

# AERC VOICE

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### From the Desk of Editor and Incharge AERC:

#### **Nighat Bilgrami-Jaffery**

Alhumdolillah! Fourth issue of AERC VOICE is in your hands. I thank all my colleagues for their cooperation and contribution enabling us to timely publish the fourth issue. GOD Bless!

#### **Achievements -2013-14**

Applied Economics Research Centre, an institution of National Capability in Economics since its inception strived for the supreme quality of higher education and advanced applied research in economics, at par with international standards. AERC's educational and research capabilities are acclaimed by the national and international institutions and agencies. AERC has had profoundly attained many achievements since its establishment, including first-ever post-master degree programme in applied economics, with intensive course work, in 1977. Since, then over 500 MAS graduates have been successfully established their career as Economists. Over 300 empirical studies have been published by the faculty and about 130 Research Reports have been successfully completed for national and international clients. However, the academic year 2013-14 could be declared as a milestone for AERC. During this period faculty has attained its educational excellence by having 8 Ph.Ds. Inception of its own Ph.D programme is a major educational breakthrough in the history of AERC. Faculty published over 20 research papers. About 10 M.Phil. Degrees were completed during this year, highest in a single academic year ever. AERC has been publishing its quarterly newsletter AERC VOICE regularly with four consecutive issues during 2013-14 ever published by AERC.

AERC very proudly will be launching its first-ever theme bound annual report covering all major aspects of Pakistan's Urbanization during December this year. Launching of PJAEE website along with Alumni directory is another milestone. Hope for greater advancements by AERC faculty in coming years.

### **The Effect of Globalization and credit Market Imperfections on the Incidence of Child Labour**

*Ambreen Fatima*

The aim of the study was to investigate the link between globalization, and incidence of child labour, while taking into account the role of credit market imperfections. The empirical assessment was based on the cross-sectional analysis of 129 developing countries for four decades, from 1970 to 2010. The issue was relevant under the current scenario of financial crises especially for the policy makers for whom a major concern is the well-being of children. The most common view about child labour is that children are forced into labour as the family incomes fall. This study also provides evidence on linkage between income and child labours. Major difference between present study and previous studies is the prediction of the negative effect of income using two different measures of income after correcting endogeneity bias.

The study first estimated the effect of income on child labour incidence by using real GDP per capita, and then estimated the effect by using two other alternative measures of income: income held by bottom quintile of the population and adult wages. Income held by bottom quintile of the population was estimated by using Gini coefficient and bottom quintile income share Q1 data. This proxy may also help in understanding the income inequality argument given by Chenery et.al, (1974) and Tanaka (2003) i.e. under more equal income distribution

with the same income per capita, countries experience low incidence of child labour. Among the three alternative measures, adult wages were found to have an insignificant effect (this may be because of the insufficient number of observation) while real GDP per capita and income held by bottom quintile of the population showed a significant but nonlinear effect. On the basis of AIC and BIC test, the study concludes that the income of the bottom quintile of the population rather than real GDP per capita is the better income proxy to use when analyzing child labour incidence. As this measure is based on Gini coefficient and income share of bottom quintile population, the study further concludes that an effective policy to reduce child labour incidence should also take into account inequality that exists in an economy. As mentioned earlier, the study has also investigated the potential impacts of international trade and FDI on child labour after correcting for endogeneity. Evidence shows that countries more open to trade and having higher FDI inflow have lower incidence of child labour. But the effect of both these variables after correcting for the endogeneity is significant only after dropping the income variable. Therefore, the study reveals that

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### **Employment situation of women in Pakistan**

*Mahpara Begum Sadaqat and Qurra-tul-ain Ali Sheikh*

The nature and subject of women's productivity in the labour market is mainly determined by socio-cultural and economic aspects of the economy as well as of citizens. Women's labour power is believed to be substandard because of employer's pre-determined view of women's prime task as home-makers. As a result of discrimination against female labour, women are concentrated in the secondary sector of labour market. Their occupational choices are limited due to low paid, low status, lacks of potential upward mobility, intrinsic gender prejudice in the labour market and lack of encouraging services such as transportation and accommodation in the labour market. This paper is an attempt to analyze the study of low female work participation rate in Pakistan due to the religious, traditional, cultural values and social

traditions that restrain women entry into the labour market. In order to explore the objectives, the paper develops the classification of male and female age groups into three main categories, and analyzes with the help of descriptive and mean methodology and different statistical tables. Classification of male and female age groups has been done into three main groups, i.e. age 10-14, 25-29 and 55-59 for young, adult and old groups, respectively. The female work participation rate in developing countries is very low, and Pakistan is no exception. Labour Force Participation Rate increased per population i.e. 27.57 per cent in 1981 and 31.98 per cent in 1998. There is a wide variation between male and female Labour Force Participation Rate. It is 50.6 per cent for males as

*Continued on page 4*

**Book Launching: Conflict Management***Nighat Bilgrami-Jaffery*

We take the opportunity to congratulate Prof. Dr. Moonis Ahmar on writing on a subject forgotten for a long time. The book entitled: "Conflict Management and Vision for a Secular Pakistan: A Comparative Study" was published by Oxford University Press (OUP), where its launching ceremony was held on May 30, 2014.

