

Lahore School of Economics Ninth Annual Conference on

Management of the Pakistan Economy

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Human Capital Development for Sustained Economic Growth

Introduction

Social indicators show that Pakistan is seriously deficient in health, education and poverty scores compared to other developing countries. Women's development especially lags behind.

Improvements in the labor force depend on the level and type of human capital investment, and on workers that are healthy, skilled and educated. Low female participation in the labor force also implies a huge underutilized potential. An understanding of the current state of human development and potential solutions for its improvement is therefore crucial for the country's economic progress and is the topic of Lahore School of Economics' Ninth Annual Conference.

Pakistan's new devolved structure is an important issue for discussion in implementing on-going and new initiatives for social sector improvements. Implementing article 25-A of the constitution (the right to state-provided free and compulsory education to all 5-16 year old children) is now the responsibility of the provinces. Important questions that arise are: What additional legislation is needed by provinces to achieve the goal of universal primary education? What is the existing capacity of the provinces to deliver social services/ what should the federal role be? While Punjab, the largest province has been the focus of most research, inter and intra-provincial contexts will be important in assessing problems and solutions to social sector issues.

In the distribution of services, improving access to the most vulnerable groups, women, children and the poorest families remains a challenge. Research shows that health, education, poverty and safety nets are linked - a de-worming program in Kenya improved school attendance, areas with better sanitation in urban Lahore had higher girls' attendance, and that the poorest households cannot afford even the low cost private schools. Therefore, there is need for more information about people who may perpetually be missing out on public and private social sector facilities. It is important to take into account existing institutions (the electoral process, feudal systems and the culture of patronage) in delivering social reforms in a devolved structure. Original reform and policy designs may need to be revised as these are tested in the field. Making innovative use of technology, such as monitoring the delivery of services through mobile phones is another area that needs to be explored in improving human development.

To explore these issues, the 9th Annual Lahore School of Economics conference is organized under the following six themes:

Session 1: The Human Development and Economic Growth Nexus

This session will highlight the critical role of human capital development in economic growth in developing countries like Pakistan. Education is a vital ingredient of human development and economic growth as it enhances an individual's future income generating potential. Not surprisingly large-scale investments have been made to improve educational indicators in developing countries, but progress in Pakistan has been poor. An equally important dimension of human capital is health, both as an end in itself as it determines a person's capability but also as a means to ends such as education and economic growth. Poor health in childhood may translate into poor adult health, lower productivity and hence lower wages. Moreover, poor health during childhood can impede cognitive development, educational attainment which in turn translates into lower returns to future education. Given the numerous pathways in which health may affect income and economic growth, a discussion of human capital is incomplete without a simultaneous discussion of health. Since women constitute 50% of the country's population, sub-optimal human capital investments in females will translate into a lower growth trajectory in the future. In addition to enhancing labor productivity, investments in women also influence future human capital and demographic outcomes, because of positive spillover effects on fertility and inter-generational education and health dynamics. Paper authors in this session are encouraged to examine one or more of these dimensions of human development.

Session 2: Political Economy, Human Development & Growth

Easterly in his assessment of Pakistan's declining economic performance over time, argued that it was a "case of growth without development". He put the blame for that squarely on Pakistan's elite dominated society and the political failure to address the challenges of development in a multi-ethnic country. There is a growing consensus among economists that *institutions* are the fundamental determinant of economic growth and development. This session aims at a better understanding of formal and informal institutions in Pakistan and how they interact with human development and economic growth. Specific areas are how democracy and dictatorship, structure and the changing composition of political elites, patron-client relationships, rule of law, corruption, ethnic conflicts and beliefs have impacted on resource allocation decisions, devolution of power, management of public service delivery and human development outcomes in Pakistan. Papers in this session may focus on one or more of these areas with an aim to providing a more rigorous understanding of how these forces work and their implications for public policy and economic development.

Session 3: Education Reforms and Initiatives

In 2010, article 25-A of the 18th amendment to the Constitution declared education to be a fundamental right of every school age child in Pakistan. However, approximately 20 % of Pakistan's children remain out of school. Enrollment rates are the lowest in South Asia and huge

differentials exist in female-male and rural-urban rates. With relatively low and declining allocation of public resources to education, reducing these disparities remains a challenge.

