

Employment Composition of the Rural Households in Northern Pakistan

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Abstract

Present study analyses the composition of employment of different occupational groups in the Northern parts of the rural Pakistan. For achieving this objective data were collected from 323 respondents of four union councils of the Shangla district of Khyber Pakhtunkhwa. The findings of the study show diversified involvement of the household workers in four union councils in term of profession. Main occupational groups found were i.e; public/private sector employment, farming, working in other parts of the province/country, trade/commerce, followed by daily wages off farm/overseas employment. Daily wage agricultural labourers were just a fraction of the labour force among the sample respondents. The average workers in farming and service profession were 1.30 and 1.72 person per household. The domestic and overseas employment per household was 1.47 and 1.15 person. Household's working members in daily wages in agriculture and non-agriculture were 1.07 and 1.22 respectively. The results of the chi-square were found almost the same for all the union councils. It is concluded that off-farm income sources were more popular among the sample households than farm sources of income. The study recommends that off-farm activities be generated through launching of development projects so that employment opportunities be provided in the rural areas for enhancing of income of the rural households.

Key Words: Employment structure, rural households, worker of households and northern Pakistan

Introduction

Most of the developing countries are characterized by high dependence on agriculture resulting in low level of living. Rural communities in these economies are generally relying on agriculture, forestry, fisheries and livestock for their livelihoods and where some 70 percent of the world's rural poor are concentrated. Within those communities, the poorest of the poor are often women and young girls who lack regular and decent employment. These people usually face hunger and/or malnutrition, poor access to health, education and productive assets, time poverty caused by disproportionate paid and unpaid work burdens and child labor (World Bank, 2010). Rural areas have lower labor force participation rates, have weak protection of the social safety net/ employment than their urban counterparts that leads to symptomatic of their smaller degree of integration into the broader economy. Rural labor markets tend to be thin, with a limited number of employers, and in many remote areas the potential supply of workers are predominantly engaged in earning of low wages, low-skill tradable commodities they are highly exposed to the negative effects of globalization (OECD,

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1995). Time series data shows that the distribution of employment changes over the business cycle during upswings, those with lower skills and a lower propensity to supply labour tend to experience proportionately larger increases in employment rates than other segments of the population (Borland 2000; Bils, Chang and Kim 2007 and Gregg, 2001).

Many rural workers remain poor because they are low paid. Due to which they have no or little access to risk-coping mechanisms such as insurance or social assistance. They live in precarious conditions, are vulnerable to health and other shocks. There is evidence from South Asia that rural women from poorer households are more likely to take up paid employment, specifically as wage workers, than women from wealthier families. Pakistani rural women from landless households, or from tenant's households, have higher levels of participation in agricultural wage labour and work longer hours than women in landowning households. About two-thirds of Pakistan's population and almost 80 percent of the country's poor live in rural areas. Household incomes are lower and incidence of poverty is higher in rural areas. Average per capita expenditures of rural households were Rs. 1259/month in 2010-2011. The poverty rate in rural areas is estimated as 34.0 percent (World Bank, 2011). People are in a state of deprivation with regard to incomes, clothing, housing, healthcare, education, sanitation facilities and human rights.

Dominant profession of the rural household is agriculture. The share of agricultural income in the total income is from 50 to 55 percent. Rural household income in South Asia varies substantially by occupational group. From all occupational groups, about 45 percent of the poor are engaged in casual wage employment and the remaining 55 percent are in other occupations. The pattern of rural household income in South Asia indicates that income sources vary. Agricultural income is the main source of revenue for rural households and varies from 45-80 percent. Non-agricultural income constitutes approximately 35-40 percent of the total income (Haggblade et al., 2007). Sustainable economic development can be achieved only by providing employment opportunities at the local/village level. This may be made the communities able to improve the degree of social cohesion, local environment and to develop their physical infrastructure and the level of human capital (Davis et al., 2009).

Remunerative employment is one of the most important channels through which the income of the rural labourer can be enhanced. Mduma and Wobst (2005), stresses on the importance of investing in human capital for improving the livelihood of the rural poor by participating in rural non-farm activities. One component of non-farm activities accessible to the very poor was found as wage labour because it does not require any complementary physical capital. A household's ability to participate in the rural labor market depends on the characteristics of the household itself and the local labor market conditions. The most important factors in determining the numbers of households that participate in a particular rural local labor market were; education level, availability of land, access to commercial centers, credit markets and the existence of industries.

