

# Demographic Transition in Pakistan: Implications for old-age employment and security

## *Extended Abstract*

Demographic transition is finally taking place in Pakistan and there is much talk about reaping the “demographic dividend” in the country. There is, however, a need to realise that capitalising on the dividend is not just about creating opportunities for the young. Seizing the opportunity inherent in the dividend, to stimulate economic growth and reduce poverty, will be about policies linked to the elderly.

### **Objectives and Data**

Pakistan too will grow old, and care of the elderly will become important in future, with women being most vulnerable, more so economically, because of longer life expectation. The paper, thus, looks into the trends leading to the demographic transition in Pakistan and its implications for the country, specifically those related to employment. Using data from various demographic surveys and the Labour Force Surveys, the paper examines the trends and determinants of employment, and more importantly unemployment, and explores the age and gender dimensions to it vis-à-vis demographic transition. Issues related to old age security would also be explored in the paper.

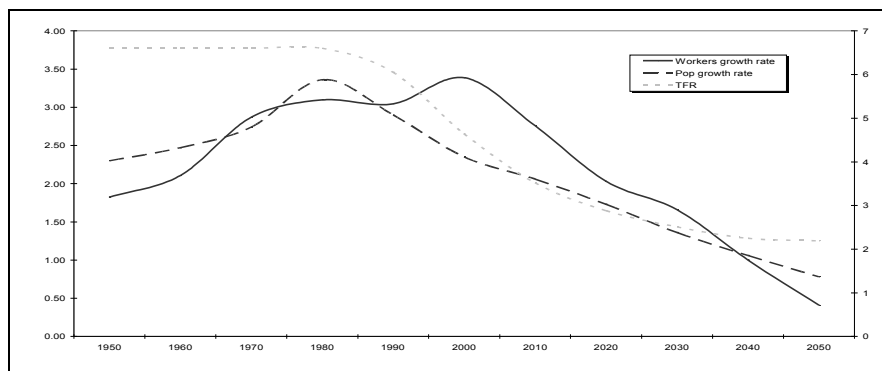
### **Basic argument of the paper**

Unemployment rate shows an increasing trend with age, and in the absence of any old-age security system, leaving the elderly in a vulnerable state. Poor state of human capital of the labour force contributes to this vulnerability during old age. Without an educated, skilled and economically flexible work force, the social and economic costs of aging in terms of security of health and pensions would be difficult to endure. A major change is required to progressively make the economically productive age approach the physical age. Employment and employability should be the ethos of all the economic and social policies. This necessitates major investment in human capital, and introduction of social reforms to draw in women, since labour markets are always socially entrenched.

### **Preliminary Results**

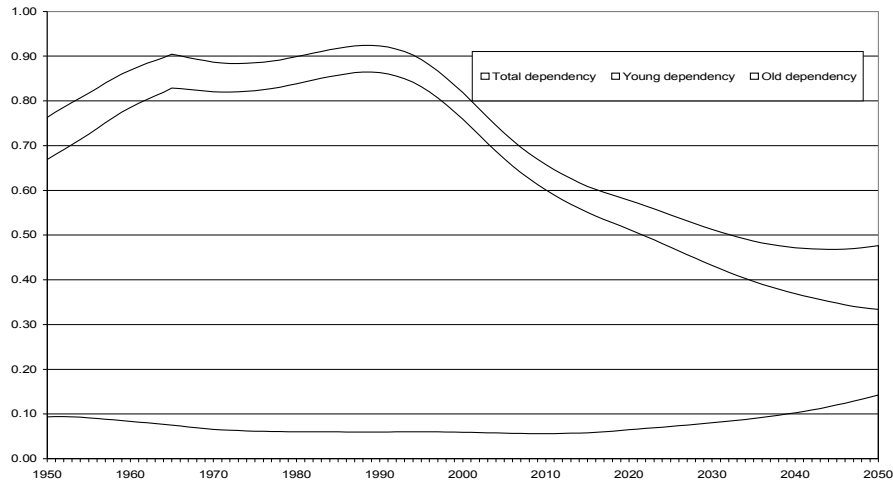
With fertility going down the rate of growth of the labour force is on the increase at present giving the country an opportunity to avail the first demographic dividend.

