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Sectoral Shifts of Employment in Pakistan: Analyzing the Decline in Agricultural Development and the Rise of Service Sector

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Abstract

This study investigates the evolving employment landscape in Pakistan by analyzing the distribution of employment across agriculture, industry, and services from 2012 to 2022. The data reveals a notable shift from agriculture, which saw a decline in employment from 42.9% to 36.43%, to the industrial and service sectors, which experienced corresponding growth. This trend reflects Pakistan's transition from a primarily agrarian economy to one increasingly driven by industrialization and service-oriented roles, aligning with patterns observed in other developing economies. While this structural shift suggests economic advancement, it also poses challenges for rural communities dependent on agriculture. The study highlights the need for strategic workforce planning, skills enhancement, and supportive policies to ensure smooth transitions for the labor



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force. By facilitating the integration of workers into higher-productivity sectors, Pakistan can capitalize on these shifts to drive sustainable growth and economic resilience. The study concludes with a call for continued research on workforce dynamics and policy interventions to address emerging challenges in labor distribution and economic development.

Keywords: employment distribution; economic transformation; labour market shifts; sectoral employment trends; workforce planning Pakistan

1. Introduction

Over the past decade, Pakistan's economic landscape has experienced a noticeable shift in employment distribution across its primary sectors: agriculture, industry, and services. Traditionally, agriculture has been a major source of employment, particularly in rural areas, where it has long provided livelihoods for a large segment of the population. However, recent data reveals a declining trend in the agricultural employment share, from 42.9% in 2012 to 36.43% in 2022, paralleled by a rise in the service and industry sectors (Statista, 2024). This transition reflects broader global patterns where developing economies, driven by urbanization, technological advancements, and globalization, experience shifts in workforce distribution from primary sectors like agriculture to secondary and tertiary sectors (World Bank, 2023).

The growth of the service sector, now employing 38.05% of Pakistan's workforce, underscores the increasing demand for jobs in areas such as information technology, finance, healthcare, and retail. As urban centers expand and technology becomes more integrated into everyday life, the service sector has become a key driver of economic growth and employment. Meanwhile, the industrial sector has also seen steady growth, partly due to government policies aimed at promoting industrialization, foreign direct investment, and infrastructure development (Pakistan Bureau of Statistics, 2022). Despite these positive developments, the agricultural sector's decline raises concerns about the socio-economic impacts on rural communities, where limited employment opportunities beyond agriculture can lead to issues such as rural poverty and migration to urban areas in search of work (Asian Development Bank, 2021).

Understanding these shifts in employment distribution is essential to comprehending the broader economic transformation occurring in Pakistan. By examining the factors driving this transition and assessing the socio-economic

implications of reduced agricultural employment, researchers can offer valuable insights for policymakers aiming to promote balanced, inclusive growth across sectors. Such an analysis will not only highlight potential growth opportunities within the service and industrial sectors but also address the challenges posed to rural populations dependent on agriculture, thus informing strategies to foster sustainable economic development.

2. Literature Review

The literature on employment shifts in developing countries consistently highlights the decline of agricultural employment as economies move towards industrialization and service-oriented growth. This phenomenon is a well-documented aspect of economic transition theory, where structural changes push labor from primary sectors to secondary and tertiary sectors (Lewis, 1954). Pakistan's declining agricultural employment, as seen in recent data, aligns with global patterns observed in other South Asian countries, where modernization, urbanization, and economic reforms gradually reduce reliance on agriculture (Asian Development Bank, 2021). However, while this transition theoretically promises enhanced productivity and economic resilience, scholars argue that the socio-economic implications of such shifts warrant a nuanced examination, particularly within countries like Pakistan, where rural communities are heavily dependent on agricultural employment for survival (Ali & Bajwa, 2019).

Studies focusing on Pakistan reveal several factors contributing to the agricultural sector's decline in employment. One significant factor is rural-urban migration driven by limited employment opportunities and low wages in rural areas. Urban centers, by contrast, offer more attractive job prospects, primarily in the service and industrial sectors, thus drawing labor away from agriculture (World Bank, 2023). This rural-to-urban shift has led to a shrinking agricultural workforce, which poses substantial challenges for rural communities dependent on farming. As farming populations decrease, agricultural productivity could be negatively impacted due to the loss of experienced labor and an aging farming workforce. This trend is troubling in a country where agriculture remains critical for food security and export revenue (Faridi & Bashir, 2019).