Over recent years, the composition of employment has received a great deal of attention, both from academic researchers and policy makers. Higher costs of being self-employed discourage workers to enter this sector, and, other things being equal, one should observe a lower probability of transition from unemployment to self-employment, a higher unemployment rate, and fewer vacancies per unemployed. The probability of transition to a salaried position should increase. On the other hand, higher firing costs should result in a larger probability of transition to self-employment and fewer vacancies per unemployed; we should also observe a lower probability of transition to salaried work out of unemployment.

The economy consists of a continuum of infinitely-lived individuals in the unit interval. Each individual can work either as a salaried or self-employed worker. All agents have linear utility functions and capital markets are perfect and characterized by a safe interest rate. Agents decide to become employed or remain unemployed by maximizing

utility under rational expectations over their horizon. They are identical in all respects. There is also a continuum of firms, each offering one job, which sort themselves between the salaried and self-employment sectors. Firms hiring salaried workers must comply with labor legislation that imposes a fixed cost in case a job is eliminated. By hiring self-employed workers firms avoid this cost if the worker is to be laid-off. However, productivity of self-employed workers is lower due to their lower attachment to firms, caused by lower investment in firm-specific human capital, for example. Each occupied job produces a constant flow of output and continues producing this output until the relationship breaks down. It is assumed that there are no productivity shocks and the only reason for the interruption of production is an exogenous process that separates workers from jobs (Blanchflower and Meyer, 2004).

Industrial sector-based approaches have a significant success record of past, but also notable failures. However, they are less likely to be effective in the future. Traditional rural sectors, including agriculture and other resource-based industries are shedding jobs and replacing labor with capital. In this process, they very few employment opportunities are created because their industrialization replaces linkages to the local rural economy with linkages to the larger regional or national economy as a source of inputs and markets. Similarly, low-skill manufacturing, which has become major source of rural employment in the past years, now faces competition from firms with even lower success rates, as firms increasingly consider foreign as well as domestic sites. Historically, rural residents have been able to be productive parts of society even when they had lower levels of formal education and fewer skills. Informal artisan skills were often more valuable than formal education in primary industries and in many types of manufacturing. This is especially significant in rural areas because there may be no other prospects for job training beyond those provided by the employer. In small and remote places, prospects for formal job training are limited. Thus, a central issue in rural development policy at all levels of government is how to enhance employment opportunities in rural and urban areas for sustainable development. Majority of the Pakistan's rural population deriving their livelihoods from agriculture and allied activities. Over the years, the contribution of manufacturing sector in terms of income generation has increased. However, industrial growth and its capacity is not enough to accommodate surplus labour existing in the agricultural sector. This shift of livelihood has socio-economic implications for a transitory economy like Pakistan. The focus of rural development and poverty alleviation policies in Pakistan focused on the development of agriculture sector and little importance is given to the emerging rural non-farm sector. For the development of the non-farm sector it is important to investigate its composition. The present study is an effort in this regard.

Objectives of the Study

- i To analyze the composition of employment in Northern rural Pakistan.
- ii To suggest recommendation for policy formulation with regards to different livelihood strategies in rural areas.

Hypothesis

1. Percentages of the respondents in different profession are same in the four union councils or otherwise.
2. There is close association between percent of respondents having different workers members in different professions and the union councils.

Methods and Materials

Universe of the research is district Shangla which is comprised of two Tehsils namely; Alपुरi and Puran. Selection of universe for the present research was made

purposively due to the reasons that the district is completely rural in nature and majority of the households are involved in multiple livelihood activities. Four union councils were randomly selected for collecting of the required data out of total twenty eight union councils. There are 111 villages in the sample union councils with 9,999 households. For present study household was taken as a unit of analysis and data were collected at household level from the head of the household. To determined appropriate sample size the formula of Cochran (1963) is used. By the formula taking the constant value of z at 5% i.e. 1.96, variability p (0.7), precision q (0.3) and error e (0.05), the resulted sample size was 323. Primary data are collected through a well design, pre-tested questionnaire from rural household through face to face interview method. For analyses of the data different descriptive statistical techniques and Chi-square were used. The collected data fulfill the basic assumptions of Chi-square i.e. randomness, independent sample, nominal data and enough sample size. Chi-square is widely used in the social sciences research (Oladeji *et al.* 2006). For checking the significant of percentages and average of different household characteristic the following formula is used for calculation of the chi-square values.

$$\chi^2 = \sum \left[\frac{(fo - fe)^2}{fe} \right]$$

Where: χ^2 = Chi-square, fo is an observed frequency in a particular category, fe is an expected frequency in particular category.