Ms. Amina Sayed, Managing Editor OUP in her inaugural address said that she could in no way wait for the book launch till February 2015 at the annual event of Karachi Literary Festival, considering the importance of the subject. This speaks of the importance of the subject Prof. Dr. Moonis Ahmar chose to pen down.

Babar Ayaz and I. A. Rehman in their speeches agreed that the book is timely published on the very sensitive subject. Many people hold the view that the term 'secular/ secularism' has always been misunderstood. Normally it is taken as a term which is anti-religion. When analyzed objectively, it is in fact a neutral approach to deal with the matter of religion. That is the reason why the author took he challenge and tried to explain and educate in detail the different aspects of the terms 'secular' and 'secularism' in the context of Pakistan by analyzing the case studies of Turkey, India and Indonesia.

Prof. Dr. Moonis Ahmar addressed the issue in a very different manner. He painted a very clear picture of the subject. He pointed out that not enough has been said or written on linking conflict management with visions for a secular Pakistan. He attempted to fill the gap in the area by giving examples of how the debate on secularism started in European and other nations. How they managed to reach to some conclusion.

**Child Labour** *(continued from page 1)*

expansion in trade and FDI increases employment opportunities thereby increasing the income of the poor. Consequently reduce child labour incidence.

Furthermore, this study has also evaluated the two arguments, one predicting the effect of export on child labour through changes in wages, while the other arguing that trade will only affect child labour through affecting the living standard, by comparing the results of exports and trade openness. The study concludes that trade sanctions may not have significant effect on the incidence of child labour as proportion of child labour in export related industries is negligible. The channel through which trade may affect child labour is by increasing income thereby affecting living standard. As evident from the analysis, not only trade and FDI, but also exports are significant only after dropping direct income variable from the model.

Credit variable is incorporated in the model with the hypothesis that in order to overcome the income shock due to trade sanctions, poor people will borrow and thus credit will reduce child labour. The analysis does not find any significant effect of credit on child labour. The results show a positive effect of trade and FDI on real GDP per capita while negative effect on child labour. This maybe the reason for an insignificant impact of credit on child labour because both trade and FDI are promoting the income and reducing child labour.

The result also provides empirical evidence of the negative relationship between foreign aid and incidence of child labour. Increasing aid flow from developed countries to developing countries was found to reduce child labour. Hence, the study concludes that if the developed nations fund programs that target working children for rehabilitation and education (like UNICEF program—food for education) this may help in reducing child labour in the developing countries. With the help of foreign aid, World Bank poverty reduction programs and UNICEF programs, a change could be made. Working children may end up going to school rather than working. With a ban on child labour and support for the education assistance programmes, children may benefit.

**SEMINAR SERIES**

It is a great pleasure to inform the readers that a separate news series on the Seminars, Workshop and Conferences will be launch by the Editor PJAEE soon.

**EID MILAN PARTY:**

Applied Economics Research Centre (AERC) organized a grand Eid Milan get together lunch on August 06 2014. The event was not only celebrated with religious spirits and enthusiasm but also awakens the sense of reconciliation among all the members of AERC. Eid Milan party was largely attended, among all the Research and administrative faculty of AERC, and by Dean Faculty of Arts and Acting Director AERC, Dr Moonis Ahmer.

