EMPLOYER SURVEYS

PUNJAB ECONOMIC OPPORTUNITIES PROGRAM

Baseline Report on Employers

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1. EXECUTIVE SUMMARY

The Punjab Economic Opportunities Program (PEOP) is a flagship program of the Government of Punjab being implemented in partnership with the Department for International Development, Government of UK (DfID). PEOP aims to alleviate poverty and create inclusive growth in the province's high poverty districts – Bahawalnagar, Bahawalpur, Lodhran and Muzaffargarh – by increasing the employability and earnings of poor and vulnerable families. The Government of Punjab, DfID and PSDF entered into a collaborative arrangement with the Center for Economic Research in Pakistan (CERP) to calibrate and evaluate PEOP interventions and provide evidence-based input on design.

As part of this effort, CERP conducted a survey with approximately 11,000 households from November 2011 to June 2012 to collect information on the demographics of the region, the current state of the labor market, the existing usage of training, demand for skills and labor market opportunities. The household survey showed that individuals had a strong preference for local employment and that most people in the region worked close to their homes. Moreover, ongoing CERP research embedded in Punjab Skills Development Fund's (PSDF) *Skills for Employability* (SFE) and *Skills for Market* (SFM) programs shows that having to travel for training is a major barrier to skills acquisition.

Thus, a better understanding of local firms/enterprises[1]; viz., their workforce composition and personnel requirements, compensation practices and hiring methods is critical for effective program design. Indeed, these firms not only serve as potential employers of PEOP trainees, but they can also provide potential trainees because owners may want to upgrade their own skills or send workers for training. In addition, these firms have the potential to serve as training providers themselves.

This report summarizes the design-relevant findings from a survey conducted by CERP with a representative sample of firms in the PEOP region in fall 2012. For the purpose of this survey, we described firms as "an entity, other than government and religious schools which is conducting income generating economic activities". While the information collected provides an overall picture of the obstacles faced by firms in the region, the immediate contribution of this report is to help in designing specific program features for PEOP interventions. This report provides an overview of the state of the workforce in the region and the recruitment strategies of the firms. It also documents the training level of the workforce and the potential reaction of firms to alternative PEOP interventions. Finally, this report explores the potential for firms to serve as training providers.

The rest of this section is organized as follows:

1. Description of the sample
2. Firm demographics and outlook
3. Current state of the workforce
4. Hiring practices
5. Training practices
6. Potential for firms to serve as training providers
7. Overall Implications

1.1. DESCRIPTION OF THE SAMPLE

The sample for this survey was primarily selected from the list of economic entities identified in the 860 rural and urban locations (also known as primary sampling units or PSUs) in the baseline sample. These sample locations, constituting a representative sample of the four PEOP districts, were randomly selected by the Federal Bureau of Statistics from the national sampling frame. In June 2011, a complete enumeration of households and economic activities (including home-based economic activity) in these 860 locations was completed by the Punjab Bureau of Statistics (BoS) and the resulting information provided the sampling frame for the baseline household and employer surveys. The BoS listing exercise entailed a complete enumeration of residential/commercial structures only and hence, by design, missed all the agricultural farm holdings held away from the populated settlements. To address this issue, and to include farmholdings in our rural enterprise survey, we buttressed the BoS sample with a separate nonoverlapping sample of enterprises. This information was collected from April to September 2012 through focus groups in the sample PSUs.

From these two sources, CERP randomly selected an initial list of 10,276 firms. After field verification, 2,710 firms had to be set aside because of listing errors. After field verification, the relevant employer sample thus constituted 7,566 enterprises.

1.2. FIRM DEMOGRAPHICS AND OUTLOOK

The employer survey collected basic demographic information on all sample firms. This information is important to understand the potential for increasing employment in the region. The results are consistent with the broad patterns we expect in these districts and provide a more detailed overview of the potential labor market for skilled individuals:

- Women-owned businesses make up a tenth of all the firms in the region. Seventy five percent of these women-owned businesses are engaged in the production sector and only 5% of them have employees.
- Most of the business establishments in the area are single-worker firms, approximately 80%. Multiple-worker firms have, on average, have 3 workers per firm.
- Multiple-worker firms express a strong desire to expand the size of their businesses, suggesting a latent demand for skilled labor that could be catalyzed if barriers to expansion were removed.
- Predictably, two-thirds of the firms in our sample identify the poor quality of infrastructure, like roads and electricity supply, as a severe obstacle to growth. More importantly, one-fifth of the firms reported that the lack of skilled labor and the cost of hiring trained labor were major concerns.
- Because firms often expect that hiring additional workers will require them to acquire additional capital stock (mainly machinery), further hiring may be facilitated by relaxing the credit constraint for small and medium-sized firms. Programs that provide loan guarantees for equipment purchases, collateralized by the purchased equipment, can thus indirectly address the constraint of bringing in additional employees.

Hence, while there is a large desire for firms in the region to expand their businesses, working on the skill's aspect of the available labor supply is only part of the solution. Fully catalyzing the desire to generate more jobs may require complementary programs which address other constraints to firm growth. Partnering with such complementary government programs, for example, offers potentially high returns for PSDF.

1.3. CURRENT STATE OF THE WORKFORCE

Understanding what employers want is important for the design of effective and grounded interventions for skill enhancement. The survey findings suggest that the current workforce is not meeting the skill requirements of the firms in the region and that there is little female employment in the region. In particular:

- Two-fifths of the firms report that their workers are less than fully proficient in job-specific skills. This implies a big opportunity to enhance skill levels in the region. The main reason cited by firms for their workers' poor performance is a lack of experience. This suggests that a skills training which includes a substantial practical component, perhaps one in which trainees spend time working at local firms, might go a long way to easing employer concerns.
- A very large majority of firms employ men only. Only 8.6% of multiple-worker firms employ women, though women make up 13.5% of the employed workforce (and 14.3% of the total workforce including single-worker firms). In addition, most multiple-worker firms express a preference for hiring men. PSDF may thus face substantial obstacles if it aims to increase women's welfare by providing skills required in the local labor market. Besides taking steps to overcome these hiring constraints, this suggests that enabling self-employment opportunities and market linkages for women trainees will have dividends.
- Demand for skilled labor exists, at least within firms that currently employ people. Multiple-worker firms expressed a strong demand for skills: 44% need job specific skills and 30% need people with basic core skills. In comparison, single-worker firms have a relatively modest demand for skilled workers: 11% expressed a desire to hire someone with a specific skill and 23% of the self-employed expressed a desire to get training. Furthermore, fifty percent of those who would like to get training felt like they could do so if a minimum stipend of Rs 2,000 per month was offered. Thus, perceived opportunity costs are modest.
- Firms expressed a preference for training certification from government providers over private training providers. Of those firms that use external training, almost 50% identify government institutions as their preferred training providers.
- Firms expressed widespread interest in employing people for a trial probation period. Doing so was in fact their preferred way to vet potential employees. This suggests a PSDF program that includes temporary placement in one of these firms would yield dividends in two ways: first, it would amount to extended (practical) job training; second, it would help in job placement either with that firm or within its business network.

In short, a general demand for skilled labor exists and the quality of labor is seen by firms as a major problem. There is, however, very little female employment at firms in the PEOP region.

1.4. HIRING PRACTICES

There are three main findings from the Employer's Survey regarding hiring practices that are of immediate relevance for program design:

- Firms are hiring very frequently: 85% of the multiple-worker firms hired someone last year and, on average, they hired between 2 and 3 people.
- Across all types of jobs that PSDF might train people for, turnover is high and hiring is very frequent. Assuming no firm growth, which is consistent with firms' assessments of business conditions, 85% of technicians and 51% of the clerical workers turned over in the past year. These numbers do not mean all individuals are at their jobs for a short period of time, but they do imply a high rate of churning in the labor market.
- Search is local. Multiple-worker firms mostly hire people through their own network, by contacting people from the same village or through friends. When prompted about how they would like to improve their search of employees, the respondents strongly preferred taking more apprentices on board and bringing people on for trial periods.

[1] *THE TERMS 'FIRMS' AND 'ENTERPRISES' ARE USED INTERCHANGEABLY IN THIS REPORT.*

There is thus substantial scope for placing trained individuals with employers. PSDF can thus play a long-term role by encouraging trainings that connect firms to a broader set of workers than they are currently reaching.

1.5. TRAINING PRACTICES

An important feature of the Employer Survey is that it asks firms how they train their workers. The main findings are:

- Most firms engage in substantial on-the-job training. Depending on job category, between 50-70% of firms trained their most recently hired employee. Most firms feel optimistic about being able to provide on-the-job training to new employees. This preference for internal training is striking given how much turnover there is and suggests a potential market failure in the training market.
- As noted, firms place a high value on government provided credentials. Proper branding of PSDF efforts may therefore be critical in making the trainees marketable.
- Firms prefer investment in providing on-the-job training overspending on external training. Still, 37% of firms are willing to send someone to external training, a substantial number of employees in absolute terms. Senior management at small firms would mostly like to get more training themselves or send their best employee, which implies that they see increasing returns to training in the existing skill level of the trainee.
- Firms perceive the same kind of distance constraint to acquiring skills training as the households. Of those willing to send an employee for training, 70% are willing to send existing employees for training if the training center is located within an hour while only 15% are willing to send them to a location three hours or more away.
- Awareness about PSDF training programs is very low; only 10% of multiple-worker firms and 5% of single-worker firms had heard of the program.
- Most firms place a high value on core skills. Almost no individual who lacks basic core skills is employed by employers in the region. According to the CERP baseline household survey, 20% of the male population and 45% of the female population in the PEOP region lacks basic core skills. These findings imply that providing core skills training to individuals will enable them to enter the workforce.

Overall the data suggest that some of the most effective interventions to increase skills may involve working directly with firms to increase their capacity to train and this could benefit both existing and potential workers.

1.6. POTENTIAL FOR FIRMS TO SERVE AS TRAINING PROVIDERS

A key challenge for PSDF lies in reaching a sufficiently large population of potential trainees without requiring them to travel. As the baseline household survey showed, time and distance are the key constraints on the demand for skills training among potential trainees. A number of responses to our survey suggest that existing firms and businesses can likely be mobilized to provide training:

- Currently, the vast majority of small firms provide on-the-job training to employees and are willing to do so despite the high observed turnover.
- Overall, 70% of surveyed firms expressed a willingness to serve as training providers. Among the firms willing to provide training, 75% would do so at a price of Rs. 10,000 per trainee.

Thus, there is great potential in mobilizing small enterprises to provide distributed training, provided that the contracting and oversight mechanisms can be worked out.

1.7. OVERALL IMPLICATIONS

On the whole, these findings suggest several types of interventions that could have immediate impact. The three interventions that CERP recommends are the following:

- Zero-Distance Training: Employers have expressed a strong preference for training workers close to their business establishment and a large fraction is willing to either provide training or make their facility available for such training. CERP's ongoing evaluation on zero-distance training in Skills for Market program suggests uptake will be much higher in these places.
- Trial Periods: Firms' widespread interest in employing people for trial periods suggests an avenue for PSDF interventions on the placement front. A month or more of placement in one of these firms would effectively amount to extended job training and is likely to help in job placement either with the firm itself or within its network.
- Training plus Financing: Hiring is often seen as requiring capital investments; hence the combination of trained employees plus financing opportunities could be very powerful. This combination may be particularly important for enhancing female employment as few firms in the region hire women, and so getting large gains to female employment through the regular labor market is unlikely. More effective interventions to help women will likely require providing the skills and capital to generate self-employment opportunities or match them to firms who are willing to buy their products.

A number of additional interventions might provide substantial leverage based on the results of this survey:

- Job Search and Placement Support: Given the importance of personal networks for hiring and the desire of both firms and households to receive support in expanding their search networks, there is a need to design interventions that better link skilled labor to potential employment opportunities. This can be achieved by connecting those looking for work to larger employment networks, either through formal placement centers or by supporting informal networks and labor market facilitators/ intermediaries.
- Support for Female Self-Employment: The survey results show that very few employers hire women. In order to meet PSDF targets for vulnerable populations, there is a need to help trained women avail self-employment opportunities and match them to firms that are willing to buy their products or connect them to markets with a demand for their products.
- Core Skills Training: Few individuals lacking core skills have been hired in nonelementary occupations in the region implying that employers demand a workforce with minimum basic skills. Given a high proportion of the poor and vulnerable population that lacks these core skills, roughly 22% of men and 48% of women from our baseline household survey, it seems like a modest investment in providing core skills may enable a large number of these individuals to enter the workforce.

Broadly speaking, worker retention seems to be a huge problem faced by firms in the PEOP region. One possible reason for high turnover is that firms are not finding people with the skills they need. Essentially they want to hire more skilled employees to expand their business. PSDF training may be able to remedy the human capital portion of this problem.

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INTRODUCTION

2.1. BACKGROUND ON PEOP

The Punjab Economic Opportunities Program (PEOP) is a flagship program of the Government of Punjab being implemented in partnership with the Department for International Development, Government of UK (DfID). The aim of the program is to create inclusive growth and alleviate poverty in the province's high poverty districts. The program is being launched in four districts of Southern Punjab - Bahawalnagar, Bahawalpur, Lodhran and Muzaffargarh. PEOP's main component is focused on increasing employability and earnings of low income, poor and vulnerable families by augmenting their skills-base through vocational training.

The vocational training and skills mission is being implemented by the Punjab Skills Development Fund (PSDF), a not-for-profit company set up by the Government of Punjab in collaboration with DfID. PSDF has been created to increase the access of low income, poor and vulnerable members of society to vocational training and skills acquisition programs with an aim to achieve the following outcomes at the **household level**:

- Increase income earning potential
- Increase access to employment opportunities and employability
- Diversify occupations within households
- Increase participation of women and other marginalized groups in the labor market

In order to attain these outcomes, PSDF aims to intervene in two inter-related markets: the *market for skills*, consisting of firms and households looking to hire skilled workers and individuals (or workers) seeking gainful employment; and the *market for skills training*, consisting of the potential trainees/ workers who want to acquire beneficial skills, the training providers currently offering courses, and firms that could impart valuable skills if properly motivated. PSDF is aware that successful program design will need to account for the distinct needs and interests of households, firms, and training providers.

2.2. COLLABORATION WITH THE CENTER FOR ECONOMIC RESEARCH IN PAKISTAN (CERP)

The Center for Economic Research in Pakistan (CERP) has entered into collaboration with the Government of Punjab, DfID and PSDF to provide technical assistance on evidence-based design and program calibration based on baseline surveys, and conduct rigorous scientific impact evaluation of the portfolio of interventions. This collaboration is recognition of the fact that cost effective impact requires interventions that are grounded in and informed by solid evidence and address issues faced on both the demand and supply sides. The key components of this collaboration include:

- Evidence-based and empirically grounded design of an integrated program of interventions in the market for labor and skills training.
- Continuous monitoring and evaluation of the impact of interventions to enable recalibration for effective delivery.

2.3. REPORT

The current report has been prepared by CERP to provide evidence-based input into program design using a representative sample of 7,566 enterprises located in the four PEOP districts. These firms were drawn from a listing of all businesses in 860 urban and rural PSUs conducted by the Punjab Bureau of Statistics. Our sample provides sufficient precision to identify the broad characteristics of the average business in the PEOP districts on a range of dimensions and provide valuable input into program design.

The report makes several contributions to that end. It uses empirical data to provide the regional context in which interventions are going to be implemented and highlights the challenges posed for intervention design by the characteristics of firms in the program districts.

We start by defining the basic environment for firms in the region. Section 3 provides background on the survey and methodology of the report. Section 4 examines the basic demographics of firms in terms of size, age, and industry. One of the most important findings in these sections is that most of the businesses in the area are single-worker firms, approximately 79%. Small and medium-sized firms thus provide the bulk of the employment in the region and thus the bulk of the potential customer base for PSDF trainees.

Section 5 examines multiple-worker firms in several sections. In section 5.1 we outline their economic outlook and discuss the constraints firms perceive on their ability to grow and expand as well as examining the demand for skills among current and potential employers in the PEOP region. An assessment of the attributes that firms are looking for can inform PSDF-supported programs and provide evidence on the types of skills these interventions should focus on to meet market demand.

Section 5.2 discusses the current state of the workforce in the program districts, highlighting indicators that are relevant for program design. This subsection highlights the vast gender disparities in the region as well as the skill level of the existing

workforce. Of particular interest is the distribution of industry-specific skills, the job-specific skills firms are looking for and the wages across jobs and sectors.

Section 5.3 provides an assessment of current hiring practices in the program districts. This allows us to assess the potential barriers PSDF trainees face when translating their newly-acquired skills into higher income. This analysis describes the types of challenges that exist in matching supply to demand in the vocational training market and point out two main supply-demand mismatches that exist in the market for training from the firm's perspective.

Section 5.4 looks at how firms are currently meeting their need for skilled labor through internal training and identifies what firms would do if they had more resources for training. The results also show that a limited number of firms are willing to send people for training and that those which are will likely place strong constraints on how far their employees can go. The results highlight the value of bringing training closer to workers, something also emphasized in the household survey results.

Section 5.5 discusses evidence for the potential of firms to serve as training providers. In particular, we examine which businesses are willing to provide training, the expected costs entailed in doing so, and the compensation they would demand for doing so.

Section 6 repeats the analysis of section 5 for single-worker firms, highlighting that they too have a substantial demand for skills training. We also find that a large number of these firms are willing to provide training at a reasonable cost.

Finally, Section 7 discusses the traits of firms identified by respondents in the sample PSUs as the current largest employers of people from their village. Of these firms, 114 were in the PSUs but were not captured in our representative sample, 21 were outside of the sample PSUs but in the same union council, and 16 were outside the union council but inside the PEOP region. Few PSUs, in other words, identified firms that were far away as major employers, confirming again the relative immobility of labor in this region. While this sample is not representative of firms in the PEOP region, it is representative of firms that local leaders in the region believe to be the main employers, and thus of the firms that the PEOP target population may look towards for employment. We therefore highlight how these "prominent employers" differ from the representative sample.

