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# Education Reform in Pakistan

*Building for the Future*



*Edited by* Robert M. Hathaway

**EDUCATION REFORM IN PAKISTAN:  
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# **EDUCATION REFORM IN PAKISTAN: Building for the Future**

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## EDUCATION, EMPLOYMENT AND ECONOMIC DEVELOPMENT IN PAKISTAN

ISHRAT HUSAIN

The “new growth theory” has been highly influential in explaining the differences in the economic performance of developing countries. Economic backwardness is highly linked to low labor efficiency and training, deficient supplies of entrepreneurship and slow growth in knowledge. The countries that have surged ahead, on the other hand, are characterized by high level of human capital accumulation where the educated labor force has raised the level of output and the rate of growth over a sustained period of time. Stern (2001) argues that education takes center stage in any discussion of development strategy for two reasons. First, the quantity and quality of education influences strongly the labor force, governance and the workings of most institutions. Thus it is a key determinant of the investment climate. Firms, both domestic and foreign, are more eager to invest when they know that they will be able to draw on a skilled workforce to make that investment productive. Second, universal access to basic education is essential for ensuring that all segments of society will benefit from macroeconomic growth.

Studies confirm that the productivity benefits of education are large—just one additional year of education can increase productivity in wage employment by 10 percent even after controlling for other factors. Skill development through education has been identified as a key determinant of comparative advantage and manufacturing export performance. In Pakistan, it has been shown that districts with a higher literacy level have a higher level of development (SPDC 2003).

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For poor people, education can serve as a bulwark against volatility: even the fundamental skills learned in primary school can make a critical difference for the survival of families when government services fall short or during times of economic crisis. The widening of educational access thus can help to eradicate poverty even before it begins to yield returns in the labor market (Stern 2001).

Pakistan presents a paradoxical situation. The country was able to record 5 percent annual growth rate over a fairly long period of three decades between 1960-90, bringing down the incidence of poverty to 18 percent. This happened when Pakistan's social indicators were dismally low in absolute as well as relative terms. In 1990, after such impressive growth performance, almost two-thirds of the country's population was illiterate, enrollment ratios were dismally low, the dropout rates were quite high, gender disparities in access to education were rampant, and the quality of higher education was on a declining path. By most indica-

**Table I. Trends in Human Development**

	<b>1960</b>	<b>2000</b>	<b>Change over the Period</b>
Life expectancy at birth (years)	43	61	42 %
Infant mortality rate	163	80	-49 %
Population with access to safe water	25	90	260 %
Underweight children under five	47 <sup>2</sup>	38	-24 %
Adult literacy rate	21 <sup>1</sup>	51.6 <sup>4</sup>	146 %
Female literacy rate	11.6 <sup>1</sup>	39.2 <sup>4</sup>	238 %
Gross enrollment ratio for all levels	19 <sup>3</sup>	33	74 %
Gross enrollment ratio for primary	36	83	130 %
Net primary enrollment ratio	-	58	-
Net secondary enrollment ratio	-	38	-
Mean years of schooling	1.4 <sup>2</sup>	3.0	114 %
Population growth rate	3.2 <sup>5</sup>	2.0	-62 %
Human Development Index	0.346	0.497	44 %

<sup>1</sup> 1970   <sup>2</sup> 1975   <sup>3</sup> 1980   <sup>4</sup> 2003-04 (Labour Force Survey)   <sup>5</sup> 1960-90

Source: Government of Pakistan, UNDP, World Bank (various publications).

