Commodity concentration which is associated with the risk to exports has a statistically significant negative relationship with female participation rate. Since females are largely engaged with the export sector, any risk to exports hurts their participation in the labour force. Output of commodity producing sector is found to have significant impact on female labour force participation with elasticity of 0.44 percent. Moreover, the link between education and employment is also extremely weak. Entrance of women into higher educational institutions does not ensure their subsequent entry into the labour force.

2. POLICY IMPLICATIONS

Based on the findings, following are some of the recommendations not only for integrating a gender perspective in future trade and employment policies in order to make them gender sensitive but also to increase female labour force participation and employment. The policy recommendations made would strengthen female labour force participation and would ensure the benefits of trade liberalisation policies to women of Pakistan.

- The analysis highlighted that output of agriculture and manufacturing sectors have a considerable impact on female labour force participation. Government, therefore, needs to focus on the process of economic revival which is of paramount importance to improve the rate of participation of women in productive

employment. Given the concentration of women in rural activities, policies for increasing agricultural growth, especially in livestock and other female labour-intensive activities, are important in sustaining the contribution of women to the rural economy.

- In addition, industrial revival policies need to be put in place if the continuing process of displacement of women from this sector is to be reduced. Supporting the growth of exports in particular, in items like garments, leather, jewellery, sports goods, etc., where women play an important role, has to be a key component of the policy for raising industrial production. Therefore, implementation of the range of counter-cyclical monetary and fiscal policies is necessary not only for raising the level of employment, but also to improve the job prospects for women.
- The report highlights that majority of the employed women in agriculture are unpaid family helpers, the question then arises to address this issue and to make them economically empowered. In this regard, gender bias in land ownership is one of the causes, which limits their capacity to get financial benefits of their labour.
- The study also highlighted that textile and its value added items have a greater share in exports and relatively higher female employment. Therefore, promotion of export of these commodities are likely to improve women employment in paid labour force. The export of these commodities can be promoted through greater access to international markets. Bilateral agreements with European countries and US to allow greater access to their markets would also have a positive affect on women employment. This can be supplemented with other policies like enhancing competitiveness of Pakistani exports both in terms of price and quality.
- One of the reasons for low gains accrued to women from trade liberalization is inadequate presence of multinational firms and international brands in value added textile and leather items. The experience of other developing countries suggests that these firms have played an instrumental role in promoting women employment.
- Majority of the female in manufacturing sector are engaged in textile sector, therefore, there is a need to build the human capital of female labour force required to enhance and improve manufacturing export capacity.
- Female labour force is concentrated in export-led employment which is often accompanied by greater insecurity of women jobs in comparison to men. To

address the nature of vulnerability and make women more competitive, it is important to ensure women educational gains, particularly in view of rapidly changing technological requirements for labour. Equally important for the government is to identify policies and initiate measures that would help address the problems of labour market insecurity, low pay, and gender discrimination in informal employment. The formulation of trade and labour force policies needs to be done in consultations with representatives of women workers.

- Development of rural infrastructure particularly provision of electricity and construction of farm-to-market road will help rural women to get greater access to information—a pre-requisite for any real gains of trade liberalization.
- It is evident from international experience/s that cottage and small scale industries have played a crucial role in promotion of exports and women employment. These industries provide flexible working hours, which help women get engaged in productive activities in addition to their reproductive role. This also enhances domestic production and provide exportable surplus. SPDC (2008) shows that high cost of doing business due to large number of indirect taxes including withholding taxes on electricity and telephone along with load-shedding of electricity contribute negatively in promotion of cottage industries in Pakistan. The large scale manufacturing firms involved in exports have taxation and legal experts helping them in getting rebates as exports are zero rated, but cottage industries cannot exercise this due to less understanding of taxation knowledge. The government needs to take appropriate measures to enhance the development of cottage and small scale industries.
- Majority of female entrepreneur face financial problems particularly in the beginning stage of their business and in small cities. Moreover, there are a number of socio-economic factors that hinder them from obtaining loans including:
 - Insufficient collateral or non-availability of collateral; and
 - Higher mark-up
 - Lack of sufficient knowledge about the bank and banking products;
 - Lack of technical expertise about financial system;
 - Complicated documentation procedures or tedious paper work for obtaining loan;
 - Slow and longer process of approval of loans;
 - Multiple visits to the bank in the presence of mobility constraints;

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These impediments need to be addressed to encourage small businesses run by women entrepreneurs. Microcredit needs to be mainstreamed and commercial banks be given incentives for providing microcredit to women as the cost of lending for microcredit would be higher for these banks. For example, a tax credit of 2% of the increase in volume of microcredit can be offered to the banking system. So far, the commercial banks have treated the provision of microfinance services as a 'social obligation' that is cross-subsidized by their commercial operations. The lack of collateral among potential clients and high operational costs make microfinance an unattractive prospect for them. Presently, women and the poor are unable to access commercial bank services very easily, and the provision of microcredit by NGOs is also very limited given the demand for financial services. Hence, incentives need to be provided to expand the scale of microfinance services and for the establishment of MFIs. The SBP has facilitated this by relaxing the regulatory regime which governs microfinance activities, as opposed to the strict regulations which guide conventional banking operations.

- Many women choose to stay out of the labour force or opt for less demanding occupations than men because of double burden. They prefer occupations which are compatible with the domestic responsibilities of women. To encourage women employment, it would be useful if an employer were to allow flexible working hours and work arrangements. This would bring more women into the work force who previously opted out of employment.
- In addition, mobility restriction also constrain women participation in the labour force. Therefore, employment of women could be facilitated by provision of child care facilities at factories and subsidised transport arrangements. Appropriate provisions in the form of accelerated depreciation, allowances, or tax credit be provided to employers based on the costs of the provision of such facilities.

To conclude, one can say that since the labour market in Pakistan discriminates against women, there is a need for the formulation and implementation of comprehensive policy measures that address discrimination against women in labour markets. Elimination of all types of discrimination is essential to encourage more women in paid labour force, which consequently would help produce exportable surplus.

The Social Policy and Development Centre (SPDC)

Established in 1995, SPDC is a civil society sector research organization that serves as a focal point for policy-relevant research on social sector development. Using a multidisciplinary approach, SPDC assists both public and private sector institutions including non-governmental organizations (NGOs) to plan, design, finance, execute and manage social sector programmes in a cost-effective manner. The results of its research are made available to policy makers, interested groups and general public to promote informed discussion and action on vital social sector issues.

SPDC being an independent and non-partisan organization cooperates and collaborates with organizations/institutions working on issues of common concerns (both) within Pakistan and abroad. Being an autonomous and independent organization, the centre identifies its own research agenda and parameters remaining within the mandate and objectives identified. The main areas identified for research by SPDC are: poverty, inequality, governance, provincial finances, social sector policies, gender issues and macroeconomic policy issues. Having established its credibility, SPDC is considered as one of the outstanding research policy institutions of Pakistan focusing on public policy analyses and social sector development.



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