The next section provides information on the survey and the sample used for this report.

3 METHODS

CERP conducted a large-scale firm survey between July 2012 and November 2012 in the four PEOP districts. This section provides information on the scope of the survey, the construction of the sample and finally on the data collection process.

3.1. SCOPE OF SURVEY

The survey was designed to answer a broad range of questions. Three of the most important are:

1. Which skills are most needed by firms in the region? Providing vocational training will be effective only if it helps people develop skills that are in demand in the region. It is thus crucial to identify what the skills are that firms need. PEOP will use the answers to the survey to refine the kinds of training it offers.
2. How do firms recruit their employees? Training individuals is important but does not help anyone unless trainees can be matched up with firms that can put their skills to use. By expanding the set of job placement strategies in the region PEOP hopes to help labor markets absorb the newly skilled workers. PEOP will use the result of the survey to understand how firms hire and develop appropriate job placement services.
3. Are firms willing to collaborate with the Government of Punjab to provide part of the training? One of the key challenges revealed in CERP surveys so far is that individuals in this region have a hard time traveling for training. Collaborating with employers may be an effective way to bring skills training closer to where people live and work. A number of business models are possible for doing so, including subsidized on the job training, hiring firms to provide training, and linking firms up with external training providers which can use their facilities. The survey was designed to elicit possible responses to such interventions.

3.2. DESCRIPTION OF THE SURVEY INSTRUMENT

The survey instrument is divided into two sections:

1. The core section covers basic contact and demographic information and asks the firms to identify the firms desire to grow and identify obstacles they face. This section is used to screen between multiple-worker and single-worker firms.
2. The second and the main sections of the survey instrument collect information on the current workforce and training and hiring practices. Importantly, this second section is tailored to either multiple-worker or single-worker firms to best capture the needs and practices of both firms that already employ individuals and firms that do not but might, if the supply constraint on trained individuals were eased.

3.3. DESCRIPTION OF THE SAMPLE

The sample for this survey was primarily selected from the list of economic entities identified in the 860 rural and urban locations (also known as primary sampling units or PSUs) in the baseline sample. We define firms as "an entity, other than government and religious schools which is conducting income generating economic activities". The sample locations, constituting a representative sample of the four PEOP districts, were randomly selected by the Federal Bureau of Statistics from the national sampling frame. In June 2011, a complete enumeration of households and economic activities (including home-based economic activity) in these 860 locations was completed by the Punjab Bureau of Statistics (BoS) and the resulting information provided the sampling frame for the PEOP baseline employer surveys.

The BoS listing exercise, however, entailed a complete enumeration of residential/commercial structures only and hence, by design, missed all the agricultural farm-holdings held away from the populated settlements. To address this issue, and to include farm-holdings in our rural enterprise survey, we buttressed the BoS sample with a separate non-overlapping sample of enterprises. Therefore, an additional 276 enterprises were sampled from the list of large employers located in and around the sample PSUs (PSU Mapping sample). This information was collected in May 2012 through focus groups in the sample villages. In addition to providing us with a sample of farmers missed in the BoS listing, these enterprises included major employers in the neighboring villages of our sample PSUs[2]. This was done to ensure that the survey captures the needs of the major employers in the region. These enterprises are separated from the main analysis because they are drawn from a different sampling frame but their data is explored in detail in the last section because village leaders perceived them to be the largest source of employment in sample villages[3].

From these two sources, CERP randomly selected an initial list of 10,276 enterprises. After field verification, 2,710 of these sample entries had to be set aside for the following reasons. First, in the case of 1,628 entries, there was either a case of listing error or a classification problem in that the desired sample unit was either not found on the ground or was found to be ineligible for the employer survey (e.g. mobile towers and government schools). Second, an additional 1,458 enterprises had moved or left business which meant that the enterprise used to exist at this location at the time of BoS listing but had subsequently shut down or moved to another location due to which it was not followed.

Thus, after field verification, the relevant employer sample constituted of 7,566 enterprises. Overall, the different sectors are represented in the sample in the following proportions: Production, retail and services sectors each represent 30% of the sample. The remaining types of economic activity, including livestock and food processing represent 10% of the sample. Firms from all four districts are represented according to their relative proportion in the sampling frame, constituting between a fifth and a third of the overall sample (Table 3.3.1).

[2] *WE HAVE ATTACHED LESS WEIGHT TO THE LIVESTOCK SECTOR IN OUR SAMPLING BECAUSE PEOP HAS A SEPARATE COMPONENT FOR LIVESTOCK WHICH IS CONDUCTING SURVEYS, AND INTERVENTIONS IN THIS SECTOR.*

[3] *FINALLY, TO GET ADDITIONAL COVERAGE OF LARGE AND MEDIUM-SIZED FIRMS ESPECIALLY ONES LOCATED IN THE URBAN AREAS, CERP IS CURRENTLY SURVEYING A SAMPLE OF LARGE AND MEDIUM SCALE EMPLOYERS OBTAINED FROM THE CENSUS OF MANUFACTURING INDUSTRIES (CMI) LIST FRAME FOR PEOP DISTRICTS AS WELL AS THE RELEVANT CHAMBERS OF COMMERCE. WHILE NOT INCLUDED IN THIS REPORT, THE RESULTS FROM THIS ADDITIONAL SAMPLE WILL FURTHER INFORM PROGRAM DESIGN.*

Sectors	Bahawalnagar	Bahawalpur	Lodhran	Muzaffargarh	Total
Agriculture, hunting and related service activities	4%	2%	2%	1%	8%
Manufacture of food products and beverages	2%	2%	1%	2%	7%
Manufacture of textiles	0%	1%	2%	1%	4%
Manufacture of wearing apparel	2%	3%	4%	6%	16%
Tanning and dressing of leather	0%	0%	0%	0%	1%
Manufacture of wood	0%	0%	0%	1%	1%
Manufacture of other non-metallic mineral products	0%	0%	0%	0%	0%
Manufacture of fabricated metal products	0%	0%	0%	1%	2%
Manufacture of machinery and equipment	1%	1%	1%	1%	3%
Manufacture of other transport equipment	0%	0%	0%	0%	1%
Manufacture of furniture	2%	2%	1%	2%	6%
Sale, maintenance and repair of motor vehicles	3%	1%	1%	3%	8%
Wholesale trade and commission trade	1%	1%	0%	1%	3%
Retail trade, except of motor vehicles and motorcycles	6%	7%	3%	8%	24%
Hotels and restaurants	0%	0%	0%	1%	2%
Post and telecommunications	1%	1%	0%	1%	2%
Education	0%	1%	0%	0%	2%
Health and social work	1%	1%	0%	1%	3%
Other service activities	2%	1%	1%	2%	6%
Other	0%	0%	0%	0%	1%
Total	25%	25%	18%	33%	100%

** SECTORS LIST CORRESPONDS TO THE TWO-DIGIT PSIC LIST*
READ: 4% OF THE FIRMS IN THE SAMPLE ARE FIRMS IN THE AGRICULTURE, HUNTING AND FORESTRY SECTOR LOCATED IN BAHAWALNAGAR DISTRICT.

TABLE 3.3.1 DISTRIBUTION OF FIRMS BY SECTORS AND DISTRICTS IN SAMPLE

3.4. DATA COLLECTION

Data collection was conducted by RCons. The survey team from RCons comprised of approximately 60 enumerators who worked out of 10 offices in the PEOP region. The activity started in July 2012 and was completed in November 2012.

Of the 7,566 enterprises in the final verified sample, RCons was able to survey 6,291 enterprises: 6,139 from the BOS listing and 152 from the PSU Mapping sample. This represents a response rate of 83% in the overall sample. This rate is quite good if we compare to the BEEPS survey, which was done in many countries in Europe and Central Asia. In Azerbaijan, they had about a 58% completion rate among eligible firms. In the Krygz Republic it was down around 33%, in Poland it was less than 25%.

Further, if we look at the response rate across different strata, we find that it is uniformly high across districts and sectors, which is encouraging given the preponderance of small enterprises in our sample districts. For instance, the response rates for non-household enterprises varied across districts, Bahawalnagar 84%, Bahawalpur 83%, Lodhran 85%, Muzaffargarh 84%.

4

FIRM DEMOGRAPHICS

4.1. OVERVIEW

This section gives an overview of the characteristics of the firms in the region. It describes firm-level demographics, such as firm size, age, profits and initial business investment. Sector-wise distributions of the enterprises are given in Table 4.1.1 and Table 4.1.2 below:

Sector (2-digits PSIC codes)	(a) In Sample		
	Type of Enterprise		
	Multiple-Worker	Single-Worker	Total
Agriculture, hunting and related service activities	5%	9%	8%
Manufacture of food products and beverages	9%	6%	7%
Manufacture of textiles	2%	4%	4%
Manufacture of wearing apparel	16%	15%	16%
Tanning and dressing of leather	0%	1%	1%
Manufacture of wood	4%	1%	1%
Manufacture of other non-metallic mineral products	2%	0%	0%
Manufacture of fabricated metal products	4%	2%	2%
Manufacture of machinery and equipment	5%	3%	3%
Manufacture of other transport equipment	0%	1%	1%
Manufacture of furniture	10%	5%	6%
Sale, maintenance and repair of motor vehicles	9%	8%	8%
Wholesale trade and commission trade	5%	3%	3%
Retail trade, except of motor vehicles and motorcycles	11%	27%	24%
Hotels and restaurants	2%	2%	2%
Post and telecommunications	2%	2%	2%
Education	8%	0%	2%
Health and social work	2%	4%	3%
Other service activities	3%	7%	6%
Other	3%	1%	1%
Total	100%	100%	100%

NOTE: THE SECTORS ARE CATEGORIZED USING THE TWO-DIGIT'S PSIC CODES (2007)
READ: 5% OF THE MULTIPLE-WORKERS FIRMS IN THE SAMPLE ARE FIRMS IN THE AGRICULTURE, HUNTING AND FORESTRY SECTOR

TABLE 4.1.1 DISTRIBUTION OF FIRMS BY SECTORS AND TYPE OF ENTERPRISE IN SAMPLE

Sector (2-digits PSIC codes)	(b) Population		
	Type of Enterprise		
	Multiple-Worker	Single-Worker	Total
Agriculture, hunting and related service activities	12%	14%	14%
Manufacture of food products and beverages	4%	2%	3%
Manufacture of textiles	2%	5%	5%
Manufacture of wearing apparel	11%	14%	14%
Tanning and dressing of leather	0%	1%	1%
Manufacture of wood	2%	0%	1%
Manufacture of other non-metallic mineral products	1%	0%	0%
Manufacture of fabricated metal products	3%	1%	1%
Manufacture of machinery and equipment	5%	2%	2%
Manufacture of other transport equipment	0%	1%	0%
Manufacture of furniture	5%	3%	3%
Sale, maintenance and repair of motor vehicles	11%	6%	6%
Wholesale trade and commission trade	7%	4%	4%
Retail trade, except of motor vehicles and motorcycles	21%	35%	33%
Hotels and restaurants	4%	3%	3%
Post and telecommunications	2%	2%	2%
Education	6%	0%	1%
Health and social work	2%	2%	2%
Other service activities	1%	4%	3%
Other	1%	1%	1%
Total	100%	100%	100%

NOTE: THE SECTORS ARE CATEGORIZED USING THE TWO-DIGITS PSIC CODES (2007)
READ: 12% OF THE MULTIPLE-WORKERS FIRMS IN THE POPULATION ARE FIRMS IN THE AGRICULTURE, HUNTING AND FORESTRY SECTOR

TABLE 4.1.2 DISTRIBUTION OF FIRMS BY SECTORS AND TYPE OF ENTERPRISE IN THE POPULATION

The main findings of this section are the following:

- Business establishments in the region are mostly small and informal and just over half of the workers in the region are employees.
- The size of firms appears highly correlated with initial business investment, confirming that access to credit is their strongest constraint to expansion.

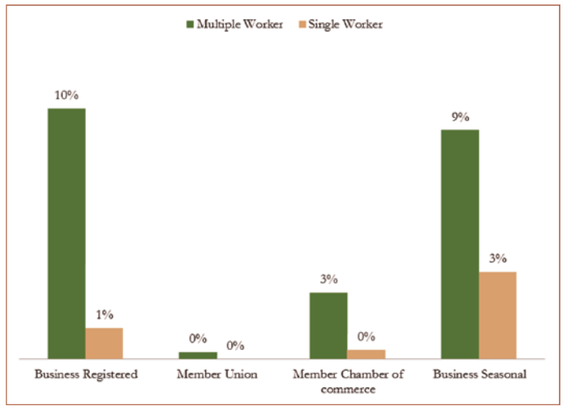


Figure 4.2.1 Proportion of Multiple-Workers and Single-Worker Firms that are (1) registered, (2) member of a union, (3) member of the Chamber of Commerce, (4) seasonal businesses.

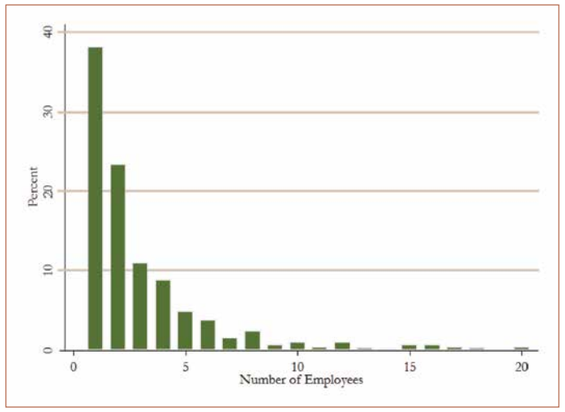


Figure 4.2.2 Histogram of the number of Employees in Multiple-Worker firms.

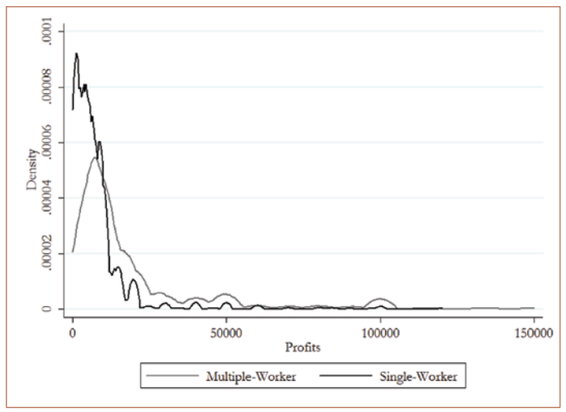


Figure 4.2.3 Firm Revenues for Multiple-Workers and Single-Workers firms

4.2. FIRM SIZE

Firms in the region are mostly quite small and informal. The vast majority of firms are unregistered sole ownerships. Multiple-worker firms are more likely to be registered or be engaged in partnerships. Surprisingly, the proportion of seasonal business is rather low; only 9% of the multiple-worker firms are highly seasonal as shown in Figure 4.2.1.

Only a fifth of the firms in the region employ at least one or more people. Among multiple-worker firms, the median firm has 2 employees and the average firm has 4. The overall distribution (Figure 4.2.2) shows that there are a few very large firms in the sample (5% of the multiple-worker firms have 15 employees or more), but 75% of the multiple-worker business establishments in the PEOP region have 4 or less employees.

Firm revenues in the region are modest. Two-thirds of firms in the sample provided revenue information. Among these, the median multiple-worker firm earned 20,000 Rupees ($207) per month while single-worker earned 10,000 Rupees ($103) per month as illustrated in Figure 4.2.3.

As we would expect, the proportion of multiple-worker firms varies by sectors and by districts. Table 4.2.1 presents a cross tabulation of the proportion of multiple-worker firms in our sample across sectors where they are active and the district in which they are located. Overall 22% of the business establishments in the region employ people. As the table shows, there are differences across sectors which can be explained by the different levels of labor intensity in the sectors; however, differences across districts are less straightforward. Table 4.2.2 presents the same results for multiple-worker firms across sectors and stratified by districts in the general population.

