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**THINK TANK**

**Jobs and urbanization**

By Dr. Ishrat Husain

A recent World Bank study surprisingly shows Pakistan as among the world’s largest job creators in the noughties .The quality of jobs, however, was poor: low-skilled and low productivity. Of the 15 million jobs created between 2000 and 2009, more than a third were in agriculture, the remainder in services and manufacturing. The share of agriculture in total employment was 45 percent, services 35 percent and manufacturing, 20 percent. Only 21 percent of women compared with 82 percent of men participated in the labour force.

The above results are not reassuring for the future on several counts. Demographic changes have produced a bulge in youth seeking employment. Most of the youth would have acquired some formal education, spurring demand for better quality jobs. They are, however, ill equipped to meet the requirements of the economy. The other disturbing news is that the country’s female population is not participating in national income generation activities despite having acquired professional degrees. Although the numbers graduating from educational institutions has certainly gone up, there is a failure to allocate and utilize them properly. It is not rare to see Master’s degree holders stuck in low-paid and low-productivity jobs because they do not have connections, influence or the ability to bribe. Children from influential families, on the other hand, may not be suitably qualified but are able to capture high placed jobs.

Studies have shown that the largest single factor that contributes to poverty reduction is growth in non-farm incomes, migration from farm to non-farm sectors and from unpaid family workers to salaried workers. This implies that most jobs have to be created in the urban areas, where services and manufacturing should be able to absorb surplus labour from the rural areas. This reallocation of labour from low productivity to high productivity activities forms the basis of economic growth.

Now if job creation in the urban areas is the main driver of growth, urban management, planning and provision of services including housing, education, healthcare, and transport assume greater importance. Devolution of powers under the Local Government ordinance of 2001 had made considerable difference in the availability and access to public services in Karachi, Lahore Rawalpindi, Peshawar and other big cities. Accountability by the vocal and growing middle class kept elected mayors and town nazims on their toes. Growth in infrastructure facilities, better management of public services and improved access were beginning to take root.

But things have changed since the abolition of the city governments in 2008. (Lahore has been the exception since its dynamic chief minister personally steered the development of the city and oversaw its management.) Other cities, however, particularly Karachi, Peshawar and Quetta, have suffered because of the absence of local governments.

The presumption of a zero-sum game between the urban and rural areas is highly flawed. Had city governments been ceded the requisite powers and authority and allowed to function, they would have mobilized additional resources from their areas. People are willing to pay taxes and user fees if they can see the benefits. This would have relieved the provincial governments of the pressures of the urban populations and allowed the former to concentrate on the uplift of the rural districts. Public investment in greater education opportunities, better healthcare facilities, potable drinking water supply and rural infrastructure would have upgraded the quality of life and living standards of the rural population. Surplus farm labour would have been absorbed either in non-farm activities or would have migrated to cities to work in high productivity sectors. What institutions can enable such a transformation and reallocation?

In the urban areas, city governments have to be given legislative, administrative and financial powers to run their affairs in an autonomous manner. These governments should be fully accountable and should have their accounts audited. Institutions such as KDA, LDA, RDA and PDA have to be strengthened and given the power to prepare and implement master plans, acquire land, plan and develop new housing facilities for a growing urban population.

Multiple independent jurisdictions within city boundaries – the cantonment boards, DHAs, cooperative housing societies, industrial estates etc – must be brought under the planning and regulatory control of elected city governments with subsidiary authority delegated to manage and provide services within their respective jurisdictions. Further, there needs to be an independent review of why cantonment boards exist in areas, which are now largely populated by civilians. The remaining military installations should be provided alternate land and moved to more secure places.

The density, zoning and land use conversion restrictions in each city should be reviewed and aligned, keeping future population projections in mind. Water supply, sewerage and sanitation should be contracted out to private companies under transparent concession agreements with adequate monitoring and strong enforcement with heavy penalties for violations. Public transport systems connecting low-income residential areas to the main employment centres have to be developed and subsidized by the city governments.

The present system of obtaining multiple clearances and no-objection certificates for obtaining building permits for commercial and industrial projects is adding costs for doing and expanding business. Land titles, registration and transfer procedures should thus be simplified and automated. Full-facility, full-utility industrial estates need to be developed. Parks, playgrounds and other public amenities should no longer be restricted to upmarket areas but ought to be made available to all segments of the population.

However, these institutional reforms rarely appear on the radars of any government. The reason is obvious: opaque procedures and skimpy information increase the scope for rent extraction by officials. A more automated and transparent system of governance with disclosure of information and availability of records in the public domain reduces the incomes of these individuals substantially and hence, reforms are resisted. As a result, ad hoc and unplanned development has given rise to politically backed land, water, transport and extortion mafias.

Instead of creating high productivity jobs and positive externalities, this urban sprawl has created incentives for the informalization of the urban economy with all its attendant set-backs and disadvantages. Recent events in Karachi prove that the correlation between the rise in acts of violence and poor governance in urban areas is quite high. High productivity job creation will take place only if a system of responsive city governments, transparent land and water markets as well as amenities and facilities for manufacturing, industrial and services sector growth are put in place.

*The writer is dean and director IBA and former governor of the State Bank of Pakistan.*