**Change in Marital Status in Pakistan: Inter-Province Comparison of Two Censuses, 1981 and 1998***Mohammad Pervez Wasim*

One of the important variables which affects the family formation and level of fertility is the marital status. The purpose of this study was to analyze and compare marital status from Pakistan population censuses (1981 and 1998) at national, provincial and district levels. The results obtained at province level will be presented here. Therefore, this study was limited to a purely demographic analysis to evaluate the marital status. The significance of this exercise lies in providing a useful background material to the demographers, planners and researchers. In 1981 the percentage of never married was lower (24.9) in Sindh and higher in Balochistan (25.7). In 1998 the proportion of never married percentage increased in all the provinces. It was higher in Punjab (31.8) and lower in Balochistan (28.6). As far as the percentage distribution of male and female were concerned, the never married percentage of male and female in all the provinces (except male percentage in Balochistan which decreased) increased during 1981-98. The proportion of never married female increased by more point percentage as compared to male percentage in all the provinces, which was the indication of fertility decline. Other reasons may be due to, higher and better education, not getting their equal partner, better job, good deal, responsibility (If elder, and father has died) and care tacking of their family. Since our 70 per cent of the population lives in rural areas, one of the most important reasons of never married increase is Thekri Ki Mang. This means that when the boy and girl are born they are proposed to each other. If the boy married to another girl (not the one who was proposed) then the proposed girl did not marry the whole life. The decrease in male never married percentage in Balochistan may be due to financial improvement and high sex ratio (115 per 100 females). The married percentage along with the distribution of male and female decreased in all the provinces (except Balochistan) in 1998 as compared to 1981. In Balochistan the results was just reverse. The married percentage for both male and female increased in 1998 as compared to 1981. The decrease in married percentage in male and female in all the provinces (except Balochistan) was mainly due to decrease in fertility in these provinces. The province of Balochistan clearly indicates high fertility rate and high sex ratio. Other reasons for decrease may be traditional restriction for example Thekri Ki Mang (discussed before), rare cases of infertility, not have a choice of their own and restriction within the family which discriminates them etc. The widowed percentage decreased in all the provinces during 1981-98. The widowed percentage was relatively higher in Punjab in both the census being 6.1 and 6.0 per cent respectively. The percentage of widowed was lowest in Balochistan in both the census. The male percentage of widowed in Punjab and NWFP increased from 3.5 per cent in 1981 to 3.8 per cent in 1998 and from 1.8 per cent in 1981 to 1.9 per cent in 1998 respectively.

**M.PHIL THESIS SERIES****Political Economy of Inflation in Pakistan: the Case of Relative Profitability**

Ms. Madiha Kamal's M.Phil thesis, under the supervision of Dr. Waqas Ahmed, contributed to the empirical literature by highlighting that in Pakistan inflation has always been on the higher side, remaining in double digits for a couple of years. Given the situation it generates substantial motivation to understand the inflation dynamics in Pakistan i.e. how and what fuels the Pakistani inflation. We do see lot of volatility in prices of basic necessities however they are mostly of agrarian nature and thus produced informally without any corporatization. This makes it difficult to analyze them with statistics over time. She analysis the industrial sector, which is the formal sector of the economy where documentation exists, may provide some idea how inflation worked with in this sector. Typically this sector is broken up into large, medium and small classifications given the size of employment and the output they generate. It is also true that these manufacturing establishments have had existed for many decades and have political and financial clout which in turn determine their say in their field of operation. This argument is very close to the finding of the 1960s that the most of the wealth of Pakistan is handled by only 22 families. Moving forward her thesis try to see if such group of influential parties still exists in Pakistan's manufacturing sector. This is possible by working out through the stages of development of the large firms and that would create a group we would term as the CORE.

Some evidence from the banking industry has shown that over time big banks have become more dominating and they exploit inflation to their use by maximizing returns per worker. In this way they become even more powerful over time and generate more inflation by keeping the spreads high making it difficult for new and small entities to co-exist and compete with them. She investigated that the textile sector of Pakistan facing monopolistic competition, and dominating capitalist has market power and high degree of concentration. She also discussed and estimated Differential accumulations i.e. how dominant capital can expand its differential gain and capitalization and relative power of large capitalist can be augmented either through its relative employment (breadth) or by relative profit per employee (depth).

Breadth and depth regime (inflation) progress counter cyclically to each other. Existence of one regime was the assurance behind the absence of other. Dominant capitalist use high and low inflation situation to exceed the normal rate of return. In low inflation episode core group of firms occupying breadth strategy and in high inflation condition dominating capitalist emergent differential profit by the depth strategy. Both strategies buttresses to the differential profit at peak spit.

**Marital status (Continued)**

In Balochistan the male percentage decreased in 1998, while in Sindh the male widowed percentage remain constant in both the census. The percentage share of female widowed decreased in all the provinces in 1998. This decrease in percentage was lowest in Balochistan (5.6 per cent) and highest in Punjab (8.3 per cent). In 1981 the percentage share of widowed for female is high as compared to 1998. The female widowed decreased in all the provinces in 1998 as compared to 1981. In Punjab and NWFP the male widowed percentage increased while in Balochistan it declined. In Sindh it remains constant. The high percentage of female widowed in all the provinces may be due to increase in male mortality rate, decrease in health facilities, less life expectation of male, and due to accidental death (accident and family clashes). The reasons for the decrease of female widow percentage in all the provinces in 1998, clearly indicates the improvement in health facilities of the male. The increase in male widowed in NWFP may be due to increase in female mortality rate and decrease in health facilities. The share of divorced percentage decreased in Sindh, NWFP and Balochistan while in Punjab it remains constant in both the census.