Sector (2-digits PSIC codes)	(a) In Sample				
	Bahawalnagar	Bahawalpur	Lodhran	Muzaffargarh	Total
Agriculture, hunting and related service activities	10%	16%	14%	13%	13%
Manufacture of food products and beverages	17%	33%	28%	27%	26%
Manufacture of textiles	33%	20%	5%	9%	9%
Manufacture of wearing apparel	35%	32%	14%	13%	20%
Tanning and dressing of leather	10%	14%	0%	11%	9%
Manufacture of wood	50%	50%	29%	58%	49%
Manufacture of other non-metallic mineral products	50%	50%	80%	86%	64%
Manufacture of fabricated metal products	59%	42%	25%	24%	36%
Manufacture of machinery and equipment	27%	50%	38%	17%	33%
Manufacture of other transport equipment	8%	0%	14%	0%	6%
Manufacture of furniture	27%	46%	36%	20%	31%
Sale, maintenance and repair of motor vehicles	22%	30%	36%	12%	21%
Wholesale trade and commission trade	27%	36%	52%	20%	31%
Retail trade, except of motor vehicles and motorcycles	9%	11%	10%	7%	9%
Hotels and restaurants	19%	30%	38%	14%	20%
Post and telecommunications	13%	22%	33%	7%	16%
Education	48%	88%	83%	88%	79%
Health and social work	12%	9%	28%	12%	13%
Other service activities	6%	14%	22%	3%	9%
Other	40%	38%	18%	33%	35%
Total	19%	26%	20%	14%	19%

READ: 10% OF THE FIRMS IN THE SAMPLE IN THE AGRICULTURE, HUNTING AND FORESTRY SECTOR LOCATED IN BAHAWALNAGAR ARE MULTIPLE-WORKERS FIRMS

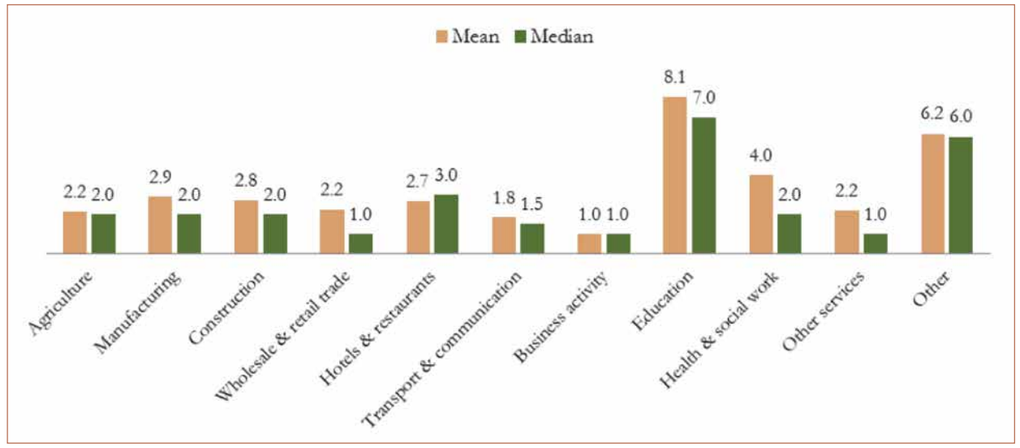
TABLE 4.2.1 PROPORTION OF MULTIPLE-WORKER FIRMS BY DISTRICT AND SECTORS IN SAMPLE

Sector (2-digits PSIC codes)	(b) In Population				
	Bahawalnagar	Bahawalpur	Lodhran	Muzaffargarh	Total
Agriculture, hunting and related service activities	15%	13%	9%	17%	14%
Manufacture of food products and beverages	16%	32%	27%	26%	26%
Manufacture of textiles	54%	17%	4%	3%	6%
Manufacture of wearing apparel	23%	32%	9%	4%	12%
Tanning and dressing of leather	4%	14%	0%	5%	5%
Manufacture of wood	23%	52%	36%	61%	46%
Manufacture of other non-metallic mineral products	6%	38%	75%	37%	31%
Manufacture of fabricated metal products	40%	38%	14%	32%	32%
Manufacture of machinery and equipment	21%	59%	42%	20%	37%
Manufacture of other transport equipment	0%	0%	28%	0%	5%
Manufacture of furniture	30%	33%	24%	13%	24%
Sale, maintenance and repair of motor vehicles	30%	36%	43%	12%	26%
Wholesale trade and commission trade	16%	38%	50%	11%	26%
Retail trade, except of motor vehicles and motorcycles	11%	12%	10%	7%	10%
Hotels and restaurants	28%	21%	23%	22%	23%
Post and telecommunications	5%	23%	11%	11%	14%
Education	75%	97%	92%	87%	90%
Health and social work	19%	9%	39%	11%	14%
Other service activities	5%	15%	8%	1%	6%
Other	18%	37%	2%	14%	20%
Total	17%	22%	15%	10%	15%

READ: 15% OF THE FIRMS IN THE POPULATION IN THE AGRICULTURE, HUNTING AND FORESTRY SECTOR LOCATED IN BAHAWALNAGAR ARE MULTIPLE-WORKERS FIRMS

TABLE 4.2.2 PROPORTION OF MULTIPLE-WORKER FIRMS BY DISTRICT AND SECTORS IN THE POPULATION

The average number of employees in the firms is highest in the services sector followed by the production sector (Figure 4.2.4).



NOTE: *THE SECTORS LIST CORRESPONDS TO THE ONE-DIGIT PSIC LIST. THE CATEGORY "OTHER" REFERS TO PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY AND EXTRATERRITORIAL ORGANIZATIONS AND BODIES.*

Figure 4.2.4 Number of Employees by Sectors for Multiple-Worker Firms

4.3. AGE

Firms in the region are fairly young, 10 years old on average. Surprisingly, single-worker firms seem to have been in business for slightly longer than multiple-worker firms (Figure 4.3.1). This fact rules out the possibility that most single-worker firms eventually become multiple-worker firms. Rather, it seems like many enterprises are unable to expand beyond a single-worker.

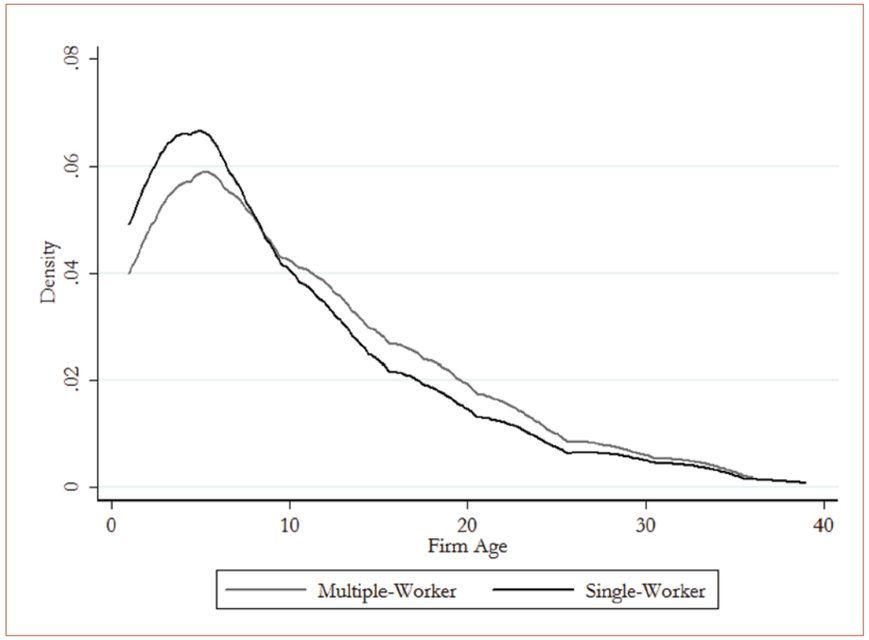
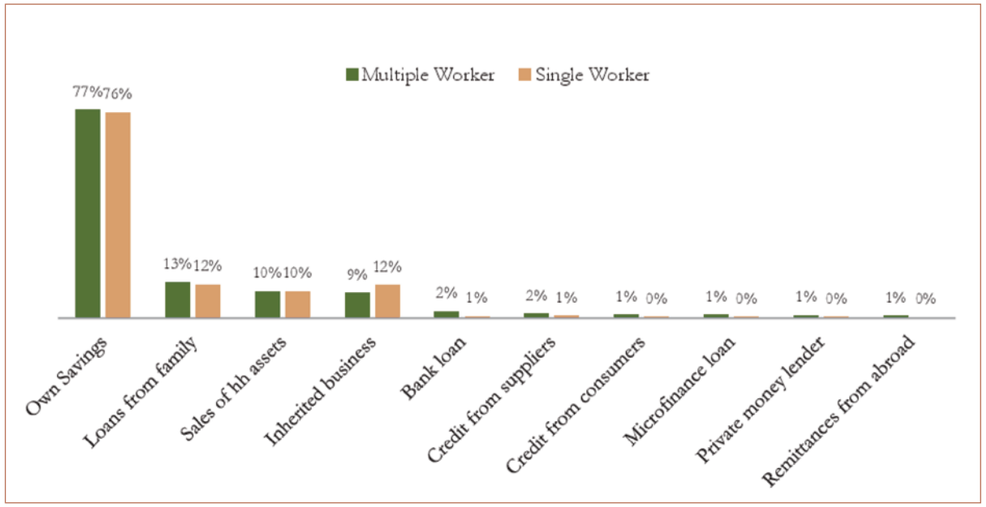


Figure 4.3.1 Firm's Age

4.4. INITIAL INVESTMENT

The sources of capital are similar for multiple-worker and single-worker firms. 74% of the firms surveyed have a unique source of investment. 77% of the firms declared that the majority of their investment came from their own savings. Other important sources of investment are loans from family (13%), sales of household assets (10%), and inherited business (9%). These patterns are consistent with firms' complaints about the difficulty of raising capital as shown in Figure 4.4.1.



NOTE: *PERSONAL SAVINGS WAS THE SOURCE OF MAJORITY INVESTMENT FOR 77% OF THE MULTIPLE-WORKERS FIRMS*

Figure 4.4.1 Sources of Majority Investments for Multiple-Workers and Single-Workers firms

Most firms were formed with modest initial investments. The median multiple-worker firm invested 80,000 Rupees ($828) and the median single-worker firm invested 30,000 Rupees ($312) as shown in Figure 4.4.2.

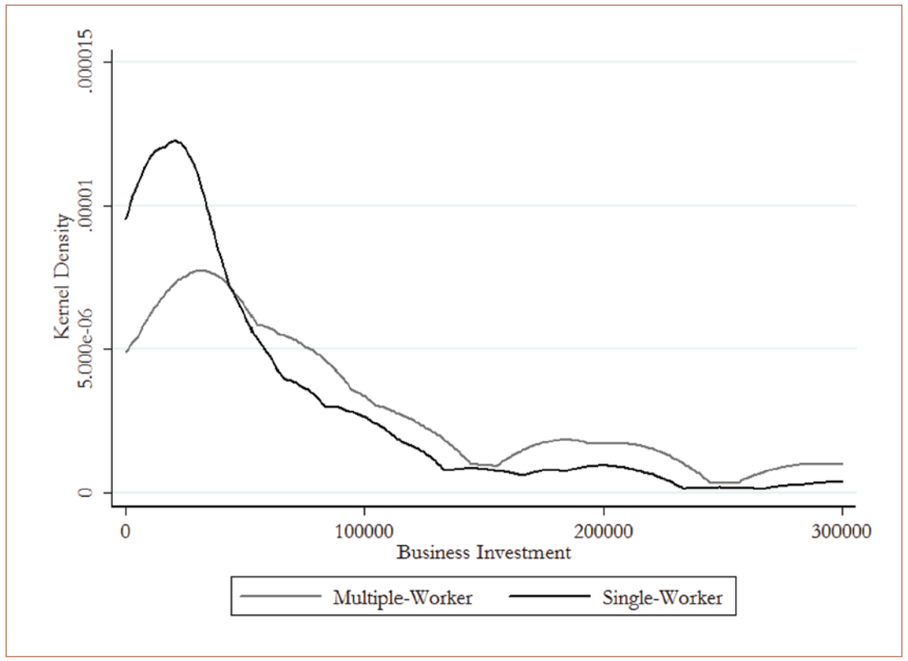
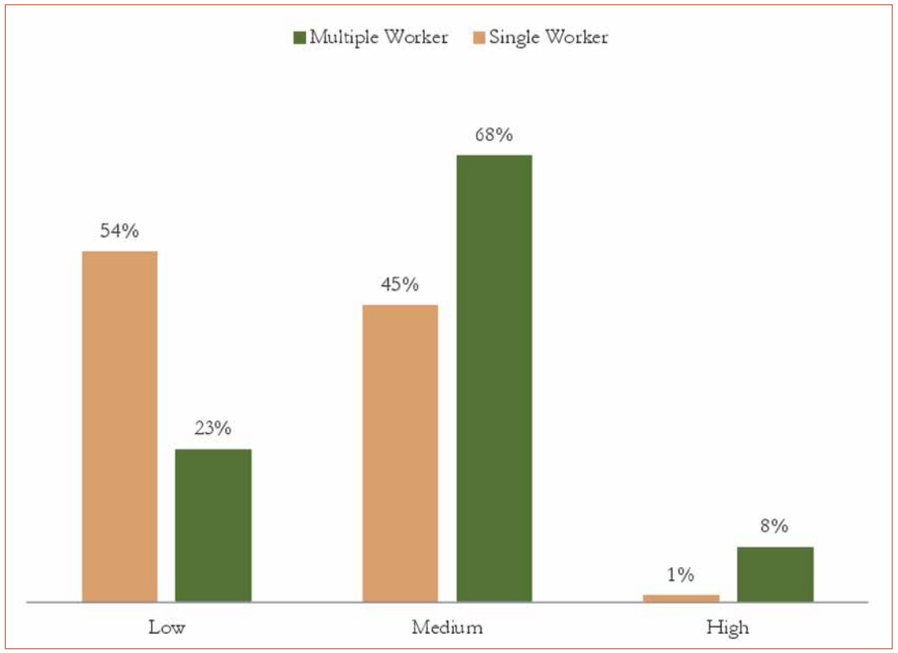


Figure 4.4.2 Business Investment

As one would expect, the owners of multiple-worker firms are wealthier than others in their village according to respondents' subjective evaluations[4], though few in these areas have substantial assets (Figure 4.4.3).

[4] *THIS IS IN RESPONSE TO THE FOLLOWING QUESTION IN THE EMPLOYER'S SURVEY: "WEALTH RANK OF EMPLOYER/OWNER COMPARED TO AN AVERAGE PERSON IN THIS VILLAGE (RURAL)/ NEIGHBORHOOD (URBAN)" THE RESPONSE TO THIS QUESTION WAS SELF-REPORTED AND COULD BE: (I) HIGH; (II) MIDDLE, OR; (III) LOW*



NOTE: *THE FIGURE SHOWS THE PERCENTAGE OF MULTIPLE- AND SINGLE-WORKER.*

Figure 4.4.3 Owner Wealth Rank

5

MULTIPLE EMPLOYEES FIRM (BOS LISTING)

In the rest of the report, results are presented separately for firms that employ workers, referred to throughout as "multiple-worker firms", and firms that do not, referred to as "single-worker firms." These firms are discussed separately because they differ along many dimensions including the potential to hire PSDF trainees. This section focuses on multiple-employees firms.

5.1. OUTLOOK

A key question for the potential impact of PSDF programming is whether or not firms want to make use of additional skilled labor. The employer survey was particularly designed to capture firm's desires to expand, the types of constraints they perceive and the impact of the lack of skilled labor.

5.1.1. ARE FIRMS INTERESTED IN EXPANDING?

Roughly half of the multiple-worker firms surveyed said that they are smaller than they want to be. Only 13%, however, expressed a desire to increase their labor force in the next year and a mere 10% expect that their labor force will actually increase over the next year.

While low in percentage terms, these numbers still imply a pool of more than a thousand businesses that currently employ multiple-workers and wish to add more to their workforce. Moreover, this result should be interpreted in light of the existing equilibrium in the labor market, one in which there is a great deal of turnover and widespread dissatisfaction with the skill level in the labor pool. It is possible that with a larger population of skilled, reliable employees—and perhaps assistance with financing for capital investments that are accompanied by additional hiring—many more firms would be looking to expand. Finally, as we will discuss below, when firms are asked about hiring people with specific skills, the number that are interested in hiring goes up dramatically.

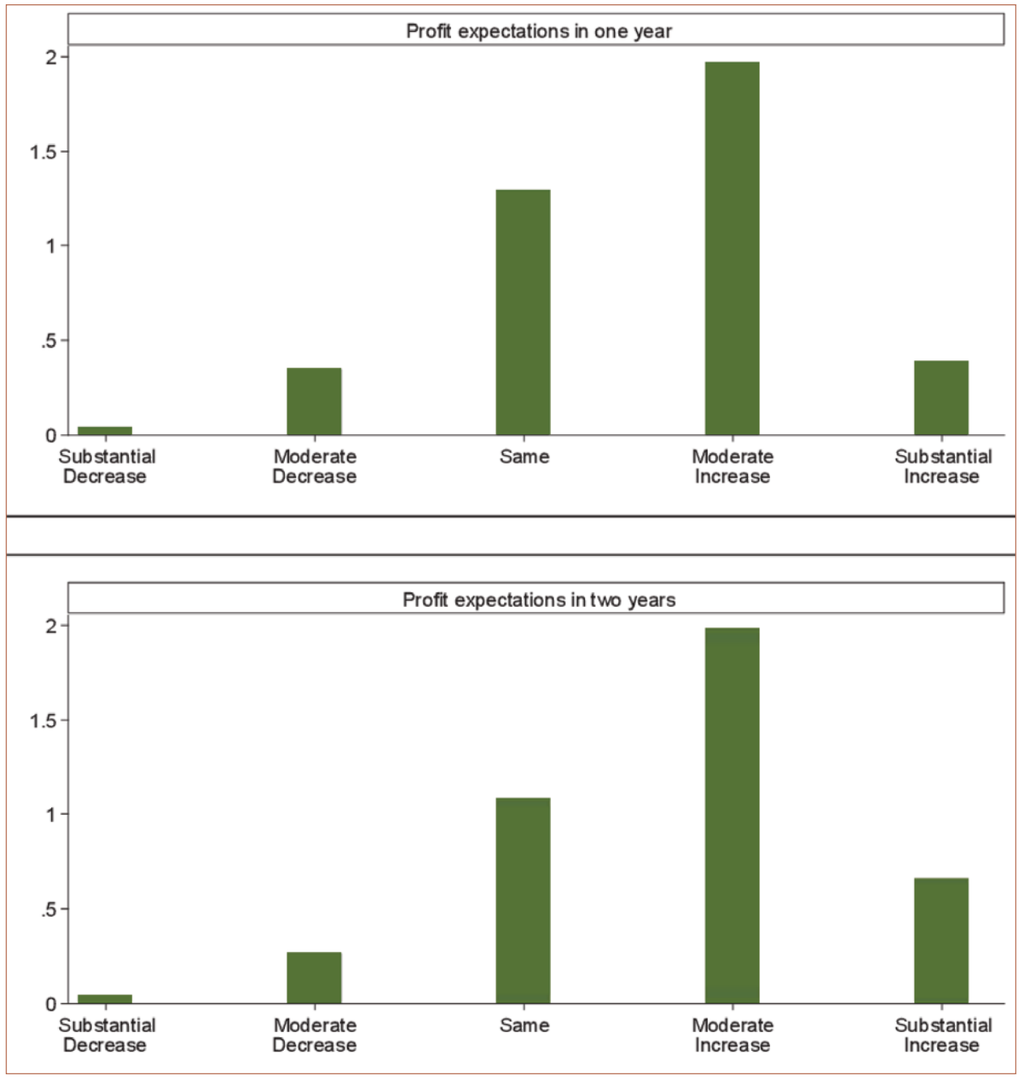


Figure 5.1.1 Profit Expectations

Firms seem to have mildly optimistic views of the business environment, suggesting that such views are not what hold them back from expanding. Approximately 60% of multiple-workers firms declared that they expect their profits to increase moderately or substantially next year and 67% in two years (Figure 5.1.1).