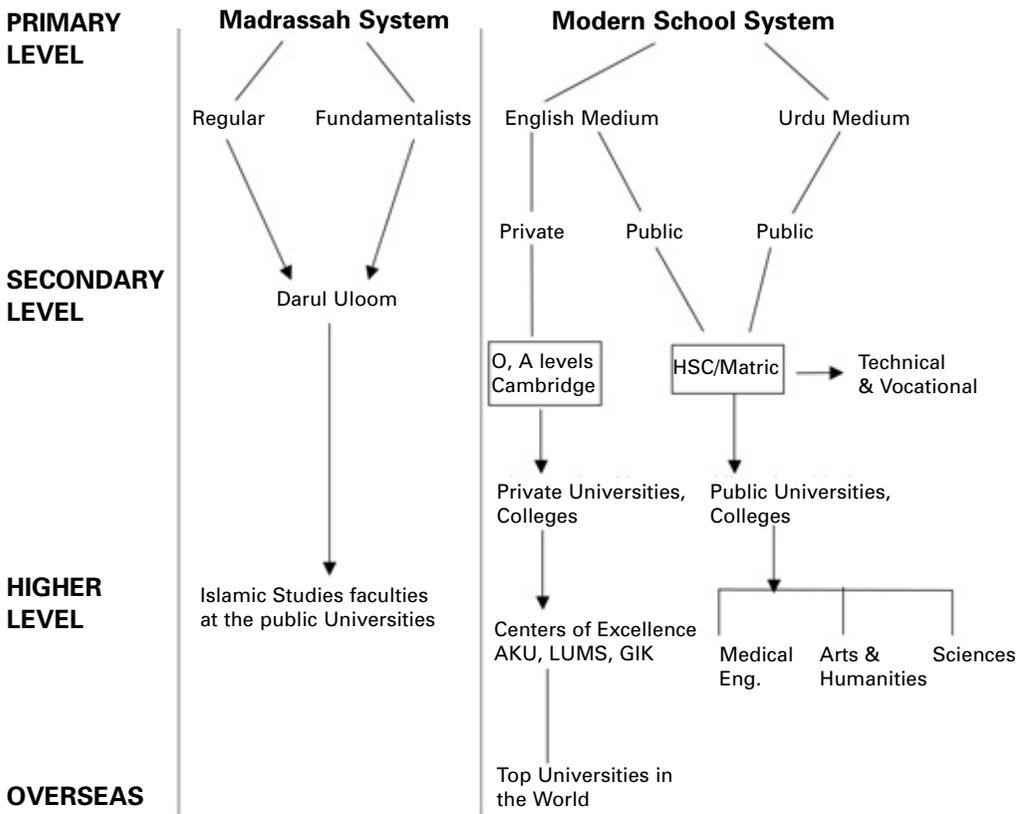
Note: The data on social indicators in Pakistan suffers from high degree of inconsistency over time and should be interpreted with caution. They represent broad orders of magnitude rather than precise numbers.

tors, basic schooling investments in Pakistan were low and growing less rapidly than on the average for low income countries. Table I details some of these human development trends.

The reasons for Pakistan’s low educational status are varied but one important factor is that Pakistan’s educational system is highly fragmented and segmented. It has, therefore, created some intractable problems in the optimal utilization of human resources under the given labor market conditions.

Chart I depicts graphically the three parallel streams that start right from the primary level. The parents have the choice to send their children either to a madrassah or to an English medium primary school or Urdu medium primary school. The English medium schools are further

**Chart I. Fragmentation and Segmentation of Education System**



**Table II. Distribution of Primary Enrollment - 2002**

	<b>Urban</b>	<b>Rural</b>	<b>Overall</b>
Government	62.4	81.8	73.0
Private	36.9	17.1	26.1
Madrassah	0.7	1.1	0.9
Total:	100.0	100.0	100.0

<sup>1</sup>Source: PIHS (2000)

divided into “elite” schools and “non-elite” schools. Most English medium schools are in the private and not-for-profit sector while the majority of the Urdu medium schools are run by the Government. The latter provide education to about 73 percent of the total primary school enrollment (Table II). This fragmentation does not end at the primary level but persists throughout the education cycle and spills over into the labor market as well.

Pakistan has suffered immensely as a result of this fragmented educational system coupled with issues of access, quality and governance. Pakistan’s primary and secondary enrollment ratios in 1991 were 46 and 21 percent of the relevant age groups—only one-half the average for all low-income countries. Only about half of those who enrolled in school stayed on until the fourth grade in comparison with an average of about two-thirds for all low income countries. Within the South Asia region, Pakistan lags well behind its neighbors in enrollment; net primary enrollment rates are 50 percent in Pakistan, 75 percent in Bangladesh, 77 percent in India and 100 percent in Sri Lanka. By all criteria, Pakistan’s educational system was at the bottom of the international ladder.