The female percentage of divorced increased in Punjab, Sindh and NWFP in 1998 as compared to 1981, while in Balochistan, it decreased. The male-female divorced percentage was very high in NWFP in 1998 as compared to 1981. There was an increase of 0.3 and 0.2 per cent in 1998 as compared to 1981. The reasons for the increase in divorce for females in Punjab, Sindh and NWFP may be due to doubtful nature of husband, low literacy rate, unsuitable marriage (high age of husband and low age of wife, husband low educated and wife highly educated) infertility in women or there are financial problems in the house. The decrease in female divorce in Balochistan may be due to good understanding between husband and wife, family background (not to give divorce), and for any reason the husband marries second woman but he did not give divorce to his first wife. The increase in male marriages in 1998 conform these reasons. The increase in male divorced in NWFP may be due to increase in female literacy rate (18.8 per cent in 1998 as against 6.5 percent in 1981), job satisfaction, bad habits of husband or his being medically unfit. The reason for the decrease in male divorced percentage in Sindh and Balochistan was due to good relation and understanding between wife and husband.

**M.Phil Thesis Series****(Continued)****The Impact of Trade and Economic Growth on the Environment: A Cross Courtier's Study**

Naveed Wahid Awan under the supervision Dr. Samina Khalil conducted his M.Phil thesis based on Trade liberalization. His study attempts to determine the impacts of trade liberalization on the environment of different Asian Countries. For empirical analysis, he exploits cross-country panel data set of 18 Asian countries, spanning the period 1981 to 2010. To have a profound insight, he split the accessible set of countries into three categories according to their geographical areas; Eastern Asian Countries, Southern Asian Countries, and South-Eastern Asian Countries. In order to investigate data empirically, his study uses Ordinary Least Square (OLS) and to find the individual specific effect of the model, the Fixed Effect (FE) or Random Effect (RE) approach is used. Generalized Method of Movement (GMM) also used to check the dynamics of the model. The outcome from said techniques designate that environment degradation exists due trade openness but degree of it varies from region to region. Kuznets curve proved as inverted U shape for all set of Asian countries indicates that income inequalities subsist as economic growth boost and after having a threshold level, it decreases. Net Foreign Direct Investment showing positive and noteworthy results in both OLS & FE approaches in case of pooled sample, South Asian Countries and South-East Countries and East Asian Countries explain significant and negative relationship with dependent variables. Trade directness for all sets of countries behaves in same way as net foreign direct investment indicates. This explores that new investment and trade openness is related with environmental welcoming manufacturing techniques. GDP is highly significant and accountable of rising Carbon Dioxide and primary energy consumption for all related countries. This optimistic relationship between GDP and CO2 leads to environmental

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degradation in the economy but scale of environmental degradation depends upon the character of product that is being shaped, it might be worst in production of dirty goods as compared to clean one.

**Book Launching**

*(continued from page 2)*

The merit of the book lies in the questions raised by the author for the audience while responding these questions with examples. Besides, he also attempted to discuss secularism in the course of culture, fragmentation of society and also in the context of law and order conditions that prevail in the country. Since so many years, when people argue that Pakistan should adopt a secular model, Prof. Dr. Moonis Ahmar responded in the negative, with a "NO". He maintains that first we must study the prevailing conditions in the country; clear misconceptions about secularism. To conclude the audience of the book will agree that the author has very honestly initiated the debate. Now it requires going further - --- there is a dire need to discuss the issue of secularism at different forms and among various groups of society, in order to study and analyze the pros and cons of the subject before reaching to a conclusion. The book is surely a valuable addition in modern literature.

**14<sup>TH</sup> AUGUST CELEBRATION:**

On the occasion of Independence Day, a ceremony related to 14th August was held on 13th of August at Applied Economics Research Centre (AERC) with a spirit to promote patriotism and national unity. Pakistan's flag was hoisted on the day at AERC building. The ceremony was started with Qiraat followed by National Anthem. Senior faculty of AERC cut the cake on this prestigious occasion. The day was commemorated with speeches, national songs and poetry.