The rest of this section examines the constraints identified by the firms. First, we present the "structural" constraints, related to infrastructure and equipment, finance and the business environment. Second, we present the implied demand for skilled labor and the specific needs in terms of job-specific skills.

5.1.2. STRUCTURAL CONSTRAINTS

In order to assess the structural constraints to improving business profitability in the region we asked respondents to identify external obstacles to growth, such as unreliable electrical supplies, and things that would help firms operate more efficiently taking those obstacles into account, such as more skilled employees or access to subsidized credit. This section reports on key factors identified in both categories.

5.1.2.1. INFRASTRUCTURE AND EQUIPMENT

The major obstacles to growth reported by firms are infrastructure-related. Unsurprisingly, electricity shortages are seen as a very severe obstacle to growth for 60% of the multiple-worker firms Figure 5.1.2.

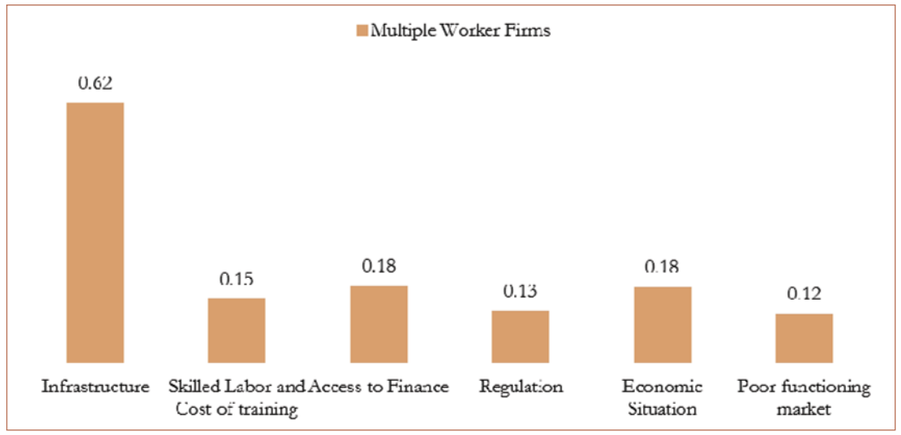


Figure 5.1.2 Very Severe Obstacles to Growth

When asked what the firms needed the most to improve its business, additional skilled employees was cited by many firms however this was not the primary obstacle. 60% of the multiple-worker firms need new machinery, while 52% of need more credit and 41% declared that they needed more land (Figure 5.1.3).

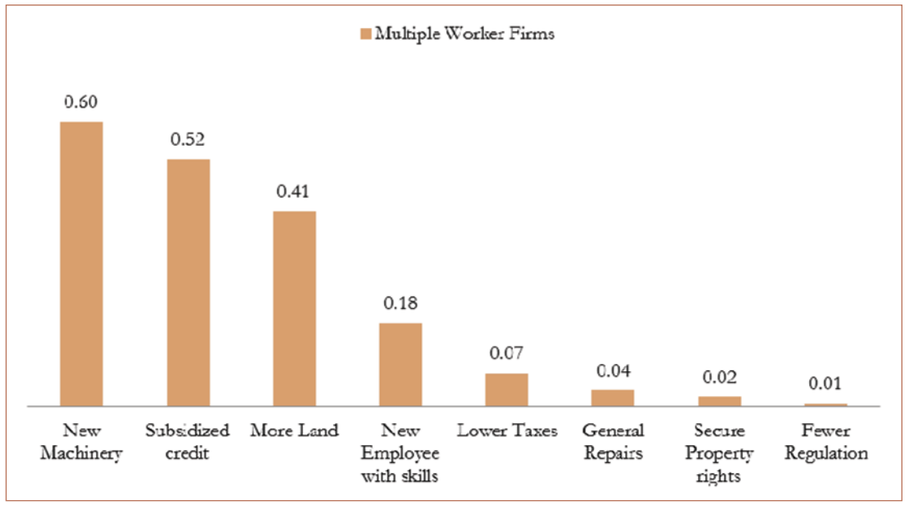


Figure 5.1.3 Two Things that You Need to Improve Your Business

5.1.2.2. ACCESS TO FINANCE

Another area of concern is the access to finance. Even though only 18% of the multiple-workers firms (Figure 5.1.2) reported that access to finance was a severe obstacle to the growth of their business, about 52% of them declared that they needed subsidized credit in order to improve their business. This suggests that the lack of capital is a serious barrier to the growth of businesses in the region. This concern ties into later comments by firms that hiring additional employees would require substantial new capital investments and suggests that some combination of placement with the provision of financing could substantially ease constraints to expansion in the region, and thereby catalyze growth in employment.

5.1.2.3. BUSINESS ENVIRONMENT

The economic situation is seen as a severe obstacle to growth by approximately 18% of the firms (Figure 5.1.2). These firms cite the lack of key inputs to production, low demand, and uncertain economic conditions as key issues.

More firms, in fact, think that the business environment for their firm and in general has been getting worse during the past year than getting any better.

Interestingly, while most firms think that government service delivery has been going down on average over the past three years, they seem to be optimistic about the trend over the next three years. About 40% of the firms expect the service delivery to be better in 3 years and another 40% expect it to stay the same.

5.1.3. THE LACK OF SKILLED LABOR

5.1.3.1. THE DEMAND FOR SKILLED LABOR

It is clear from the previous section that structural constraints are felt strongly by firms in the region. Given the manifest challenges of doing business in this region, skilled labor may not be a first-order issue for firms. Yet, fully 15% of the multiple-worker firms declared that the lack of skilled labor and cost of training were severe obstacles to growth.

In addition, the absolute demand for new skilled labor is large, even if it is not first on the priority list of firms. Approximately one-fifth of multiple-worker firms cited additional skilled labor as one of their top two needs, which scales up to 1,639 firms expressing a desire to hire new skilled workers. Since many firms are unhappy with their current workforce in terms of skills, there also exists substantial marginal demand for skilled workers, i.e. replacing current low-skilled workers with better-trained individuals who can produce more effectively and increase firm profits.

When firms are asked about hiring a new worker with specific skills, as opposed to just whether they plan to add a new employee in the next year or not, the proportion interested in adding employees is much larger. Approximately 18% of multiple-worker firms cited additional skilled labor as one of their top two needs, which scales up to 11,283 firms expressing a desire to hire new skilled workers.

5.1.3.2. DESIRED JOB-SPECIFIC SKILLS

For the multiple-worker, the top skills listed are: garment and related trades works; trade works, shop sales persons, wood treaters. On average, firms that declared that they needed a worker with the skill "Garment and related trades works" said that they needed about 4 workers. This represents a demand of about 15,000 workers with this skill in the population of the four districts Table 5.1.1.

	N	# of firms that want that skill	% of firms that want that skill	Mean number of worker demanded	Median number of worker demanded	Implied inframarginal demand in PEOP region
Garment and related trades works	1,170	96	8.2%	3.94	2.00	15514
Trades Works*	1,170	88	7.5%	3.36	2.00	38058
Shop Salespersons	1,170	63	5.4%	1.67	1.00	12385
Wood Treaters, Cabinet-makers and Related Trades Workers	1,170	59	5.0%	3.39	2.00	7335
Stationary Plant and Machine Operators	1,170	25	2.1%	2.08	1.00	1826
Health Professionals	1,170	14	1.2%	2.93	2.00	4007
Food Processing and Related Trades Workers	1,170	14	1.2%	1.71	1.50	2507
Clerical Support Workers	1,170	12	1.0%	1.33	1.00	1120
Hairdressers, Beauticians and Related Workers	1,170	11	-0.9%	2.18	1.00	695
Managers	1,170	9	0.8%	1.22	1.00	303
Craft Works	1,170	9	0.8%	6.11	1.00	1435
Teaching Professionals	1,170	7	0.6%	2.14	2.00	1104
Other Professionals	1,170	7	0.6%	2.86	1.00	902
Technicians and Associate Professionals	1,170	7	0.6%	1.86	1.00	2068
Drivers and Mobile Plant Operators	1,170	6	0.5%	2.50	2.00	1123
Animal Producers	1,170	3	0.3%	1.00	1.00	608
Legal, Social and Cultural Professionals	1,170	2	0.2%	3.50	3.50	195
Cooks	1,170	2	0.2%	1.50	1.50	89
Other Services and Sales Works	1,170	2	0.2%	1.50	1.50	298
Other Skilled Agricultural, Forestry and Fishery Works	1,170	1	0.1%	2.00	2.00	266

** TRADES WORK CATEGORY ENCOMPASSES A LARGE SET OF TECHNICAL VOCATION LIKE MECHANICS, CONSTRUCTION, ELECTRICIAN, GLODSMITH, WELDING, ETC.*

TABLE 5.1.1 MULTIPLE-WORKER FIRMS (25 SKILLS)

Overall the demand for skilled labor is large in absolute terms, both in terms of marginal employees and, as shown in subsequent sections, in terms of improving the existing labor pool, even if it is not the highest priority implied by firms' responses on their constraints and needs. Relaxing the constraint on the supply of skilled labor may therefore have substantial economic benefits. Table 5.1.2 shows the results for demand for skills by multiple-worker firms for 117 skill categories.

Skill Category	N	# of firms that want that skill	% of firms that want that skill	Mean number of worker de-mand ed	Median number of worker de-mand ed	Implied inframar ginal demand in PEOP region
Tailoring	1,170	89	7.6%	2.98	2.00	11190
Other Specify	1,170	40	3.4%	2.25	2.00	5747
Furniture Crafts	1,170	33	2.8%	3.58	2.00	4572
Marketing and Sales	1,170	33	2.8%	1.55	1.00	4822
Retail Sales Person	1,170	32	2.7%	1.69	1.00	7563
Carpentry	1,170	24	2.1%	2.29	1.50	1622
Embroidery and Needlework	1,170	23	2.0%	4.83	2.0	4280
Plant and Machine Operation	1,170	22	1.9%	2.18	1.00	1337
Welding	1,170	20	1.7%	4.75	2.00	19460
Motor Cycle Mechanic	1,170	13	1.1%	1.69	2.00	2297
Electrician	1,170	12	1.0%	2.42	2.00	6095
Woodcarving	1,170	12	1.0%	2.25	2.00	1140
Auto Mechanic (Repair)	1,170	10	0.9%	2.80	2.00	2636
Clerk	1,170	10	0.9%	1.30	1.00	593
Machinist	1,170	10	0.9%	1.50	1.00	543
Baking	1,170	8	0.7%	2.00	2.00	995
Brickwork and Masonry	1,170	7	0.6%	6.43	3.00	1179
Teacher School level	1,170	7	0.6%	2.14	2.00	1104
Beautician	1,170	7	0.6%	2.14	1.00	178
Other Handicraft	1,170	6	0.5%	8.50	1.50	1175
Para-medic	1,170	5	0.4%	1.20	1.00	353
Hairdressing	1,170	5	0.4%	1.80	1.00	517
Dairy Farming	1,170	5	0.4%	1.00	1.00	1312
Auto Electrician	1,170	4	0.3%	2.50	2.00	1577
Bicycle Repair	1,170	4	0.3%	1.25	1.00	226
Farm Machinery Repair	1,170	4	0.3%	2.00	2.00	1333
Tractor Operator	1,170	4	0.3%	2.50	2.00	748
Business Strategy	1,170	4	0.3%	1.25	1.00	89
Blacksmith	1,170	4	0.3%	1.50	1.50	294
Accounting	1,170	3	0.3%	1.00	1.00	137
Vehicle Painting	1,170	3	0.3%	2.67	1.00	269
Computer Repair / Hardware Technician	1,170	3	0.3%	1.33	1.00	999
Computer Operator	1,170	3	0.3%	1.67	2.00	1000
Laboratory technician	1,170	3	0.3%	1.67	2.00	172
Nursing	1,170	3	0.3%	3.00	1.00	999
Pharmacy	1,170	3	0.3%	1.33	1.00	232
Locksmith and Safe Repairer	1,170	3	0.3%	1.67	2.00	473
Computer Engineering / Programming	1,170	2	0.2%	1.00	1.00	182
Car Driving	1,170	2	0.2%	1.00	1.00	170
Home Appliances & Repair	1,170	2	0.2%	3.00	3.00	66
Mobile Repairing	1,170	2	0.2%	1.00	1.00	187
Refrigeration & Air Conditioning	1,170	2	0.2%	2.50	2.50	316
Cooking	1,170	2	0.2%	1.50	1.50	89
Weaving	1,170	2	0.2%	1.00	1.00	44
Compounder	1,170	2	0.2%	3.00	3.00	469
Doctor	1,170	2	0.2%	2.00	2.00	368
Surgical Mechanist/Technician	1,170	2	0.2%	1.50	1.50	849
Office Management Assistant	1,170	2	0.2%	1.00	1.00	117
Engineer Electrical / Mechanical / Civil etc	1,170	2	0.2%	7.00	7.00	240
Animal Breeding	1,170	2	0.2%	1.00	1.00	127
Goldsmith / Silversmith	1,170	2	0.2%	1.00	1.00	231
Security Guard	1,170	2	0.2%	1.50	1.50	298
Shoemaking	1,170	2	0.2%	1.50	1.50	80
Milk Collection Centre Operations	1,170	2	0.2%	1.50	1.50	200
Staff Management	1,170	2	0.2%	1.50	1.50	78
Gardening	1,170	1	0.1%	2.00	2.00	266
Computer Graphics	1,170	1	0.1%	2.00	2.00	415
Bulldozer Operator	1,170	1	0.1%	1.00	1.00	35
Constructional Metalwork	1,170	1	0.1%	2.00	2.00	29
Draftsman	1,170	1	0.1%	1.00	1.00	32
Bus and Coach Driving	1,170	1	0.1%	1.00	1.00	133
Rikshaw / Ching Chi Driving	1,170	1	0.1%	1.00	1.00	37
Carpet Weaving	1,170	1	0.1%	2.00	2.00	29
Glass arts and Craft	1,170	1	0.1%	4.00	4.00	43
Midwifery	1,170	1	0.1%	7.00	7.00	933
Stenography	1,170	1	0.1%	1.00	1.00	409
Real Estate	1,170	1	0.1%	1.00	1.00	4
Jewelry Design	1,170	1	0.1%	1.00	1.00	180
Leather Work	1,170	1	0.1%	1.00	1.00	50
News reporting	1,170	1	0.1%	3.00	3.00	152
Packing	1,170	1	0.1%	1.00	1.00	409
Plumbing	1,170	1	0.1%	3.00	3.00	66
Computer Software	1,170	1	0.1%	1.00	1.00	35

NOTE: THE HIGH NUMBER OF THE IMPLIED INFRAMARGINAL DEMAND FOR WELDING IS DRIVEN BY ONE FIRM DECLARING THAT IT NEED 40 WORKERS WITH THAT SKILL. TAKING THAT OBSERVATION ASIDE, THE DEMAND FALLS TO 11,273.

TABLE 5.1.2 MULTIPLE-WORKER FIRMS (117 SKILLS)

5.2. CURRENT STATE OF WORKFORCE

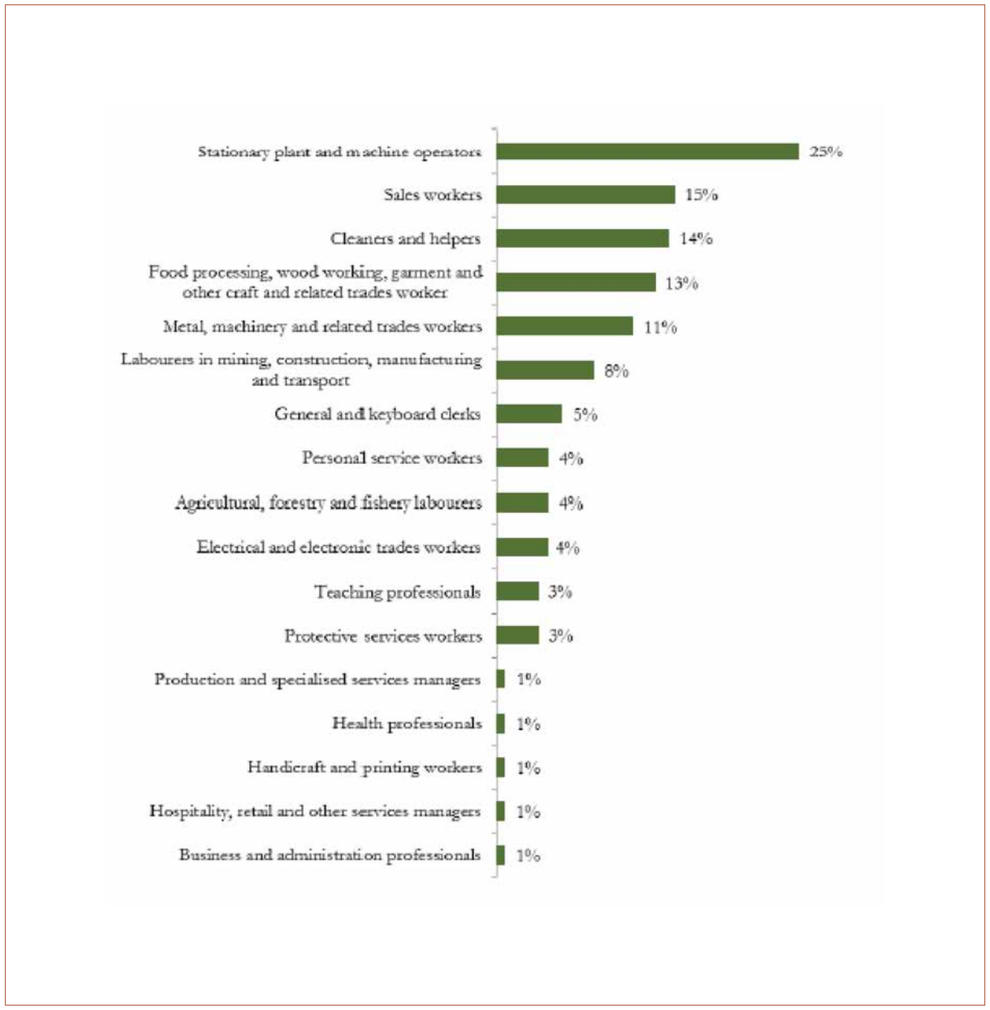
This section describes the survey results as they relate to the current state of the workforce in the PEOP region.