The federal and provincial governments with the aid of local and international organizations are undertaking education sector reforms to improve access, quality and governance. The emergence of low-fee private schooling in rural areas, and alternative service delivery arrangements has also led to a change in the type of educational services available. Some examples of innovations, interventions and reforms are public-private partnerships, school councils, stipend programs, provision of missing infrastructure, curriculum development, teacher training and recruitment and institutional capacity building. An evaluation of these reforms and a discussion on what governance models and modes of service delivery work best is required. This session will be devoted to papers based on original research that analyze Pakistan's education system and the impact of various reforms and interventions.

Session 4: Health, Malnutrition and Poverty

Papers in this session will focus on issues related to health and poverty linkages in Pakistan, poverty-malnutrition-education interactions, and an assessment of the public health care system. The National Human Development Report (2003) documents the dual relationship between poverty and illness and how it develops into a vicious cycle. In Pakistan it has been shown that incidences of illness tend to be frequent and recurring and can force families to reduce food consumption and pull a child out of school. More research is needed to understand how to reduce the vulnerability of the poor to health shocks. Maternal and under-five mortality rates in Pakistan are well above the regional average and represent a key failure in health policy. A number of innovative interventions to improve delivery of health services have been tried such as large-scale deployment of women health workers and establishment of management committees for tertiary hospitals. However the quality of public health facilities remains poor, and there is a need for greater analysis of the impact of these interventions.

There is also a strong link between nutrition and health. The National Nutrition Survey 2011 has reported that 43.6% of children are stunted and 31.5% are underweight. A large part of the population (37.5 million) also suffers from lack of essential nutrients such as iodine, iron and protein. The link between nutrition and academic achievement is also well established in the literature but this aspect has not been adequately studied in the context of Pakistan, particularly with regards to late start of schooling, high dropout rates and poor learning outcomes.

Session 5: Social Safety Nets and Human Development

People living in poverty and hunger are extremely vulnerable to crises. Social safety nets can help break this cycle, reducing the need for repeated crisis intervention and the costs associated with it by enabling people to become more self-reliant. Social safety nets encompass a wide range of programs that focus on community support systems, direct transfers (unconditional cash

transfers (UCTs), Conditional Cash Transfers (CCTs), food-for-work-programs, pensions, social health insurance), indirect transfers (minimum wage laws, job creation programs, training programs, subsidies on agricultural production), and microfinance.

There are several social protection programs currently operating in Pakistan such as the Benazir Income Support Program (BISP), and Pakistan Bait-ul-Mal (PBM). However, there is a dearth of both academic and policy-oriented literature pertaining to the effectiveness and outcomes of these social safety programs. This session seeks to spark off a holistic discussion on these programs with a view to evaluate on-going programs and also generate new ideas to expand the coverage and success of these programs. Therefore, the papers for this session should aim to (i) identify and review various social safety programs being pursued across developing countries especially in Pakistan; (ii) evaluate the effectiveness of such programs with particular focus on the research methodology and importance of accurate data collection; and (iii) learn lessons from the experience of other countries (e.g. BRAC in Bangladesh, PROGRESA in Mexico) and propose improvements for the programs in Pakistan.

Session 6: Labor Force, Human Development and Growth

Pakistan, the sixth most populous country in the world has a burgeoning young population. What is often called the ‘demographic dividend’ will only benefit the country if this young population contributes meaningfully to the country’s economic and social development through appropriate education and skill training. Moreover, no country can hope to prosper and sustain economic growth with just half of its population participating in the formal labor force. With overall female labor force participation in Pakistan at about 22% (ILO, 2011), a lot more needs to be achieved to improve the skill levels and employability of women.

The sixth and final session of the conference will aim to explore how to enhance the skills of the labor force. We define skill development in broad terms to mean basic education, initial training and lifelong learning. This session will also place a special emphasis on the role of women in the labor force. The papers in the session should aim at discussing: i) existing initiatives in technical and tertiary education in the country with a view to identifying the gaps; ii) the international perspective on effective skill development and productivity enhancement of the labor force, particularly where these experiences can form the base for the way forward for Pakistan; and iii) the existing contribution of women with a view to identifying the constraints to their participation as well as the potential interventions that can expand their role.