**Employment Situation (continued from page 1)**

compared to only 2.1 per cent for females in 1981 and it is 59.24 per cent for males as compared to only 2.23 for females in 1998, resulting in very low overall participation rate as compared to other countries, although the male participation rate is affected by the level of industrialization, agricultural development, educational attainment, economic norms, etc. but in case of Pakistan the participation rate is primarily offset by the low level of female participation (Government of Pakistan, 1998). Between 10 and 14 age groups, decline in male work participation rates can easily be observed, which is mainly due to expansion of education; but the increasing female work participation rate is shared by all age groups. Among (25 and 29) age group, a small decline in male work participation rates while sharp increased in female work participation rate can be examined which is due to multiple factors comprising high price level, high dependency ratio and high unemployment rates prevailing in the country. Even in the old age group (55-59), slight increase in male work participation rates can be seen which is probably due to the high inflation, high unemployment and high poverty rate, but the increased in the female work participation rate is shared by all age groups even at the old age. Low levels of work participation apart and increasingly excluded from employment; even this low proportion of women's employment is mostly concentrated in sectors known for low levels of productivity, incomes and stability and security of employment. Employment distribution by industrial group shows that majorities of working females are absorbed in agriculture, community service and manufacturing sectors. Agriculture is the dominant employment source of majority of females in most of the South Asian countries and Pakistan is no exception. In Pakistan, agriculture accounts for 65 per cent of total employment, but women's share is 73 per cent in this sector. In manufacturing and community, social and personal services, nearly 2.41 and 2.18 per cent, respectively, of all women workers are employed. Women workers in non-agricultural activities (manufacturing and services) are bumped in low-wage occupations and informal segments of these sectors. In professional, technical, administrative and managerial categories, the employment of women is very low in Pakistan. The relative quality of women could be known by their employment in the organized and unorganized segments of manufacturing and services sectors. Majority of women in these two sectors are employed in the unorganized sector, and hence their share in organized sector is very low. In Pakistan, 90 per cent of total employment is in the unorganized sector, but, a higher proportion of women workers are in this sector. In organized sector, women's share of employment is very small. Organized service sector is mostly government services, and provides employment to a small proportion of women. The employment status of the labour force yields interesting results. The percentage of males in the group of self-employed increased over time. For females, "unpaid family helper" is the largest

category of employment. Thus, the adverse labour market situation for females is indicated not just by the rise in unemployment, but also by the categorization of more than 50 per cent of the workers as UFHs. The share of "unpaid family helpers" and self-employed has changed. For the females, the share of "unpaid family helper" is lower and share of self-employed is higher. Regarding the status of employment, women occupy a low position. They are mostly employed in unsecured and unstable jobs with low salary. This shows the type of employment women are associated with and the insecurity and instability thrust upon them by the society. All at once, large percentage of women workers are in self-employed status, usually in agriculture and other low-earning household-based activities as women workers form barely 27.10 per cent in the category of employees on wage or salary basis in 1990-1991 and decreased to 22.00 per cent in 2007-2008. In 1990-1991, about 15.35 per cent of women workers were self-employed and they are decreased to 12.80 per cent in 2007-2008. The study results show that 57.28 per cent accounted for as "unpaid family helper" which is increased to 65.00 per cent in 2007-2008, leading to the conclusion that women are still at a disadvantage in employment status. Women literacy rate are also very lower as compare to men literacy rate in every region. In the agricultural sector, female has always been accompanying to male participation, and limited to short-term work available at the time of implant and yield of crops. In the case of Pakistan, women in rural areas are mostly low-paid or unpaid workers. Generally, women are concerted in the sectors known for low level of production, less income stability and little protection of service. Organized services sector is mostly government services, and provides employment to a small proportion of women. The rate of unemployment among women is consistently higher than that of men, both in rural and urban areas. Increasing levels of female labour force participation rate is a poverty-induced phenomenon; a larger part is to be traced by improvement in literacy and education levels of women. These statistics are reflective of two hard-core realities. The first factor is that women with no education or with some basic education are allowed to work due to intensive poverty and high rate of inflation; and the second factor is that the existing socio-cultural norms continues to strengthen gender discrimination and are a source of a massive wastage of the human capital available in the country. There is some qualitative improvement in the employment, as women's share in secure and better paid jobs in the organized sector appears to be higher. With the increase of women's educational levels, faster growth of women's employment is observed in modern sectors and white-collar jobs. Government machinery, non-governmental organizations and ongoing political parties should focus on women's education if they want to improve the position of women in Pakistan by executing special schemes and programs for absorbing them into diverse services, mainly in organized sector so as to advance their structures of employment as well as status of jobs.