The main findings of this section are

- The most common types of non-agricultural jobs in the region are ones related to crafts and services, for which PSDF is currently providing training.
- Women are not represented in the current workforce and firms have strong preferences against hiring them.
- Firms employee those individuals who have a basic level of core-skills.
- Overall firms are not happy with the proficiency of their existing workforce. There is plenty of room for improvement.

5.2.1. JOB CATEGORIES

This report uses the ISCO 2008 International Standard Classification of Occupations and Skills (ILO, 2012). Using this categorization, we derive our job categories. We find that most common job categories are: Stationary plant and machine operators (25%), sales workers (15%), Cleaners and helpers (14%), food processing (13%), and metal machinery and related trades works (13%) (Figure 5.2.1). These positions are well suited to vocational training.



NOTE: *FIGURE SHOWS THE PERCENTAGE OF MULTIPLE-WORKER FIRMS THAT HAVE A GIVEN JOB CATEGORY*

Figure 5.2.1 Job Categories in Multiple-Worker Firms

Figure 5.2.2 shows the sectoral distribution of job categories and we see that the employment of stationary plant and machine operators is almost entirely concentrated in the agriculture and production sector. As expected, firms that employ sales workers are concentrated in the retail sectors.

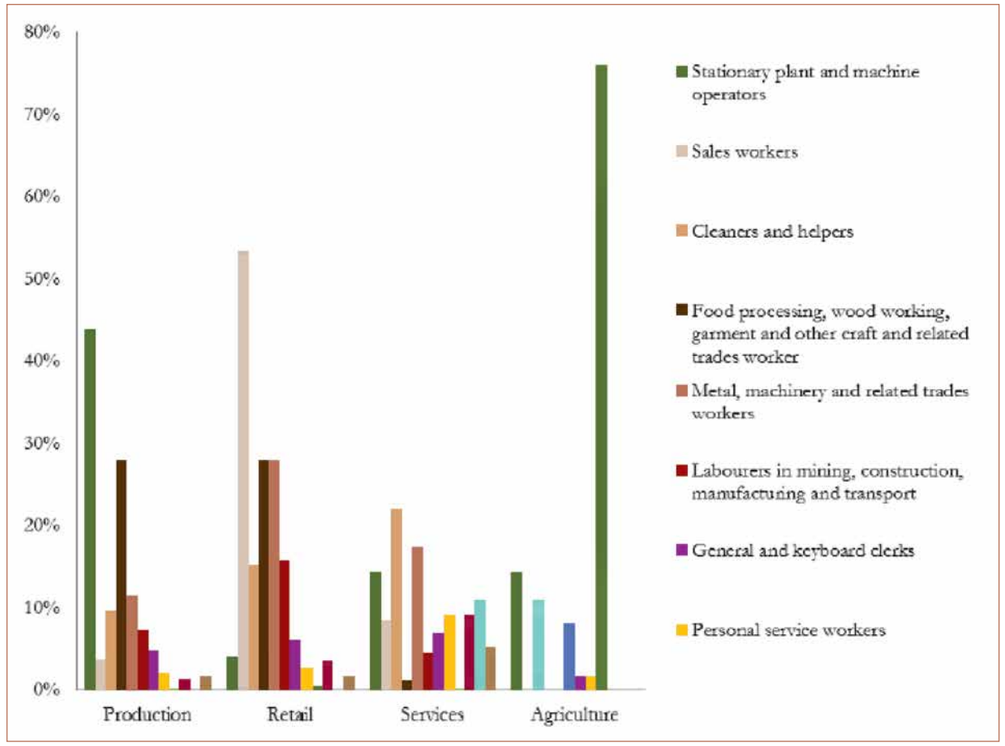


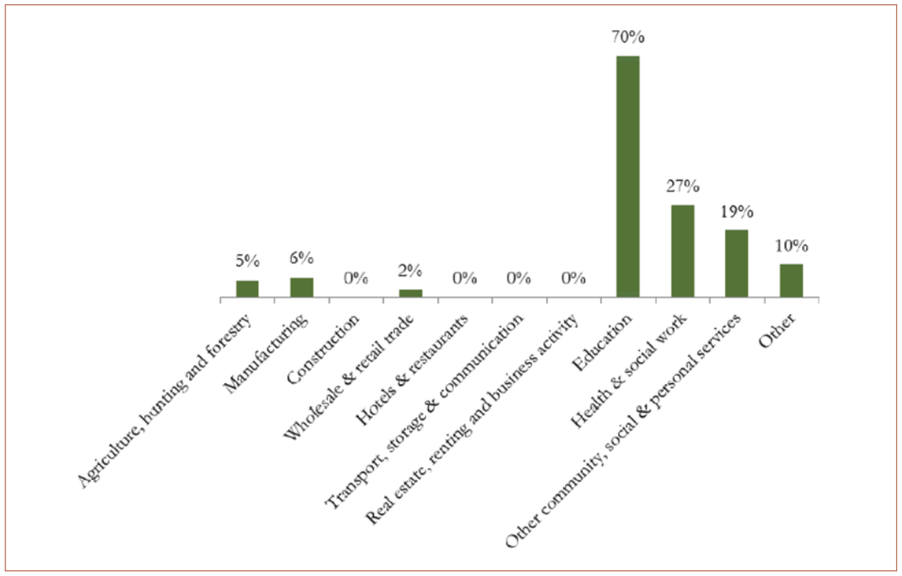
Figure 5.2.2 Job Categories by Sectors

These results suggest the current PSDF training menu is consistent with the existing workforce in the region, though it may under-serve the population that requires basic core skills.

5.2.2. GENDER

Females are underrepresented in the employee population. Very few firms employ women; more than 91% of firms are exclusively male. Of all the employees at multiple-worker firms 87% are estimated to be men and only 13% women. PSDF may thus face substantial obstacles if it aims to increase women's welfare.

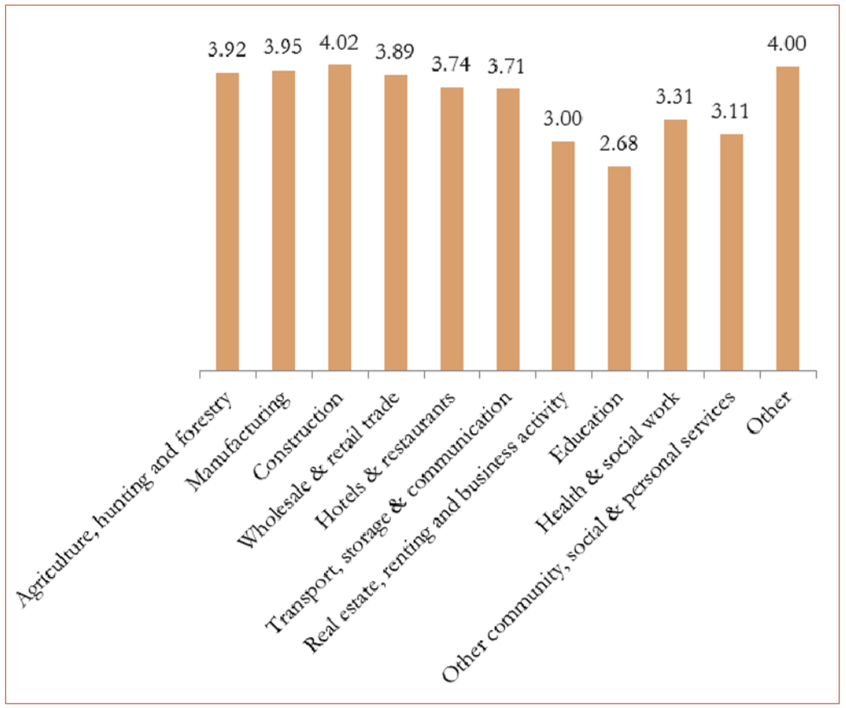
Females are concentrated in the services sector. Almost 22% of the firms active in the services sector employ women, while only 6% of those in production do and only 2% of those in retail employ women (Figure 5.2.3).



NOTE: *FIGURE SHOWS THE PERCENTAGE OF FIRMS IN EACH SECTOR THAT EMPLOY WOMEN*

Figure 5.2.3 Firms who Hire Female Employees

Moreover, the vast majority of firms prefer to hire men. We asked firms which gender they would prefer to hire on a 5-point scale, with 5 being a strong preference for men. As Figure 5.2.4 shows, firms have strong gender preferences across all sectors.



NOTE: *FIGURE SHOWS THE AVERAGE PREFERENCE OF FIRMS IN EACH SECTOR FOR A PARTICULAR GENDER WHERE 5 IS "STRONG PREFERENCE TO HIRE MEN"*

Figure 5.2.4 Preferences for Hiring Male Employees

Despite the preference against hiring women among multiple-worker firms, 12% of businesses interviewed were owned by women (Table 5.2.1). Female owned businesses represent 28% of all the business engaged in the production sector and most of the female owned businesses are concentrated in the Lodhran district.

	Bahawalnagar	Bahawalpur	Lodhran	Muzaffargarh	All Districts
Agriculture	0%	1%	2%	0%	1%
Manufacturing	3%	12%	50%	24%	23%
Construction	1%	0%	0%	0%	0%
Wholesale & retail trade	2%	1%	1%	0%	1%
Hotels & restaurants	0%	0%	0%	0%	0%
Transport & communication	0%	0%	0%	0%	0%
Business activity	0%	0%	0%	0%	0%
Education	19%	19%	9%	21%	17%
Health & social work	2%	8%	16%	3%	6%
Other services	19%	28%	36%	11%	21%
Other	0%	0%	0%	0%	0%
All	3%	8%	28%	12%	12%

TABLE 5.2.1 PERCENTAGE OF FEMALE PRIMARY OWNERS

The low level of female employment in multiple-worker firms presents a substantial challenge in terms of improving outcomes for vulnerable populations. Effective interventions here may require helping firms overcome the constraints in training women for the skills they require, and also enabling self-employment opportunities and market linkages for female trainees.

5.2.3. CURRENT AVERAGE WAGES BY JOB CATEGORY AND SECTOR

Overall, wages by sector are broadly consistent with those reported by individuals in the CERP baseline household survey. Table 5.2.2 shows the average wage reported by firms for their most recently-hired workers by sector, while Table 5.2.3 shows earnings including in-kind benefits such as meals, transportation, and the like. Table 5.2.4 shows the results for overall monthly earnings and wages across occupation categories.

TABLE 5.2.2 OVERALL MONTHLY WAGES BY SECTOR

Job Categories	N	Agriculture, hunting and forestry	Manufacturing	Construction	Wholesale & retail trade	Hotels & restaurants	Transport, storage &communication	Real estate, renting and business activity	Education	Health & social work	Other community, social & personal services	Other
Technicians	21	-	8,833	-	-	-	5,000	-	7,667	5,667	-	6,000
Clerical	58	1,500	9,474	5,000	5,038	-	6,500	-	5,167	4,000	-	6,100
Services and Sales	221	0	5,120	4,292	3,678	2,700	4,500	0	3,625	6,722	1,609	7,500
Skilled agricultural	21	3,338	-	-	-	-	-	-	-	-	-	-
Craft and trades workers	386	6,000	3,994	2,386	2,148	4,000	3,000	-	-	-	1,800	6,000
Plant and machine operators	111	1,806	5,566	4,571	3,675	3,000	1,750	-	-	-	-	6,400
Elementary Occupation	318	3,205	3,746	2,956	4,223	2,088	3,750	-	3,069	3,722	1,333	5,500

TABLE 5.2.3 OVERALL MONTHLY EARNINGS BY SECTOR

Job Categories	N	Agriculture, hunting and forestry	Manufacturing	Construction	Wholesale & retail trade	Hotels & restaurants	Transport, storage &communication	Real estate, renting and business activity	Education	Health & social work	Other community, social & personal services	Other
Technicians	22	-	10,000	-	-	-	5,000	-	8,333	7,100	-	6,000
Clerical	58	1,500	10,158	5,000	6,174	-	6,500	-	5,167	4,000	-	6,900
Services and Sales	221	1,000	5,552	4,603	3,999	3,033	5,225	0	3,625	6,944	2,673	7,500
Skilled agricultural	21	4,163	-	-	-	-	-	-	-	-	-	-
Craft and trades workers	395	6,000	4,053	2,465	2,336	4,000	3,143	-	-	-	2,050	6,667
Plant and machine operators	112	10,722	6,352	4,857	4,925	3,000	3,000	-	-	-	-	6,467
Elementary Occupation	326	4,875	4,674	3,400	4,572	1,860	4,500	-	3,304	3,722	1,643	5,731

	N	Wage	Earnings
Production and specialised services managers	1	4,000	4,000
Hospitality, retail and other services managers	1	2,000	5,000
Health professionals	14	7,107	7,250
Teaching professionals	7	3,857	3,857
Business and administration professionals	2	11,000	14,500
Legal, social and cultural professionals	1	4,000	4,000
Armed forces occupations, other ranks	1	8,000	8,000
Health associate professionals	4	6,500	6,500
General and keyboard clerks	58	6,300	7,134
Personal service workers	32	2,494	2,906
Sales workers	167	3,851	4,250
Protective services workers	29	4,259	4,431
Building and related trades workers, excluding electricians	3	4,333	4,333
Metal, machinery and related trades workers	118	3,098	3,118
Handicraft and printing workers	7	7,614	9,043
Electrical and electronic trades workers	45	3,321	3,494
Food processing, wood working, garment and other craft and related trades workers	127	4,992	4,999
Stationary plant and machine operators	233	4,212	4,755
Drivers and mobile plant operators	3	5,667	11,250
Cleaners and helpers	149	3,305	3,910
Agricultural, forestry and fishery labourers	47	3,318	4,222
Labourers in mining, construction, manufacturing and transport	82	5,450	5,493

TABLE 5.2.4 OVERALL MONTHLY WAGES AND EARNINGS BY OCCUPATION

5.2.4. SKILL LEVEL

5.2.4.1. CORE SKILLS

When it comes to core skills, it is striking how few employees have less than basic skills. Given the high proportion of the poor and vulnerable population that lack these skills, roughly 21% of men and 48% of women, a modest investment in providing core skills may enable a large number of individuals to enter the workforce. Building on these core skills during training will enable the trainees to get employed since employers expect these skills even for elementary occupations.

Distributions of standard (numeracy and literacy) and non-standard (communication, creativity and planning) core skills are similar; at least as employers perceive them (Figure 5.2.5 and Figure 5.2.6).

