

Notes & Comments

Employment Aspects of Industrial Growth in West Pakistan

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Employment has been one of the major explicit objectives of all development plans in Pakistan. The Third Five Year Plan estimated [3] that at least 255,000 additional employment opportunities would be created in West Pakistan in large-scale manufacturing sector. Although complete reliance on the data reported about employment in the C.M.I. is not recommended, the orders of magnitude can easily be seen. It appears from the statistics available that employment in this sector has increased by approximately 90,000-100,000 only during these eight years. The average annual rate of growth of employment between 1954-1959/60 was 16.8%, slightly higher than 15.6% annual rate of output growth but this rate declined to 3.1% between 1959/60 and 1967/68 while output at factor cost rose by about 11.4%. The output elasticity of demand for labour thus works out to be 0.27 for this period. Implicit in these growth rates is the fact that labour productivity was increasing at an average of 8% per year.

In view of such a wide gap between employment growth and output growth, it becomes important to inquire whether the objective of the Plan regarding labour absorption using the strategy of rapid industrial development of the kind pursued so far are realistic and attainable. Secondly, it is also interesting to explore as to what have been the major constraints in the way of industrial employment generation. This note focusses on one particular aspect of the employment problem in large-scale manufacturing industries in West Pakistan. Section I attempts to measure the degree of displacement of labour due to the adoption of more capital-intensive techniques. Section II discusses the causes of increased capital-intensity and tests the hypothesis that labour displacement has been due to increase in wage rates.

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