A number of empirical studies show that the returns to expanding years of education in Pakistan are still considerable, i.e. 20 percent (Behrman 1995). The implication is that Pakistan has lost considerable earnings due to underinvestment in education. A social rate of return of 13 percent for primary school, with reinvestment, would lead to a doubling of assets within six years (Shabbir 1994). In one influential work, an attempt was made to characterize the cost to Pakistan of having low schooling and a relatively large gender gap by a series of simulations based on pooled estimates of the dependence of growth on initial schooling investments. The authors found that Pakistan’s 1985 income would have

been 25 percent higher if Pakistan had had Indonesia's 1960 primary enrollment rate and about 16 percent higher if female enrollment rates had been at the same level as for boys (Birdsall, Ross and Sabot 1993). Extending these projections to 2005, it would be safer to conclude that Pakistan's per capita income today would have been almost double than what it actually is and the record on poverty much better.

The gender gap in education in Pakistan suggests that the country has foregone a great opportunity by not capitalizing on the large rates of return of female schooling on economic productivity. In a study of estimates of wage relations for males and females separately over several time periods using Household Income and Expenditure Surveys, it was found that females had higher rates of return than their male counterparts (Ashraf and Ashraf 1993). Some estimates suggest that the return on getting more girls into schooling may be over 20 percent. Another study estimated that annual growth in income per capita could have been nearly a percentage point faster if Pakistan had closed the gender gap as fast as East Asia between 1960 and 1992 (Klasen 1999).

Pakistan thus missed economic opportunities that have been exploited by many developing countries by increasing educational levels for the bulk of its labor force and, thus, enhancing their household incomes and reducing poverty. What is more disturbing is that the low net enrollment ratios will make the achievement of 100 percent literacy levels even more difficult in the future. This has serious implications for Pakistan's competitiveness and rapid poverty reduction.

The enrollment rate in primary education is 40 percent among the poorest 10 percent of the population, while the children of the richest 10 percent have reached 100 percent enrollment. Moreover, nearly 40 percent of children belonging to the poorest quintile drop out of school by grade four. The comparable figure for children belonging to the richest quintile is only 12 percent. It can thus be seen that a majority of the children belonging to the poor families are not acquiring the basic skills that would equip them to participate in the country's economic development while the children of the rich families are better off.

The Social Action Program, a multi-donor program of assistance to Pakistan implemented during the 1990s, has had a mixed record of success. The number of girls enrolled in primary school in Balochistan doubled as a result of subsidized recruitment of female teachers, and the drive

to increase girls' education led to higher enrollment of boys (Kim, Alderman and Orazem 1999).

The adult literacy rate in Pakistan had risen to 47 percent by 1999, and the female literacy rate to 32 percent. Net enrollment ratios, however, remained unchanged. It is estimated that there are 13 million out-of-school children of about 50 million children in the 5–9 years age group, over half of whom are girls (SPDC 2003). In Balochistan and North West Frontier Province (NWFP)—the two conservative provinces of the country—the female literacy rate more than doubled in the decade of the 1990s, much more rapidly than the national average, bridging the gap somewhat. But the fact remains that both Sindh and Punjab have still twice as many literate females as a proportion of the population compared to Balochistan and the NWFP.

The other noteworthy development in the 1990s was the emergence of non-governmental schools sponsored by the private sector (for profit), communities, and not-for-profit organizations. Between 1983 and 2000, the number of private primary and secondary schools in the country increased tenfold from 3,300 to 32,000—much faster than the population of school-aged children (Andrabi et al 2002). Table II shows that in 2002, the private schools had a share of 27 percent in primary school enrollment. The expansion of private schools has also played an important role in bridging the gender gap in primary schooling in Pakistan. Andrabi et al (2002) provide evidence that private primary, middle and secondary schools have a lower ratio of enrolled boys to girls than comparable public schools. Private schools have achieved a more balanced male/female ratio than public schools despite the fact that a larger proportion of them are co-educational schools. This finding challenges the conventional wisdom that parents in rural areas in Pakistan are not willing to send their daughters to co-educational schools. Even private schools for low-income households are emerging. According to a survey, two-thirds of all primary school students in low-income neighborhoods in Lahore attend private schools. The record of these institutions in expanding access is impressive, but in imparting quality education it has been mixed. In higher education a number of institutions with international standards were established in the country during this period. There are no firm estimates of the enrollment in private and non-governmental institutions in the tertiary sector, but the number is expanding rapidly.