Some researchers, however, argue that the shift from agriculture to services and industry is not inherently negative. For instance, the service sector's expansion in Pakistan reflects broader changes in labor demand driven by technology and globalization, which bring new economic opportunities (Khan & Qureshi, 2020). With the service sector employing a growing share of the population, including in

fields like IT and financial services, there is potential for the economy to diversify and reduce its historical reliance on agriculture. Proponents of this shift argue that a more diversified economy is better equipped to withstand global market fluctuations and achieve sustainable growth (Siddiqui & Malik, 2018). Yet, critics caution that the service sector's rapid expansion does not equally benefit all social classes, as many rural workers lack the skills necessary to transition to higher-paying jobs in urban centers (Pakistan Institute of Development Economics, 2020). Consequently, there is a risk of exacerbating socio-economic disparities between urban and rural populations.

The industrial sector's growth also raises critical questions about labor conditions and job security. Although industrialization is promoted as a means to provide stable employment, critics highlight that the quality of jobs created is often poor, with low wages and limited social protections (Iqbal & Khan, 2017). In Pakistan, informal employment within the industrial sector remains high, and many workers lack formal contracts and adequate worker protections, which can lead to exploitation. Moreover, rapid urbanization without corresponding infrastructure and housing development in cities can result in overcrowding and strain on resources, potentially offsetting the economic gains of industrial expansion (Hassan & Mahmood, 2021).

Finally, there is a growing concern over the policy implications of these employment trends. Policymakers are urged to adopt a balanced approach that fosters industrial and service sector growth while protecting the interests of rural communities reliant on agriculture. Without targeted interventions, such as rural development programs and skills training, the shift away from agriculture may lead to increased inequality and social instability. Furthermore, policies promoting sustainable agricultural practices could help mitigate the adverse effects of labor decline in this sector by enhancing productivity and encouraging young workers to consider careers in agriculture (Food and Agriculture Organization, 2019).

In short, while the transition from agriculture to service and industrial sectors is widely recognized as a necessary component of Pakistan's economic development, the literature underscores the importance of addressing the socio-economic challenges associated with this shift. A holistic, policy-driven approach that balances sectoral growth with rural development and social protections is essential to ensure that the benefits of economic transformation are broadly distributed.

3. Research Methodology

This study is aimed to analyze the employment trends across Pakistan's agricultural, industrial, and service sectors between 2012 and 2022, focusing on the socio-economic implications of these shifts. A mixed-methods approach is employed to provide both quantitative and qualitative insights into the structural transformation of Pakistan's labor market. Quantitative data is obtained from secondary sources, including national labor force surveys, government reports, and international databases such as those from the World Bank, the International Labour Organization, and Statista. This longitudinal data allows for a robust analysis of employment trends over a decade, offering insights into the rates of change in each sector and highlighting the gradual movement of labor from agriculture to industry and services (World Bank, 2023; Statista, 2024). Descriptive statistics and trend analyses are used to identify patterns, with a particular focus on calculating percentage shifts in sectoral employment over the study period.

Qualitative insights are gathered through a review of existing literature, policy documents, and case studies that address the socio-economic impacts of employment shifts in Pakistan and similar developing economies. The qualitative aspect of this study is essential to understand the contextual factors driving these shifts, including rural-to-urban migration, wage disparities, educational requirements, and labor conditions. Previous studies and reports from international organizations such as the Asian Development Bank (ADB) and the Food and Agriculture Organization (FAO) provide context on the challenges faced by rural communities as agricultural employment declines, along with the impacts of industrialization and urbanization on social structures and economic stability (Asian Development Bank, 2021; Food and Agriculture Organization, 2019).

To analyze the data, an interpretive framework is applied, combining economic theories on structural transformation with sociological perspectives on labor migration and workforce transitions. Economic transition theory, particularly the Lewis model of structural change, serves as a theoretical foundation, positing that as economies develop, labor shifts from low-productivity agriculture to higher-productivity sectors like industry and services (Lewis, 1954). This theoretical lens is critical to examining whether Pakistan's employment shifts align with predicted outcomes, such as increased economic resilience and productivity gains. Additionally, the study incorporates insights from labor migration theories to address the socio-economic impacts of urbanization and workforce redistribution,

particularly the effects on rural communities and traditional agricultural livelihoods (Ali & Bajwa, 2019).