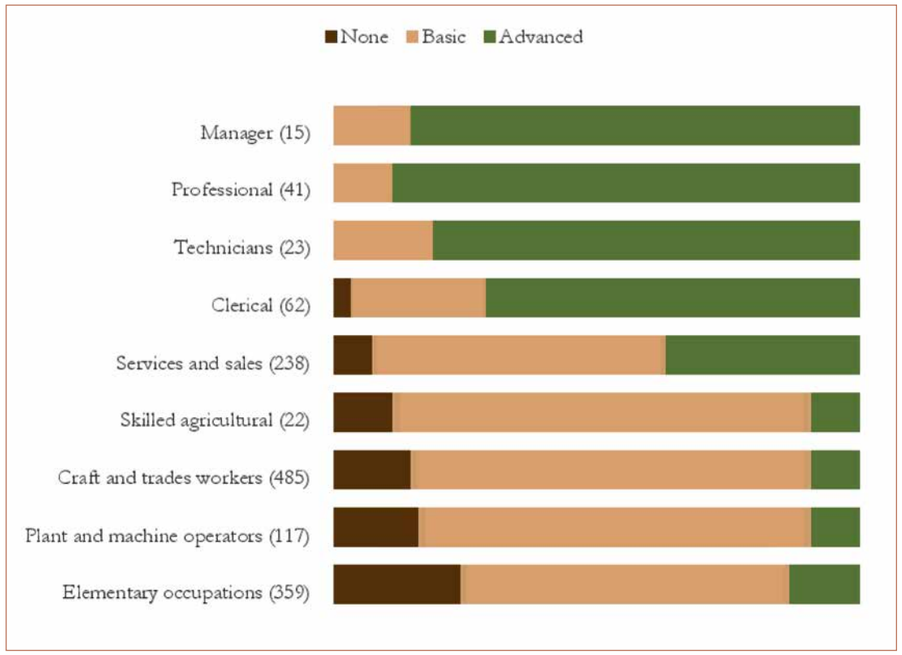


Figure 5.2.5 Standard Skills (Numeracy and Literacy)

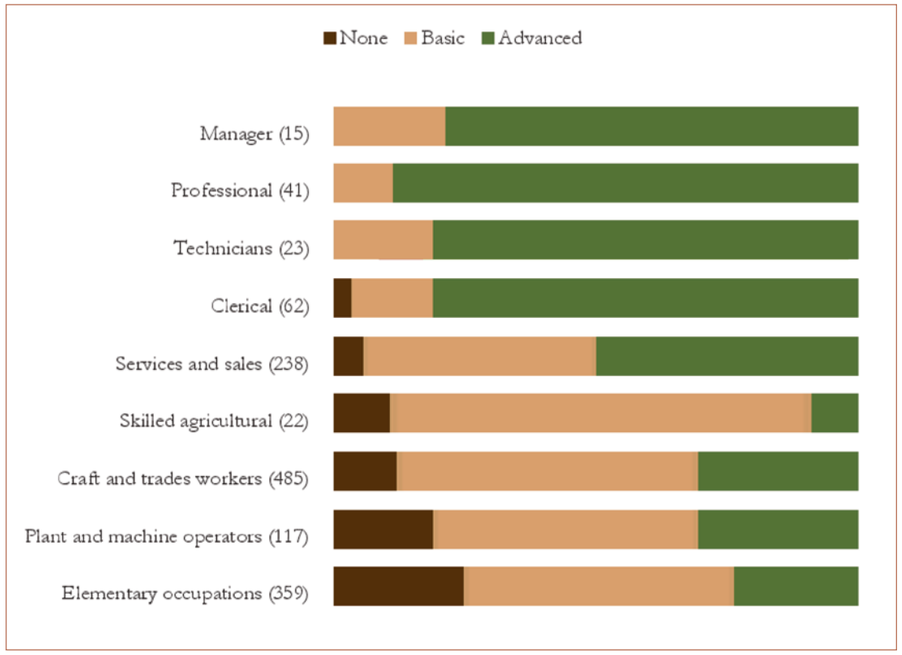


Figure 5.2.6 Non Standard Skills (Communication, Creativity and Planning)

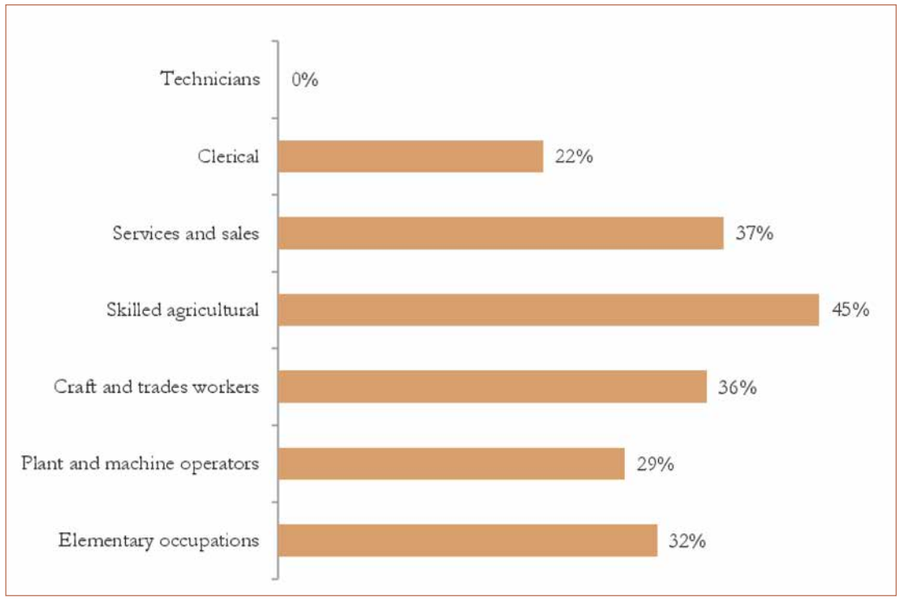
The level of core skills varies by job category. The vast majority of managers, professionals, technicians and administrative clerks all have advanced skills in both standard and non-standard areas. Services and sales, craft and related trades workers, plant and machine operators and elementary occupations typically have basic standard and non–standard skills, though some have advanced skills also.

Even within elementary occupations, having basic core skills seems to be a requirement for employment. This points to the fact, that, an investment in providing basic core skills training may help a large population become eligible for employment.

5.2.4.2. PERCEIVED PROFICIENCY

Overall firms are not happy with the skill level in the existing workforce. Fully 36% of firms reported that workers in at least one job category were not fully proficient. This varies between 22% and 45% depending on the job category (Figure 5.2.7).

There is clearly room for skills training to enhance firm performance, given firms' expressed willingness to send existing employees to training, at least if the training is nearby as we shall discuss below.



NOTE: *FIGURE SHOWS THE PERCENTAGE OF FIRMS WITH LESS THAN 100% WORKER PROFICIENCY BY JOB CATEGORY*

Figure 5.2.7 Percentage of Firms with Less than 100% Worker Proficiency

Among the firms that said that at least some of their workers were not fully proficient, the main reasons cited were lack of experience (46%), lack of core skills (38%), and lack of motivation (30%) (Figure 5.2.8).

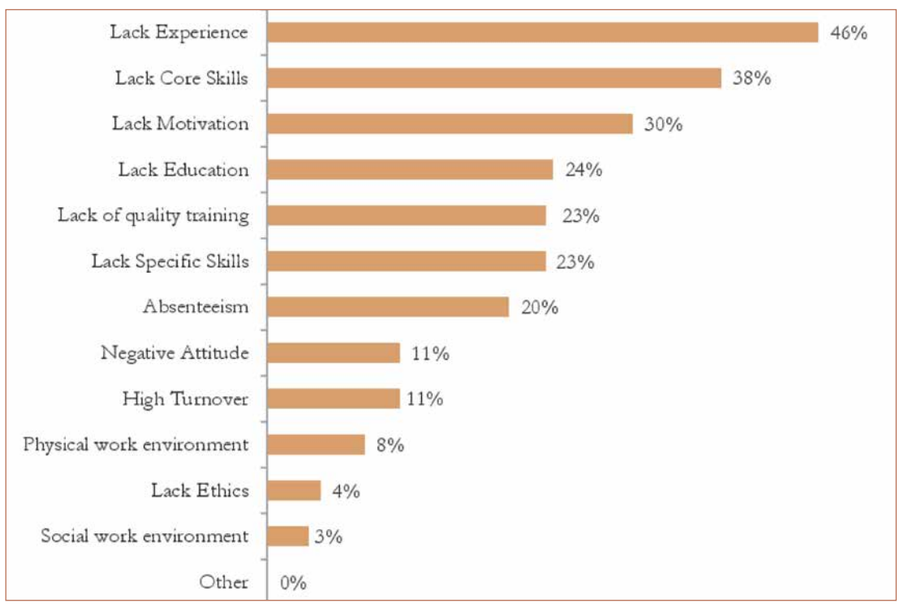
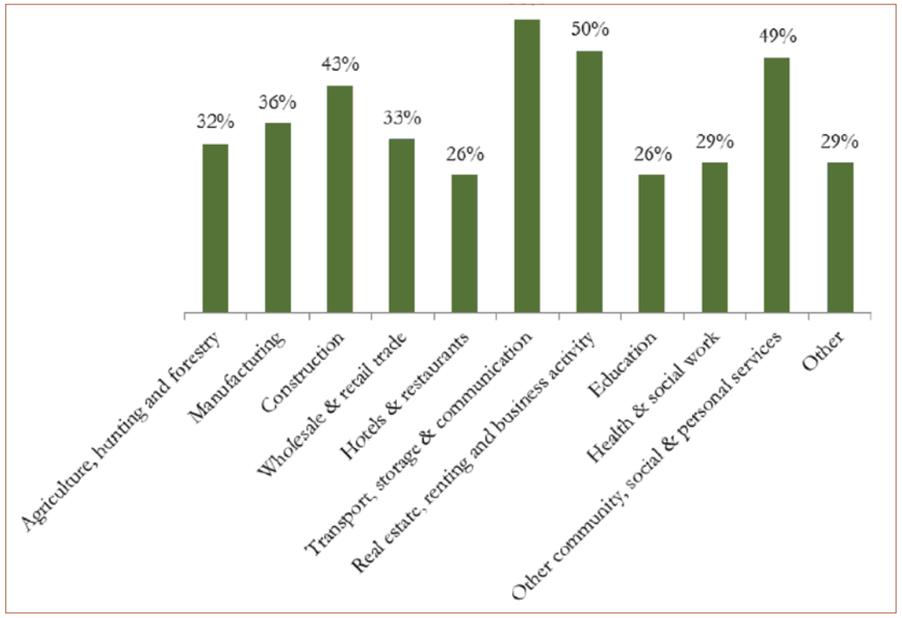


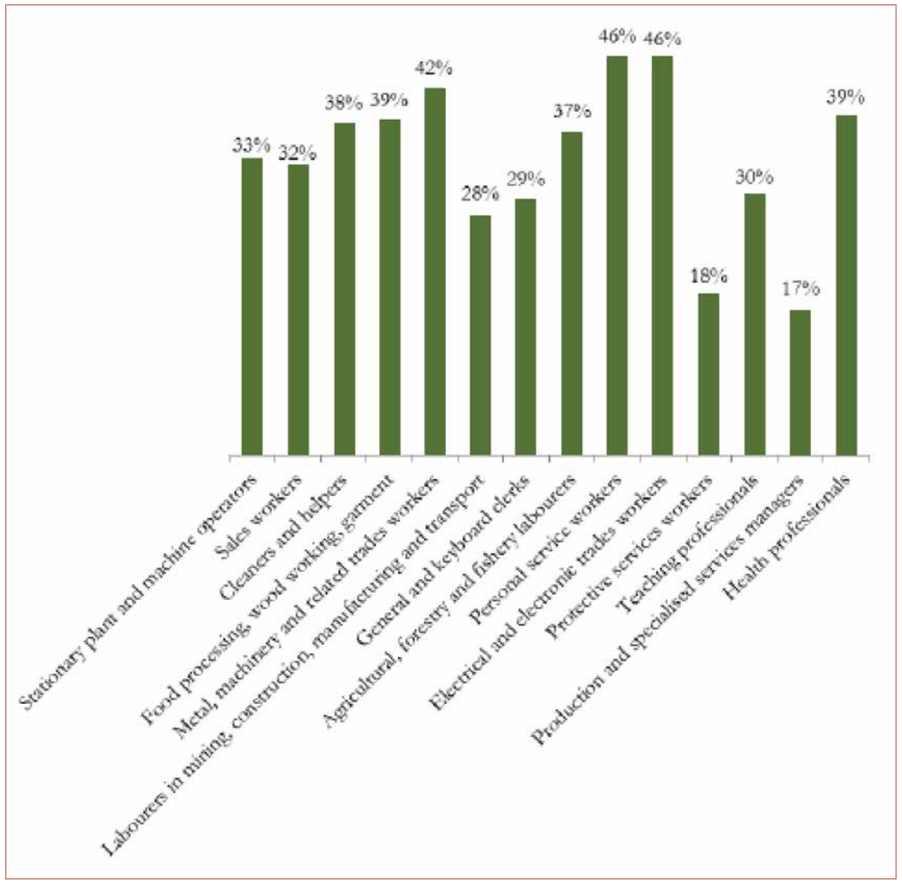
Figure 5.2.8 Reasons for Less than Fully Proficient Workforce

Perceived proficiency does not vary much by sector as shown by Figure 5.2.9 below. Perceived proficiency by different occupation categories also displays the same trend (Figure 5.2.10).



NOTE: *FIGURE SHOWS THE PERCENTAGE OF FIRMS WITH LESS THAN 100% PROFICIENT WORKFORCE BY SECTOR*

Figure 5.2.9 Perceived Proficiency by Sectors

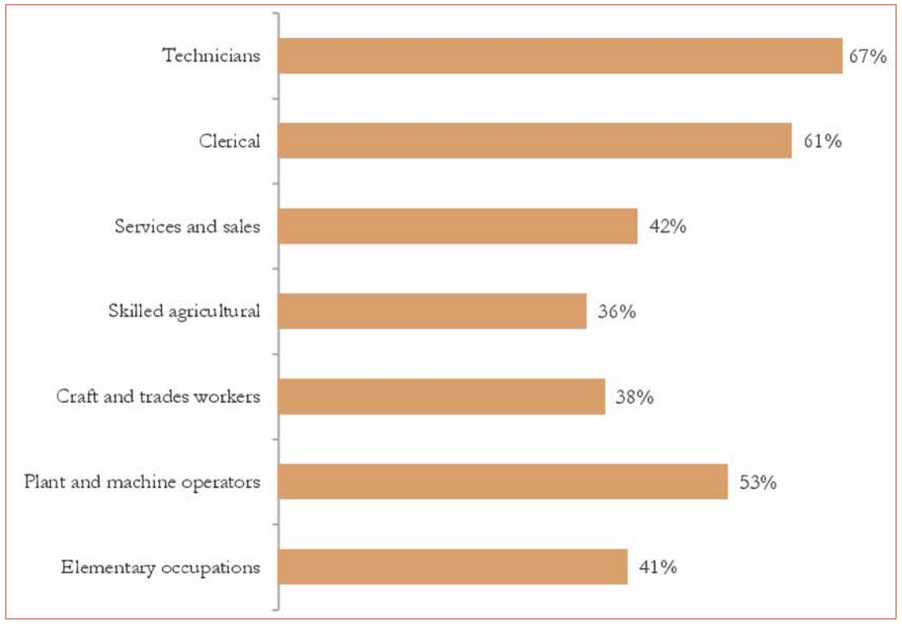


NOTE: *OCCUPATIONS RELEVANT FOR LESS THAN 10 FIRMS WERE DROPPED.*

Figure 5.2.10 Perceived Proficiency by Occupation

5.2.5. PREPARATION FOR CURRENT JOB

A majority of firms find their most recently hired employees not well-prepared for their jobs. Across non-technical occupations less than half of the firms believe that their most recently hired individuals are "very well prepared" (Figure 5.2.11).



NOTE: *FIGURE SHOWS THE PERCENTAGE OF FIRMS WHO STATE THAT THEIR MOST RECENTLY HIRED EMPLOYEE IS VERY WELL PREPARED BY JOB CATEGORY*

Figure 5.2.11 Percentage of Firms with Employees who are Very Well Prepared

Overall there must be an interest in better-trained employees given the observed level of dissatisfaction with the preparation of incoming employees.

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5.3. HIRING PRACTICES

Understanding how firms in the region recruit their workforce is crucial for program design. This section describes findings from the survey about recruitment methods of the firms in the region.

5.3.1. HIRING RATES

Multiple-worker firms in the region are quite dynamic about hiring. 86% of them said that they tried to hire at least one person in the previous year. Most firms were able to fill the positions they opened in the previous year. On average, they tried to fill 2.61 positions per year and hired 2.29 persons. 10% of the firms that tried to hire someone in the previous year said that they did not fill all the positions. On average, firms filled up positions in 2 to 3 weeks' time. Only 4% of all the multiple-worker firms said that they had at least one hard position to fill in the previous year. Among the reasons they give, the low supply of labor was the major constraint.

Even though firms are broadly dissatisfied with the labor pool, as we saw above, the labor market is fairly liquid. One possibility for the dissatisfaction employers' show is that the matching process between firms with specific skill requirements and workers who have those skills is not proficient. This is because search tends to be within existing social networks, as we discuss below.

Overall, the number of people hired in the past year is very high compared to the number of people in the firm (Figure 5.3.1).

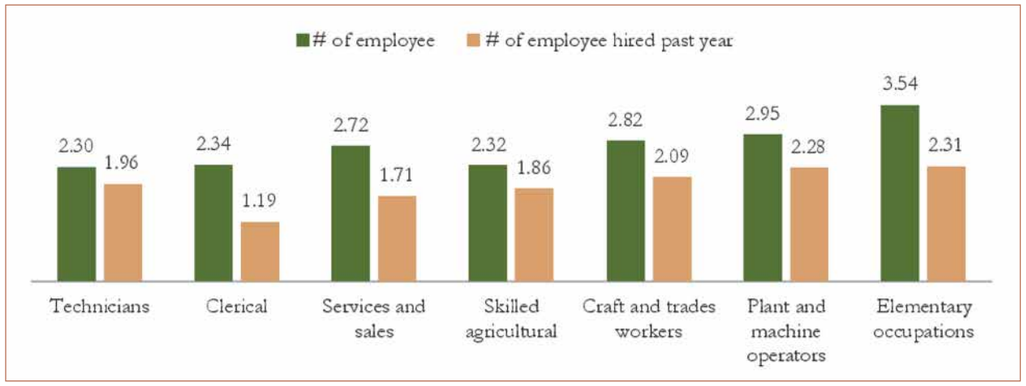


Figure 5.3.1 Number of Employees

Firms in the elementary occupations sector tend to hire more employees than firms in other sectors and hiring seems to be happening at higher rates in Bahawalnagar than in other districts as shown in Table 5.3.1and Table 5.3.2 below.