Results and Discussion

Creation of employment opportunities and its composition is important for the development of village economies. These will lead improvement in working condition, income enhancement, of households, living standard and accesses to different capitals available at local as well as regional level and resultantly to sustainable development. What follow next is the results obtained from the data analyzed for achieving the required objectives. We start our discussion from the composition of the occupational groups reported by the sample households in the research area.

Occupational groups

Involvement of household members in multiple professions and activities results in increasing of household income and overall wellbeing of the society (Hargreaves *et al.*, 2007, Block & Webb 2001). But it depends on family, farm and economic structure of the households (Kuhnen 1985). The dispersion of household workers found in different professions was not homogeneous in the study area. The data presented in Table-I high light different occupational groups engaged in economic activities. The findings show that the sample households' members were involved in farming, public/private services, village level workers, overseas employment, farm daily wages, off-farm daily wages activities, and self employment (trade/commerce). According to the data 43.96 percent of the household members reported engagement in farming, 43.03 percent household member's public/private services, 31.58 percent in other parts of the province/country, 4.64 percent in daily wages in agriculture activities. The basic reason for it is that most wages in agriculture are low and majority of the household in the helping each others during the crop cultivation, harvesting, look after and threshing. The data also show that 18.58, 14.55 and 26.63 percents of the

household members were in off-farm, overseas employment and trade/commerce. A fraction of the sample labour force (10.84 percent) was involved in others activities at village level¹. Chi-square result for percentages of household reporting working members in different occupation in the four union councils is 38.47541. The Ho: is rejected and the percentages of members in different professions are different in the four union councils or there is association between percent of respondents having different workers members in different professions and the union councils. There are proportionately more farmers, public/private employment, home and overseas employment in union councils Lilownai and Kuzkana and there is low share of daily wages in agriculture but more in trade/commerce profession labour force in Lilownai, Shahpur and Pirkhana union councils.

Table I: Household reporting working members in different occupations

Union councils	Number and percent of household reporting labour force engagement in							
	Farming	Public/private sector employment	Working in other parts of the country	Overseas employment	Daily wages (Farm)	Daily wages (Off-farm)	Trade/commerce	Others
Lilownai	58 (54.72)	49 (46.23)	32 (30.19)	9 (8.49)	8 (7.55)	20 (18.87)	25 (23.58)	12 (11.32)
Kuz Kana	19 (42.22)	20 (44.44)	22 (48.89)	10 (22.22)	2 (4.44)	16 (35.56)	11 (24.44)	9 (20.00)
Shahpur	27 (33.33)	30 (37.18)	20 (25.64)	14 (17.95)	1 (1.28)	12 (15.38)	29 (35.90)	6 (7.69)
Pir Khana	38 (41.49)	40 (43.62)	28 (29.79)	14 (14.89)	4 (4.26)	12 (12.77)	21 (23.40)	8 (8.51)
Total	142 (43.96)	139 (43.03)	102 (31.58)	47 (14.55)	15 (4.64)	60 (18.58)	86 (26.63)	35 (10.84)

Chi-square calculated value = 38.47541, Tabulated value at 5% = 32.67057337

Note: Values in parenthesis presents the percentages

Source: Field Survey, 2012.

Average number of working members engaged in different professions

The results given in table-II show the average working members of the households involved in different professions. It seems from the results that employment opportunities at village level are few. Given the hilly nature of the area and seasonal nature of the farming activities, at village level/union level, the sample respondents resort to other occupations to supplement their household income. It has been observed that public/private sector employment was the preferred occupation among the sample respondents. Those who could not find these jobs in the study district had been migrated to other parts of the province/country. Farming profession was found as third option. Next in importance was off-farm daily wage activities and trade/commerce occupation by the sample respondents. The least popular occupation among the labour force was working as farm labourers locally.