The remittances sent by the Pakistani workers employed in North America and the Middle East are also reported to have a positive influence on the education of their own children's and the children of their extended families education. As most of the migrant workers originate from poor families, this investment in their children's education is likely to have some intergenerational mobility out of poverty.

In the period since October 1999, several major initiatives have been taken to bring about structural reforms in the education sector. The thrust of these reforms is achieving universal primary education and adult literacy, improving the quality of education, a focus on technical and vocational education, and reform of madrassah education.

In Punjab and Sindh provinces, education up to matric levels has been made compulsory and free. The Punjab Education Sector Reform Program (PERSP), implemented with the support of the World Bank, has set up a workable model of expanding access, and improving governance and quality of education. Provision of free textbooks to primary school students, monthly stipends to girls enrolled at the middle schools, appointment of better qualified teachers and improvement in physical infrastructure have led to an overall 13 percent increase in enrollments in primary schools and 20 percent increase in enrollments of girls at middle level in fifteen low literacy districts of Punjab. The model has proved successful because of the wider participation of civil society organizations, district and local level department staff, parents and teachers. An overarching objective of this program is to reduce gender inequalities in the province. If successfully replicated in other provinces, it is quite likely that the unsatisfactory performance of the past several decades could be reversed and the slippages in meeting the Millenium Development Goals could be contained.

Higher education has received a big boost in the allocation of financial resources and improvement in the quality of education. The enrollment ratio which is only 2.6 percent compared to 10 percent in India is projected to double in the next five years while the universities are being upgraded through a vigorous program of faculty development, scholarships and stipends to the poor, curriculum revision, equipping laboratories and libraries, connectivity to pooled and shared resources and emphasis on research. Annual budget allocation has been raised ten times from a paltry sum of \$15 million to \$150 million while that for science and technology increased from \$3 million to \$100 million.

Table II also explodes the popular myth held in western countries that Pakistan's education system is heavily populated with the madrassahs that are producing the fundamentalists, extremists and terrorists for the rest of the world. Primary enrollment in madrassahs accounts for only 0.9 percent of the total enrollment and there is distinct differentiation among even those attending madrassahs. A majority of madrassahs are not affiliated with any of the religious political parties or *jihadi* groups and offer a balanced curriculum to their students. The weight of Koranic studies, theology and Islamic history is relatively high in this type of madrassah compared to modern schools but they do teach other subjects such as mathematics, geography, and civics.

Andrabi et al (2005), analyzing the district wide data from the 1998 census, have found that the Pashto speaking belt along the western border with Afghanistan is the only region in the country that has a high proportion of madrassah enrollment. But even this accounts for just over 2 percent of total enrolled children in the 10 districts of the Pashtun belt. Media claims about enrollment and existence of madrassah education have been very carefully analyzed in this study and found to be highly exaggerated.

Despite the positive movements on the macroeconomic front, the unemployment situation in Pakistan has not yet improved. The linkage between higher employment and poverty reduction is strong both through direct and indirect channels. In the last several years Pakistan has shown high economic growth, but the improvement in the employment front is by no means satisfactory. The unemployment rate has declined from 8.3 percent to 7.7 percent in the last two years, but the trend is still not widespread either geographically or sectorally and has occurred mainly due to an increase in the jobs for the category of unpaid family workers in rural Punjab.

There are at least five different factors that I would like to put forward to explain this phenomenon of higher incidence of unemployment coexisting with rapid growth rates in Pakistan.

First, there is a serious mismatch between the jobs demanded by the emerging needs of the economy and the supply of skills and trained manpower in the country. While the economy is moving towards sophisticated sectors such as telecommunications, information technology, oil and gas, financial services, and engineering, the universities and colleges are

## Box I. Emerging Employment Scenario in Pakistan

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### Where are the jobs being created?