Percentage of Multiple-Worker Firms that Hired at Least One Person Last Year					
	Bahawalnagar	Bahawalpur	Lodhran	Muzaffargarh	All Districts
Agriculture	95%	88%	56%	86%	82%
Manufacturing	94%	68%	80%	76%	78%
Construction	94%	76%	90%	72%	84%
Wholesale & retail trade	96%	75%	80%	68%	80%
Hotels & restaurants	67%	83%	67%	43%	63%
Transport & communication	80%	67%	100%	67%	75%
Business activity	100%	-	-	-	100%
Education	60%	71%	63%	57%	65%
Health & social work	60%	100%	86%	89%	85%
Other services	100%	58%	83%	60%	75%
Other	100%	43%	100%	88%	76%
All	92%	71%	79%	73%	78%
Average Number of Worker that Firms Hired Last Year					
	Bahawalnagar	Bahawalpur	Lodhran	Muzaffargarh	All Districts
Agriculture	3.0	1.6	1.1	0.9	1.9
Manufacturing	2.9	2.0	1.8	2.6	2.3
Construction	2.2	2.8	2.0	1.7	2.2
Wholesale & retail trade	2.0	1.3	1.7	1.2	1.6
Hotels & restaurants	2.0	0.8	1.7	1.3	1.3
Transport & communication	6.8	1.3	1.5	1.0	2.5
Business activity	2.0	-	-	-	2.0
Education	2.2	1.6	0.9	2.0	1.6
Health & social work	3.2	3.2	2.0	3.7	3.0
Other services	2.6	0.7	1.3	3.6	1.7
Other	4.6	3.3	8.0	3.9	4.0
All	2.7	1.8	1.7	2.2	2.1

TABLE 5.3.1 MULTIPLE-WORKER FIRMS THAT HIRED LAST YEAR IN SAMPLE

Percentage of Multiple-Worker Firms that Hired at Least One Person Last Year					
	Bahawalnagar	Bahawalpur	Lodhran	Muzaffargarh	All Districts
Agriculture	100%	67%	28%	100%	86%
Manufacturing	93%	67%	77%	75%	74%
Construction	98%	82%	91%	73%	86%
Wholesale & retail trade	100%	71%	75%	59%	75%
Hotels & restaurants	96%	94%	100%	25%	58%
Transport & communication	95%	63%	100%	29%	55%
Business activity	100%	0%	0%	0%	100%
Education	44%	45%	77%	57%	54%
Health & social work	50%	100%	93%	80%	79%
Other services	100%	79%	100%	93%	86%
Other	100%	45%	100%	87%	73%
All	96%	69%	74%	66%	75%
Average Number of Worker that Firms Hired Last Year					
	Bahawalnagar	Bahawalpur	Lodhran	Muzaffargarh	All Districts
Agriculture	2.3	1.7	0.3	1.0	1.8
Manufacturing	2.7	1.6	2.1	2.6	2.1
Construction	2.5	2.8	2.2	2.2	2.5
Wholesale & retail trade	2.7	1.2	1.3	0.8	1.4
Hotels & restaurants	2.9	0.9	1.0	1.0	1.2
Transport & communication	9.3	1.4	2.4	0.5	1.6
Business activity	2.0	0.0	0.0	0.0	2.0
Education	1.0	1.1	0.9	2.2	1.4
Health & social work	1.7	3.7	2.6	3.1	2.8
Other services	3.2	1.0	1.1	2.4	1.5
Other	3.9	3.5	8.0	4.0	3.9
All	2.5	1.6	1.6	1.8	1.9

TABLE 5.3.2 MULTIPLE-WORKER FIRMS THAT HIRED LAST YEAR IN POPULATION

One key fact about these patterns is that, firms that hire tend to do so in very large numbers. Of the firms that hired at least one employee last year, 60% hired enough people to replace their entire workforce.

Given the high turnover implied by the active hiring trends, it is worth examining why workers are leaving. While only 30% of firms provided details on employees who left within the last 12 months, those that did give details said the departures were mostly voluntary. The majority left for better pay or because they needed to take another job (captured as being "because of economic conditions") and other reasons expressed by employers included getting married, having children, and sicknesses in the household (Table 5.3.3). This pattern is consistent with a situation in which household constraints and the need to manage household risks keep people from holding on to jobs as long as they would like.

Job Categories	N	How they Left			Reason why they Left			
		Fired	Quit	Retired	Economic Conditions	Illness	Worker not Suitable	Other
Technicians	8	0%	100%	0%	75%	0%	0%	25%
Clerical	12	8%	92%	0%	67%	0%	8%	25%
Services and Sales	61	5%	89%	7%	51%	5%	10%	28%
Skilled agricutural	6	17%	83%	0%	0%	0%	67%	33%
Craft workers	66	9%	91%	0%	35%	11%	18%	36%
Trades workers	63	8%	87%	5%	49%	3%	21%	22%
Plant and machine operators	20	20%	80%	0%	30%	10%	25%	35%
Elementary Occupation	86	7%	92%	1%	56%	5%	14%	24%

TABLE 5.3.3 REASONS HOW/WHY WORKERS LEFT THE FIRM

Another potential reason why many employees quit jobs is poor working conditions, though that does not appear to be the sole explanation. Our enumerators observed poor working conditions in a substantial number of firms but not enough to explain the observed turnover (Figure 5.3.2).

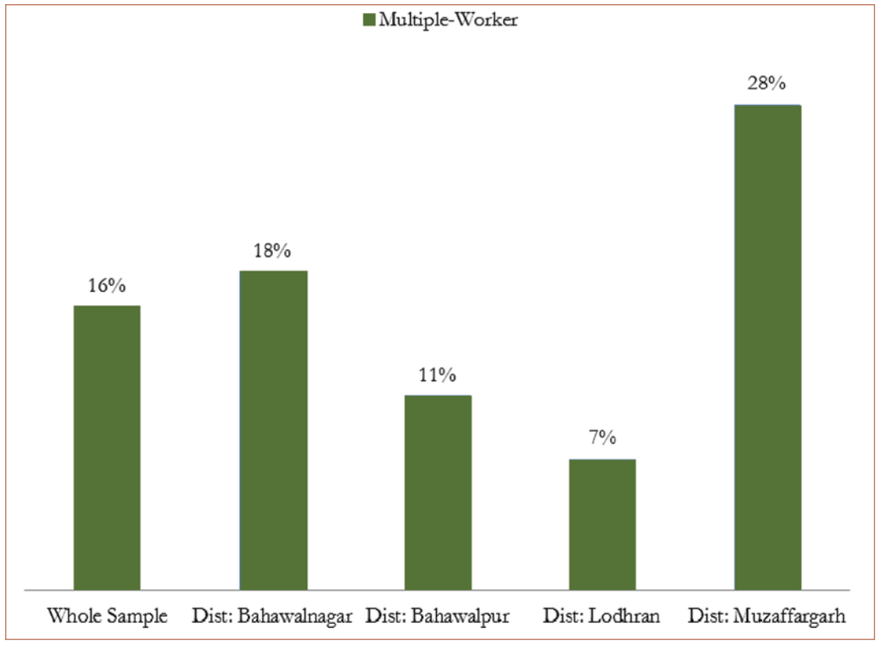


Figure 5.3.2 Firms with Unhealthy Working Conditions

Lastly, the percentage of firms with workers under fifteen years of age is less than 20% in all districts except Muzaffargarh, where this activity is predominant as shown in Figure 5.3.3 below.

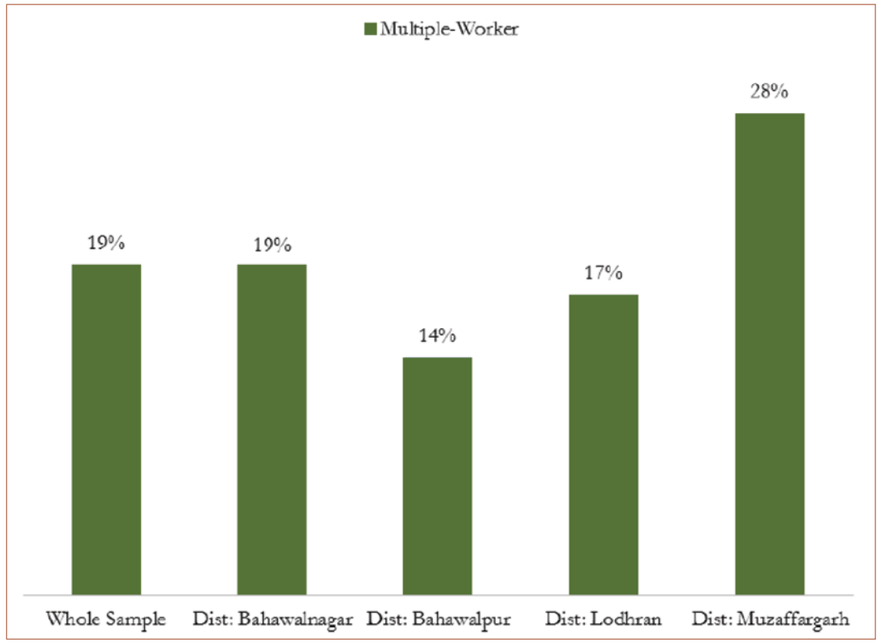


Figure 5.3.3 Percentage of Firms with Workers Under 15

5.3.2. TYPE OF EMPLOYMENT (FULL TIME/PART TIME)

On average, firms have 84% of their workforce that is workforce full time. The distribution is quite consistent across sectors and districts as Table 5.3.4 shows.

	Bahawalnagar	Bahawalpur	Lodhran	Muzaffargarh	All Districts
Agriculture	79%	76%	77%	100%	80%
Manufacturing	76%	86%	82%	84%	83%
Construction	88%	91%	100%	90%	92%
Wholesale & retail trade	90%	89%	78%	82%	86%
Hotels & restaurants	82%	67%	100%	100%	87%
Transport & communication	93%	83%	50%	83%	80%
Business activity	0%	-	-	-	-
Education	79%	92%	84%	94%	89%
Health & social work	86%	100%	83%	99%	92%
Other services	86%	88%	50%	73%	73%
Other	24%	55%	0%	45%	41%
All	80%	87%	81%	85%	84%

TABLE 5.3.4 PERCENTAGE OF WORKFORCE THAT WORKS FULL-TIME BY DISTRICT AND SECTOR

5.3.3. SATISFACTION WITH RECENT HIRES

Firms in general do not seem particularly satisfied with the labor pool. As noted, a large proportion of workers are deemed less than fully proficient. This does not, however, seem to be due to unmet demand for specific skills, rather, it appears to be a quality issue.

Only 11% of the multiple-worker firms said that at least one skill was very difficult to find. Among these firms a large number believe that lack of skilled labor is hurting their business. We estimated by scaling up that roughly 1,366 multiple-worker firms view the lack of skilled labor as a major constraint. Fully 37% of the multiple-worker firms say that hard to find skills are causing problems to their business. To recruit individuals possessing hard to find skills, 22% of the multiple-worker firms have been increasing wages and training and 13% have been increasing ad and recruitment spending and investing in new recruitment methods. This suggests a willingness to pay for skilled labor.

Enterprises also recruit mostly within the same PSU. 70% to 95% of the most recently hired employees came from the same PSU as the firm.

Even though hiring is localized, only 23% of the firms said that hiring happened only through networks and connections. 59% of the firms claimed that hiring was based on the skill-level of individuals. This suggests that even though firms are hiring within family/peer networks, they are making an effort to screen employees on quality and skill level. Again, there appears to be scope for skills training as people with certified skills will likely enjoy an advantage even within peer-based and family-based recruiting networks.

Once firms find potential candidates, they tend to screen them using common methods. 40% said that they conduct an interview, 37% said that they administer tests, 19% said they seek references and 34% attached importance to references that came from mutual acquaintances. When prompted about what they are looking for when hiring, vast majority of firms cited skills, experience and personality as the main reasons. Interestingly certifications and official qualifications appear to be slightly less important.

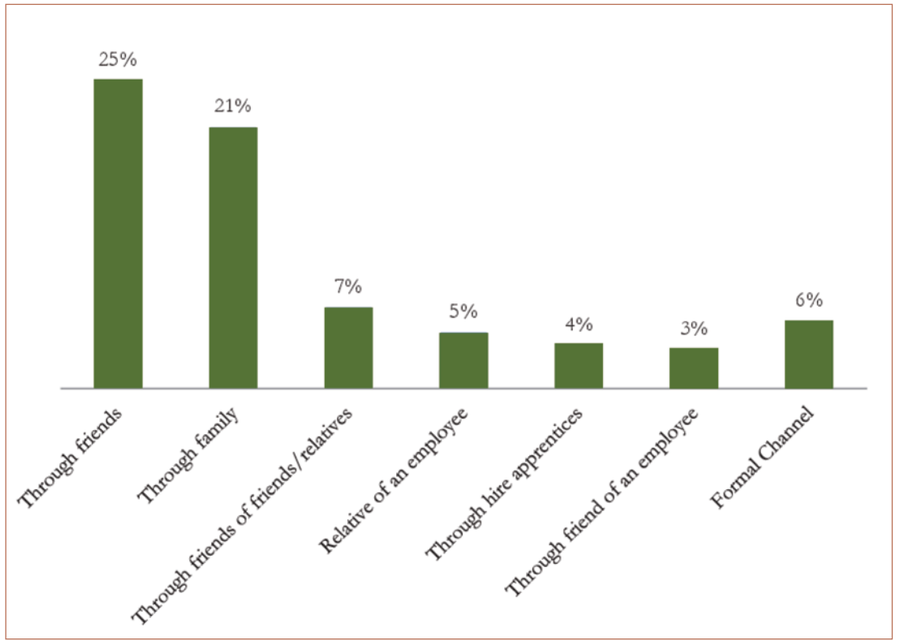


Figure 5.3.4 How Firms Recruit

5.3.4. HOW HAVE THEY BEEN HIRING?

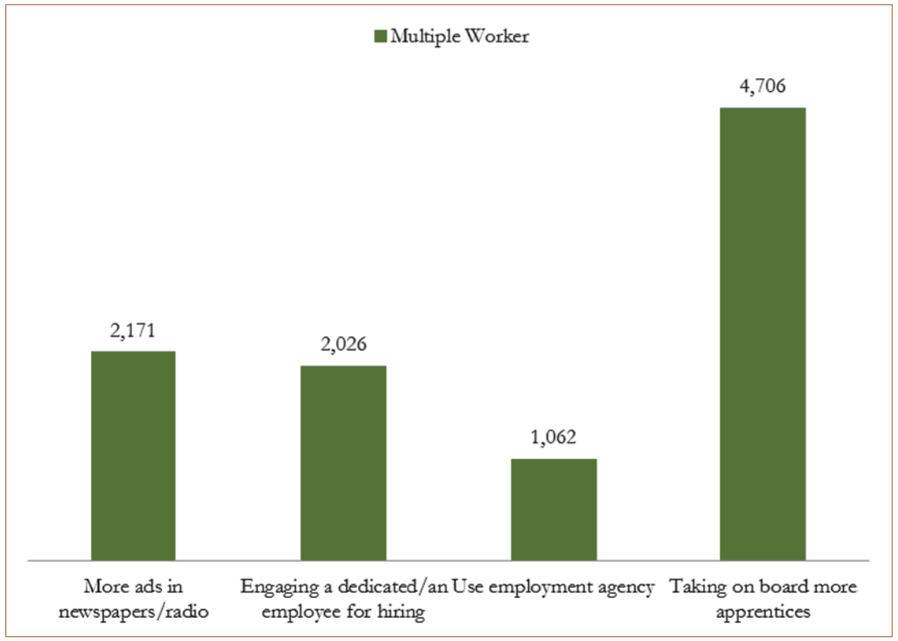
When firms in the region want to recruit, 26% said that they get a list of contacts from their existing employees and 22% contact a job helper. Conducting interviews at job fairs and receiving applications post advertisements are less common (17% and 12% respectively).

Overall the majority of recruitment happens through friends and family; 65% report recruiting through social ties and only 6% through formal channels or non-family/employee references (Figure 5.3.4).

In total, the findings on how firms in the region have been hiring implies that working through pre-existing networks may be a particularly efficient way to get PSDF-trained individuals into jobs.

5.3.5. WHAT DO THEY SAY ABOUT HOW THEY WOULD LIKE TO HIRE

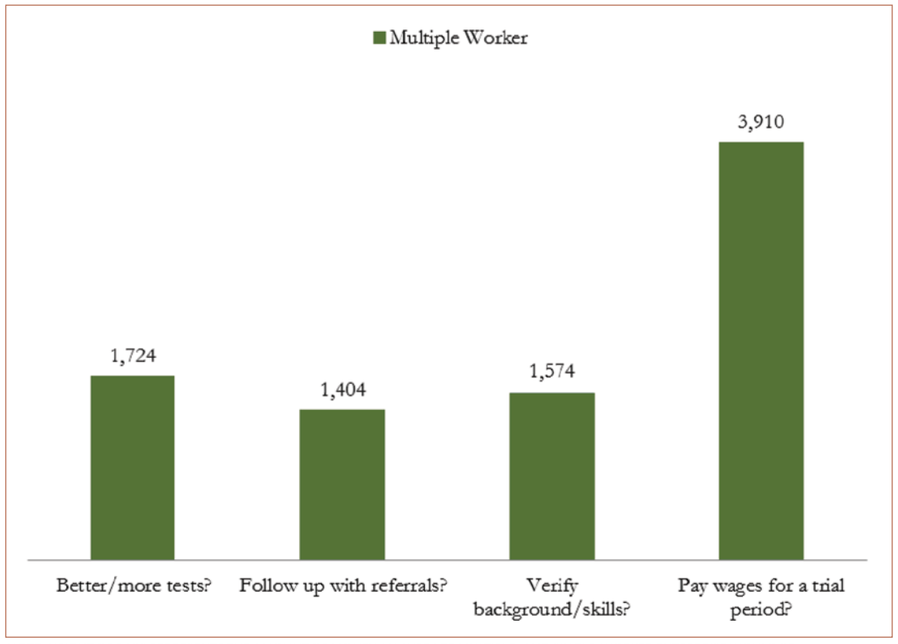
We elicited employee search preferences by asking firms how they would spend 10,000 Rupees to enhance their labor pool. Enhancing the labor pool refers to improving the set of people from who firms can choose. In contrast, increasing skill training refers to imparting skills to existing workforce. Most firms said they would allocate the majority of these funds to taking more apprentices on board (Figure 5.3.5).



