This paper describes key aspects of the informal employment - its size and composition, its

linkages with working poverty and provides more complete picture of the dimensions of

informal employment in Pakistan using data of Labour Force Survey since 1999-2009.

The data show that informal employment in the country is the result of the economy’s

inability to create sufficient numbers of quality jobs to absorb increasing labour force.

Compared to 3.4 average annual growth rates of labour force from 1999-2009, the informal

sector employment growth rate is 3.6. As a result, share of formal sector employment shrunk

from 34% to 26% in case of males and from 34.3% to 27% in case of females. Data further

reveal that out of roughly 48.2 million employed people in 2009, about three fourth of them

are in informal employment i.e. 37.0 million. The agriculture sector alone absorbs 54.4

percent of the informal employment. The distribution of status in informal employment

shows large proportions of own account workers and contributing family workers in

informal employment. It is shown that in 2009, more than one third (44.3 per cent) of all

informal employed workers in Pakistan work as own-account workers and about one third

(35.3 percent) as contributing family workers. Presence of a large informal employment is,

in a way challenge to policy makers to consider improved working conditions, legal and

social protection of the people employed in the informal economy and implementation of the

appropriate regulatory frame work, developing training and skills, etc. To increase job

quantity and quality, the emphasis should be placed on investing in people, especially the

most vulnerable – in their education, skills training, lifelong learning, health and safety – and

encouraging their entrepreneurial initiative.