The average workers in public/private sector service were 1.72, working in other parts of the province/country 1.47 and farming profession were 1.30 persons per household. Off farm daily wage earners and trade/commerce professions average workers were 1.22 and 1.20 persons per household respectively. In search of lucrative remuneration a significant number of workers were also engaged in overseas employment. On the average 1.15 workers per

¹ The others refer to those household members involved in driving, electrician, construction workers, blacksmith, painter, barbers and butchers.

household were reported in this respect. As already mention the labour force engagement in agricultural was found third in order of importance therefore, the involvement of labour force as daily wagers in this profession was 1.07 persons per household. However it is pertinent to mention here that average number of worker were 1.34 per household under the heading "others". These include driving, electrician, construction workers, blacksmith, painter, barbers and butchers who were working at village level.

Chi-square for average members per household by those household reported the workers in different profession in the four union councils is 0.42161. The H_0 : is accepted and the average members per household by those reporting workers in different profession are not different in the four union councils or there is no association between average members per household in the in different professions and the union councils.

Table II: Average workers per household of the household reporting the workers

Union councils	Average working members of the sample households							
	Public/private sector employment	Working in other parts of the country	Farming	Daily wages (Off-farm)	Trade/commerce	Overseas employment	Daily wages (Farm)	Others
Lilownai	1.94	1.50	1.47	1.35	1.36	1.56	1.00	1.50
Kuz kana	1.55	1.68	1.00	1.19	1.27	1.00	1.50	1.22
Shahpur	1.55	1.30	1.12	1.00	1.04	1.07	1.00	1.33
Pirkhana	1.66	1.39	1.31	1.25	1.18	1.07	1.00	1.25
Total	1.72	1.47	1.30	1.22	1.20	1.15	1.07	1.34

Chi-square calculated = 0.42161, Tabulated value at 5% = 32.67057337

Source: Field Survey, 2012.

Average number of workers per 100 households

For further analysis of the subject under reference we calculate the average number of workers in 100 households engaged in different professions in the study area. In this regard the data is given in table-III. The findings show that in Chi-square for percentages of household reporting working members in different profession in the four union councils are 58.19680. The H_0 : is rejected and the percentages of members in different profession are different in the four union councils or there is association between percent of respondents having different workers members in different professions and the union councils. There are proportionately more public/private sector employment, farming, working in other part of the province/country and overseas employment households' members in union councils Lilownai and Kuzkana and there is less percentage of daily wages in agriculture but more businessmen profession workers members in Lilownai, Shahpur and Pirkhana union councils.

Table-III: Average workers per 100 household based on total household

Union Councils	Average workers per 100 household based on total household							
	Public/private sector employment	Farming	Working in other parts of the country	Trade/commerce	Daily wages (Off-farm) worker	Overseas employment	Others	Daily wages (Farm)
Lilownai	89.62	80.19	45.28	32.08	25.47	13.21	16.98	7.55
Kuz kana	68.89	42.22	82.22	31.11	42.22	22.22	24.44	6.67
Shahpur	57.69	37.18	33.33	37.18	15.38	19.23	10.26	1.28

Pirkhana	75.56	56.67	43.33	28.89	16.67	16.67	11.11	4.44
Total	74.92	57.68	47.02	32.29	22.88	16.93	14.73	5.02

Chi-square calculated value = 58.19680, Tabulated value at 5% = 32.67057337

Source: Field Survey, 2012.

Conclusion and Recommendations

The household workers reported in different profession were not homogeneous in term of occupations. Public/private sector employment was most popular economic activity in the study area. Second in importance was working in other parts of the province/country. These finding could be attributed to the facts that due to joint family system in these areas the labour was surplus and the farming profession could not absorb all the working members of the sample households. Another reason could be level of technology in agriculture that displaced the agricultural labour. Chi-square for percentages of household reporting working members in different profession rejected the null hypothesis and the percentages of members in different profession are different in the four union councils. Chi-square for average members per household by those household accepted the null hypothesis and the average members per household by those reporting workers in different profession are not different in the four union councils. Chi-square for percentages of household reporting working members in different profession average workers per 100 household in the study area in the four union councils is 58.19680. The H_0 is rejected and the percentages of members in different profession are different in the four union councils or there is association between percent of respondents having different workers members in different professions and the union councils. In the light of the study findings it is recommend that off-farm economic activities be encouraged by providing entrepreneurial skills at the local level so that the surplus agricultural labour be properly utilized for the development of the region.

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