- Mobile phone, wireless loop and LDI companies
- Public call offices
- Internet service providers and broad band service providers
- Cable services
- Electronic media companies
- Private and non-governmental educational institutions
- Scientific research and development organizations
- Private and philanthropic hospitals and clinics
- Agriculture farm machinery sales and workshops
- Automobiles service stations and show rooms
- Automotive vendor industries
- Fertilizer, pesticides, seeds and agrochemicals distributions
- Dairy and milk processing packaging and marketing
- Livestock, fisheries, fruits and vegetable industry
- Feed mills
- New private banks including Islamic banking and microfinance institutions
- Advertising, marketing and creative services
- Intercity and intracity coach, bus and transport services
- CNG filling stations
- Hotels and restaurants
- Information technology and Internet related companies
- Accountancy and management consultancy
- Construction services particularly plumbers, electricians, masons
- Private airline companies
- Oil and gas exploration, drilling

### Where are the jobs disappearing or stagnating?

- Federal Government ministries and attached departments
- Provincial Government departments and agencies
- Public sector corporations
- Nationalized commercial banks
- Public sector universities and colleges
- Print media companies
- PIA, Pakistan Steel, Pakistan Railways
- Water and Power Development Authority
- Provincial Government owned enterprises and corporations

turning out hundreds of thousands of graduates in arts, humanities and languages. This mismatch has created waste and misallocation of resources and the shortages of essential skills required to keep the wheels of the economy moving. On the basis of anecdotal evidence I have put together Box I that summarizes the emerging employment situation in Pakistan—the subsectors and companies where the jobs are being created or are likely to emerge in significant numbers in the next few years. It also shows that the public sector is losing jobs, or there is at least stagnation. Technical and vocational training has failed to keep pace with the emerging skill gaps that have further been widened by the migration of experienced technicians and professionals to the Middle East and elsewhere.

Second, there is a crisis of expectation among the families and the youth belonging to certain areas of the country which have enjoyed quota reservations in the government jobs for several decades. As the economy is relying more on the private sector and the public sector enterprises are being privatized, the opportunities for new jobs in the government ministries, attached departments, public sector corporations, state owned enterprises and nationalized commercial banks are fast disappearing. Those who used to get into the public sector on the basis of quota entitlements therefore feel themselves at a disadvantage in the job market. The security of the tenure, the perks and power which they were expecting are no longer available, and this has led to a lot of frustration among a section of the population. The private sector employers are highly competitive in their choice of recruitment and totally indifferent to the considerations of regional balances.

Third, the aggregate elasticity of employment with respect to GDP was historically high because of the relative weight of agriculture. But as the share of agriculture in GDP is declining, the contribution of agriculture sectoral elasticity to the aggregate elasticity has also dwindled. Higher total factor productivity in the economy and technological innovations are also reducing the demand for unskilled and semi-skilled labor force in almost all the sectors of the economy. The inefficient utilization of factors of production that was a characteristic of a public sector dominated economy has been minimized as a result of structural reforms in tariffs, taxation, financial markets and privatization. The demand for labor inputs per unit of output has consequently been reduced due to this compositional shift from the public to private sector employment. At the same time,

labor force participation rate is on an upward incline because of the entry of large number of females. High unemployment rates under these conditions of productivity and efficiency gains are therefore not surprising.

Fourth, mobility across the provincial boundaries is highly limited with the exception of Karachi, which absorbs people from all parts of the country. Labor market segmentation based on ethnic and province of origin and domicile is quite pervasive and allows simultaneous existence of labor shortages in one part of the country with excess availability in other. The high costs of relocation for the job seekers and high search costs perceived by the employers further attenuate a state of disequilibrium in the nationwide labor market. The regional labor markets may be relatively more efficient, but the same is not true of the national labor market.

Fifth, the archaic and outdated labor laws, levies and benefit payments imposed upon the formal sector of the economy create a wedge between the unit costs borne by the employer and the actual wage received by the employees. There is little incentive for the employer to hire people on a permanent basis and to invest in their training, skill upgradation and productivity enhancement. They have therefore developed a short-sighted view of extracting as much value as possible by engaging part-time or contractual employees. In a competitive environment, this behavior is not tenable over a long period of time. The businesses have to close down or substitute capital for labor, reducing the level of labor absorption in the economy.

The future agenda for productive employment generation and education are closely interlinked. We will therefore have to address (a) the issue of greater focus on technical, vocational and professional education; (b) expanding enrollment in higher education to at least 10 percent of the relevant age group; (c) improving access, quality and governance in primary and secondary schooling; (d) providing incentives to encourage enrollment of girls in schools; (e) reforming madrassah education and making them relevant to the labor market requirements; and (f) restructuring labor laws and regulations that discourage employment in the formal sector.

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