**Figure: Trends of TFR, and population and labour force growth rate over time: 1950-2050**



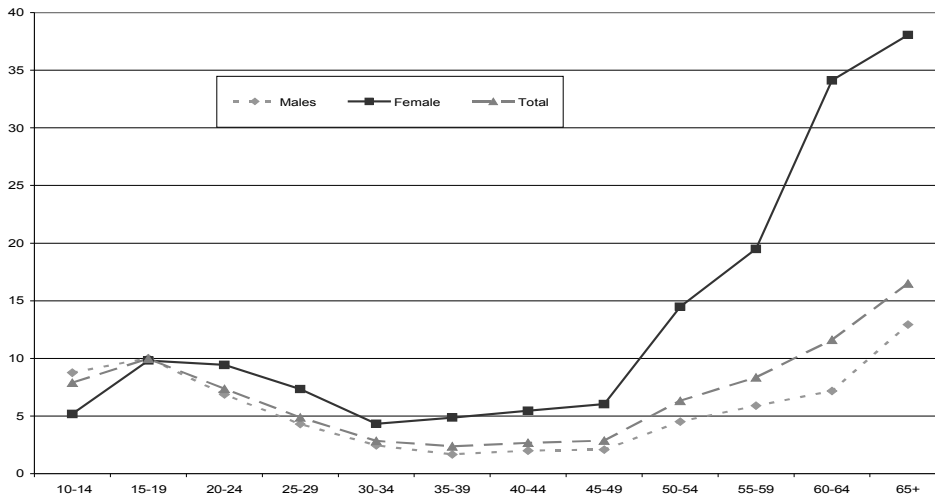
Lowering of the total and young dependency ratio at present sets the stage for an increased old dependency rate in future. As shown in the figure below.

**Figure: Trend of age dependency over time: 1950-2050**



If wise policies are implemented, this can give an opportunity to reap a second dividend as well but the situation in Pakistan gives no such hope. The unemployment rates are highest for the elderly, especially the females. As can be seen from the figure below, unemployment rates increase as we go up the age groups. In the absence of any social security system, this can lead to financial crisis for the elderly.

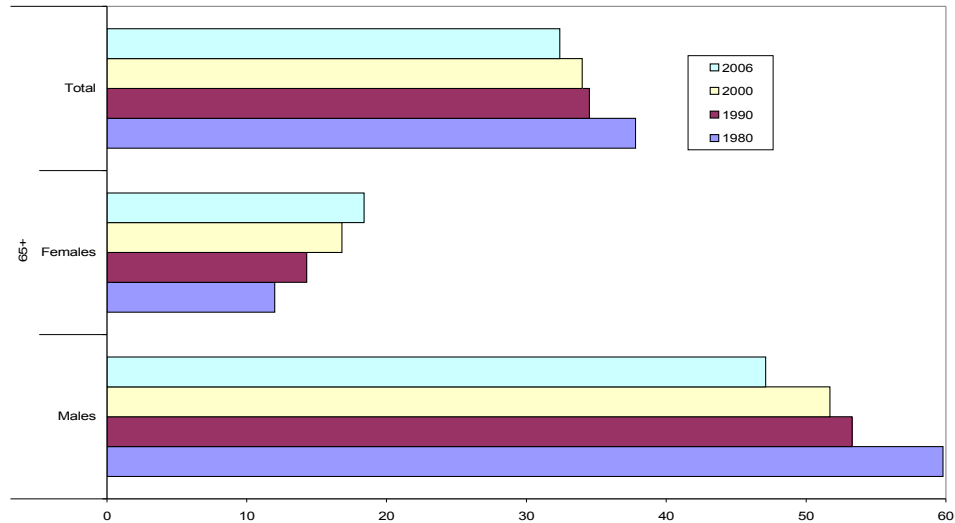
**Figure: Age specific unemployment rates**



Recent trends have shown that increasing life expectancy of the females is leading to an increased labour force participation by the elderly. The male and total elderly LFPRs are going down but that of the old females is going up. The marital status of the elderly women contributes to this trend, with their likelihood of being alone and experiencing widowhood at

old age being high (51.7 percent females are widowed age 65+ as against 19.1 males). Figure below shows the trend of old-age labour participation over years for males, females and total, showing an increasing trend for elderly females.

**Figure: Trend of labour force participation by the elderly over years by sex**



The second dividend depends on the capital deepening resulting from the investments made by the elderly. This, however, depends on the human capital of the labour force and in case of Pakistan we see that the elderly active in the labour market are primarily illiterate and unskilled individuals. The table below shows the literacy level of the elderly active in the labour market and their poor human capital.

**Table: Literacy level of the elderly active in the labour force**

Literacy level	Elderly males	Elderly females
Never been to school	63.7	98.3
Primary	16.4	0.0
Secondary	14.7	0.0
High	2.8	1.7
Post-high	2.4	0.0
Total	100.0	100.0

This poor level of human capital is reflected in the nature of jobs they are doing and their earnings. Most of them are employed in unskilled jobs and earning meagre amounts- with females being at a disadvantage again. The average annual amount earned by the males is Rupees 51658 (689 US\$), while that for the females is almost six times less at 9049 (120 US\$). The situation becomes even graver in the context that no universal old-age security system exists for the elderly in the country. In a scenario where the elderly are at stake of losing even a decent living, any hope for a second dividend can only be a dream.