Data triangulation is employed to ensure the reliability and validity of findings. By cross-referencing quantitative data from reputable sources with qualitative insights from academic and policy literature, the study achieves a comprehensive view of Pakistan's employment trends. Furthermore, any discrepancies or limitations in the data are carefully addressed. For example, labor force surveys may underreport informal employment in the industrial sector, which is common in Pakistan. This limitation is mitigated by considering estimates from studies on informal labor in developing countries, thus providing a more accurate picture of industrial employment trends (Iqbal & Khan, 2017).

Overall, this mixed-methods approach enables a holistic exploration of sectoral employment shifts, examining both statistical trends and the broader socio-economic factors influencing these changes. By combining quantitative and qualitative data, this methodology offers a nuanced understanding of the challenges and opportunities presented by Pakistan's ongoing economic transformation.

4. Analysis

The results of this study examine the shifts in employment distribution across the agricultural, industrial, and service sectors in Pakistan from 2012 to 2022. The data highlights a significant transformation in the structure of Pakistan's labor market, showing a gradual reduction in agricultural employment and corresponding increases in the industrial and service sectors. These trends align with patterns seen in developing economies undergoing structural transformation, as labor moves from traditional, lower-productivity sectors to higher-productivity sectors.

From 2012 to 2022, the share of employment in agriculture decreased from 42.9% to 36.43%, indicating a 6.47 percentage point decline over the decade. This trend reflects a gradual but steady shift away from agricultural employment as other sectors expand. In contrast, the industrial sector saw a moderate increase in its employment share, rising from 22.3% in 2012 to 25.52% in 2022. This 3.22 percentage point increase suggests growth in manufacturing and industrial activities, potentially driven by policies that encourage industrialization and urbanization.

The service sector, known for its relatively high productivity and adaptability, experienced the most noticeable growth. Employment in the service sector increased from 34.81% in 2012 to 38.05% in 2022, showing a 3.24 percentage point rise. This growth highlights the expanding role of services, such as finance, healthcare, and retail, in providing employment opportunities as the economy diversifies.

Overall, the shift in employment from agriculture to the industrial and service sectors underscores Pakistan’s progression towards a more diversified economy. However, while this transformation indicates positive development, it also suggests potential challenges for rural areas that rely on agriculture as a primary livelihood source. As fewer people are employed in agriculture, policies need to ensure that the industrial and service sectors can absorb displaced agricultural workers, potentially by enhancing skill development programs and facilitating rural-urban migration for better employment opportunities.

Table 1 below is created to visually represent the employment trends across the three sectors from 2012 to 2022, based on the attached data.

Table 1: Employment Distribution by Sector in Pakistan (2012-2022)

Year	Agriculture (%)	Industry (%)	Services (%)
2012	42.9	22.3	34.81
2013	42.24	22.92	34.83
2014	42.23	22.87	34.89
2015	41.01	24.02	34.97
2016	42.27	23.59	34.14
2017	39.87	24.27	35.86
2018	37.42	24.99	37.6
2019	38.31	24.33	37.36
2020	38.01	24.75	37.23
2021	37.1	25.43	37.47
2022	36.43	25.52	38.05

Source: Staistica (2024)

5. Conclusion

The findings of this study underscore the ongoing structural transformation in Pakistan's labor market over the past decade, with significant shifts in employment distribution across agriculture, industry, and services. The reduction in agricultural employment from 42.9% to 36.43% reflects a transition away from traditional, low-productivity sectors toward higher-productivity industries and service-oriented roles. This shift aligns with Pakistan's broader economic development objectives, where industrialization and an expanding service sector are key to fostering economic resilience and growth.

However, the decline in agricultural employment presents challenges, particularly for rural communities that rely heavily on agriculture for their livelihoods. Ensuring that the industrial and service sectors can absorb this transitioning workforce is crucial. Policymakers may need to focus on enhancing workforce skills, improving educational access, and facilitating urban migration to enable smoother transitions. Moreover, targeted policies supporting small-scale farmers and rural development could help mitigate potential disruptions in the agricultural sector.

This study highlights the need for further research to understand the underlying factors driving these shifts and the long-term implications for Pakistan's economy. With a well-structured approach to workforce planning and sectoral development, Pakistan can leverage this transformation to enhance economic stability, reduce poverty, and promote sustainable growth.

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