NOTE: *HEIGHT OF BARS REPRESENTS THE AMOUNT OF MONEY AN AVERAGE MULTIPLE- WORKER ENTERPRISE WOULD BE WILLING TO SPEND ON ENHANCING ITS LABOR POOL IF IT WAS GIVEN 10,000 RS.*

Figure 5.3.5 How Firms will Spend 10,000 Rupees to Enhance Labor Pool

Moreover, if firms had to choose how to spend 10,000 Rupees on improving their selection method, they would spend most of it on paying worker wages for a trial period (Figure 5.3.6).



NOTE: *HEIGHT OF BARS REPRESENTS THE AMOUNT OF MONEY AN AVERAGE MULTIPLE- AND SINGLE-WORKER ENTERPRISE WOULD BE WILLING TO SPEND ON IMPROVING ITS EMPLOYEE SELECTION METHOD IF IT WAS GIVEN 10,000 RS.*

Figure 5.3.6 How Firms will Spend 10,000 Rupees on Improving Selection Methods

Firms' widespread interest in employing people for trial periods suggests an immediate avenue for PSDF interventions on the placement front. A month or more of placement in one of these firms would effectively amount to extended job training and is very likely to help in job placement either with that firm itself or within its network.

5.4. TRAINING PRACTICES

A large proportion of employees in the PEOP region have received skill training relevant to their jobs. The vast majority of this training has been provided by their employers, indicating substantial willingness to invest in human capital by enterprises in the region. This fact is striking given the high rates of employee turnover highlighted above.

5.4.1. HAVE THEY BEEN TRAINING AND HOW?

Between 40% and 75% of the most recently hired employees received training of some sort and between 30% and 50% of the employees received on-the-job training as shown in Figure 5.4.1. On average male employees were trained for 24 weeks and female employees for 10 weeks.

When asked about how they recover the cost of the training, 45% of multiple-worker firms said that they recover the cost of training through an increase in the quality of their goods/services.

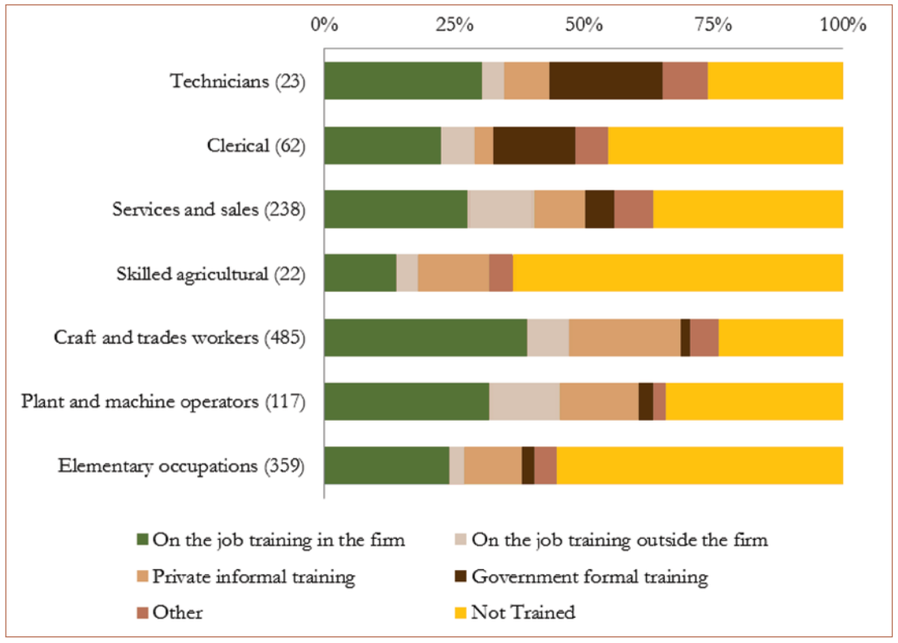


Figure 5.4.1 Training for Firms' Most Recent Hire

As Figure 5.4.2 below highlights, the most common skill acquired during training is that of garment and related trades works followed by crafts and related trades works.

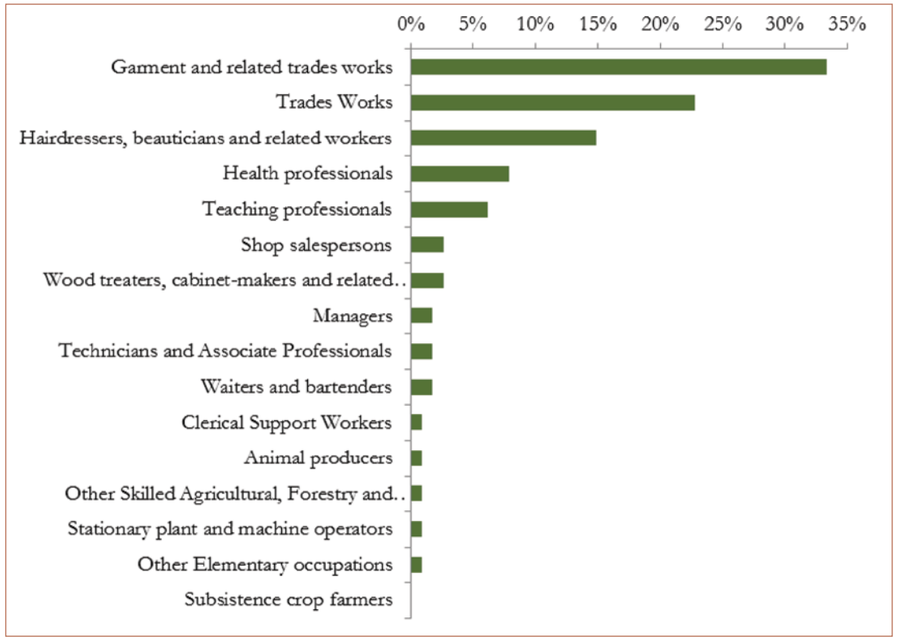


Figure 5.4.2 Most Common Skill Acquired During Training

5.4.2. WHETHER OR NOT THEY WOULD LIKE TO RECEIVE MORE TRAINING?

Even though firms are optimistic about their ability to provide on-the-job training to new employees, two-fifth are willing to send existing employees for external training for 5 months on average. Local training is clearly favored. Only a third of the firms would be willing to allow employees to travel for more than an hour to get to the training center (Figure 5.4.3).

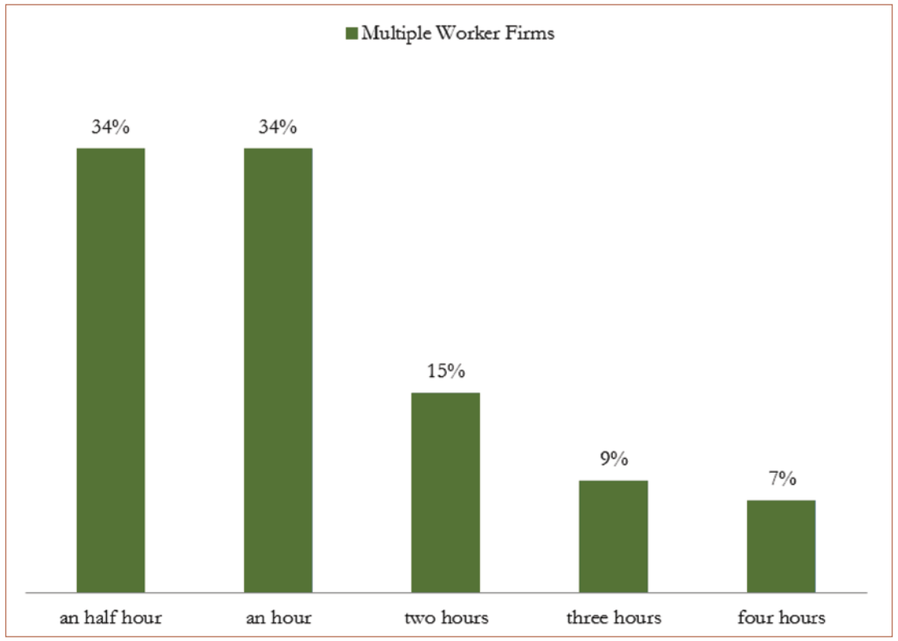


Figure 5.4.3 How Much can Workers Commute

Government training institutions are also favored over private, informal[5], and NGO training institutions (Figure 5.4.4).

[5] *PRIVATE TRAINING INSTITUTES REFER TO COLLEGES OR PRIVATE INSTITUTES WHICH ARE REGISTERED/ AFFILIATED WITH AN ACCREDITED BODY OR BOARD OF TECHNICAL EDUCATION. INFORMAL TRAINING INSTITUTES REFER PRIVATE INSTITUTES WHICH ARE NOT AFFILIATED WITH A FORMAL TECHNICAL EDUCATION BODY.*

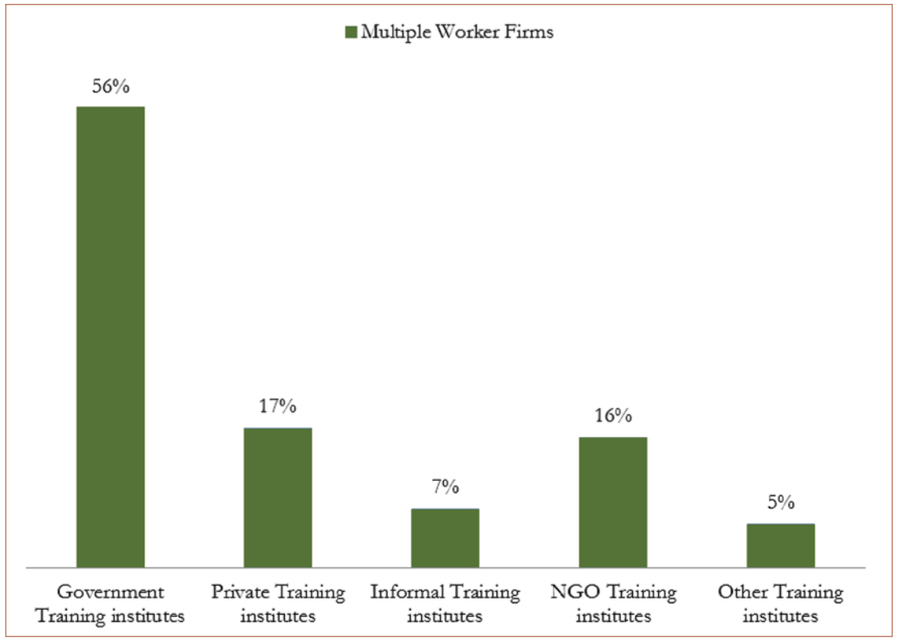


Figure 5.4.4 Most Preferred Training Source

A quarter of the firms would send someone to a free training with no stipend. For firms which would want some stipend for allowing their employees to get training, the costs are generally quite low, especially compared to what they wanted to be paid to do the training themselves, and varied little across districts as Figure 5.4.5 illustrates.

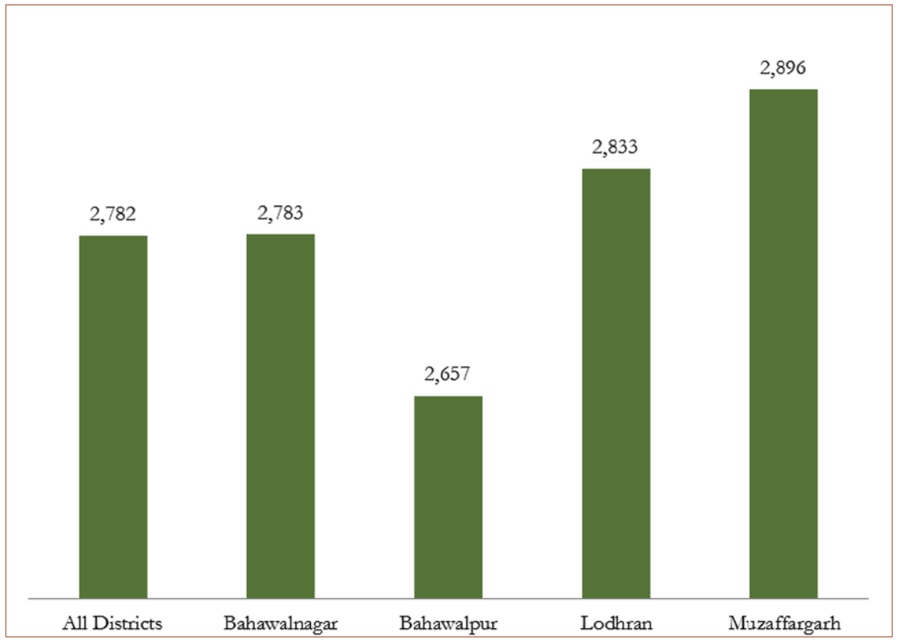


Figure 5.4.5 Reservation Value for Stipend (Rupees)

Firms have a strong preference for internal training. When firms were asked how they would invest 10,000 Rupees to enhance their workers' skill levels, multiple-worker firms chose to allocate approximately 41% to on-the-job training in core skills, 34% to on-the-job training in job-specific skills, and the remaining 25% to external training (Figure 5.4.6).

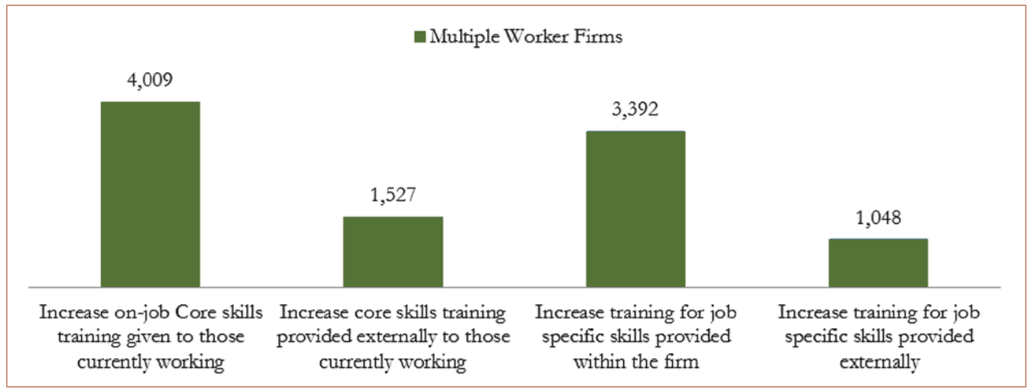


Figure 5.4.6 How to Invest 10,000 to Enhance Worker's Skill Levels

5.5. WILLINGNESS TO SERVE AS A PROVIDER

One of the key challenges for PSDF is in providing training locally. Initial results from the current evaluation of the SFM training suggest that locating training in villages yields huge increases in uptake, particularly for women. Scaling up the village-based training model is a challenge given the constraints on providers' capacities to work in multiple locations. We therefore studied the ability and willingness of firms in the PEOP region to serve as training providers. As this section shows, the results are encouraging.

5.5.1. CAN FIRMS SERVE AS TRAINING PROVIDERS?

More than 70% of the firms, both multiple and single-worker, are willing to serve as training providers. Scaling up to the total population of the four districts, this represents about 36,600 multiple-workers firms that are willing to train internally (Table 5.5.1).

	Willing To Train Internally
Bahawalnagar	8626
Bahawalpur	12147
Lodhran	5220
Muzaffargarh	10610
All District	36603

TABLE 5.5.1 NUMBER OF FIRMS WILLING TO TRAIN INTERNALLY

For those which refused, the constraint does not seem to be monetary compensation because only an additional 3% would accept if they were compensated. Rather, time constraints were cited as the main reason (Figure 5.5.1). These constraints can be relieved by providing external training to the employees. However, constraints like lack of facilities and the lack of requisite skills will be more difficult to relieve.

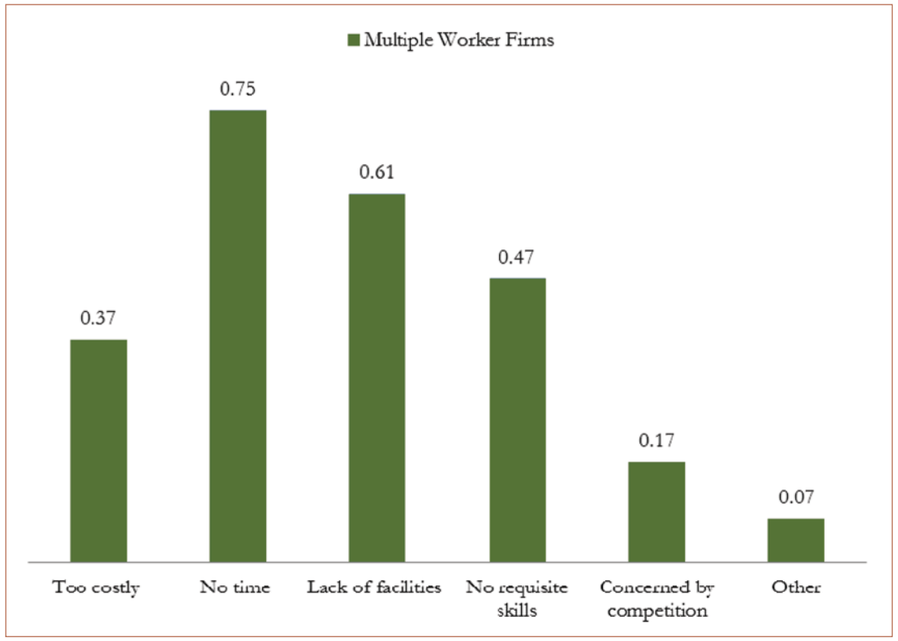


Figure 5.5.1 Reasons Why They are Unwilling to Provide Training

The bottom line, though, is that there appears to be widespread willingness to provide training among small firms in the region.

5.5.2. HOW WOULD THEY LIKE TO SERVE A TRAINING PROVIDER

The average multiple-worker firm is willing to train 6 people for about 10 months. Owners seem to be very reluctant to use their time to provide training outside the firm. Most of them prefer to provide training if raw materials are provided (29%), or prefer to make their own facility available for external trainers (Figure 5.5.2).

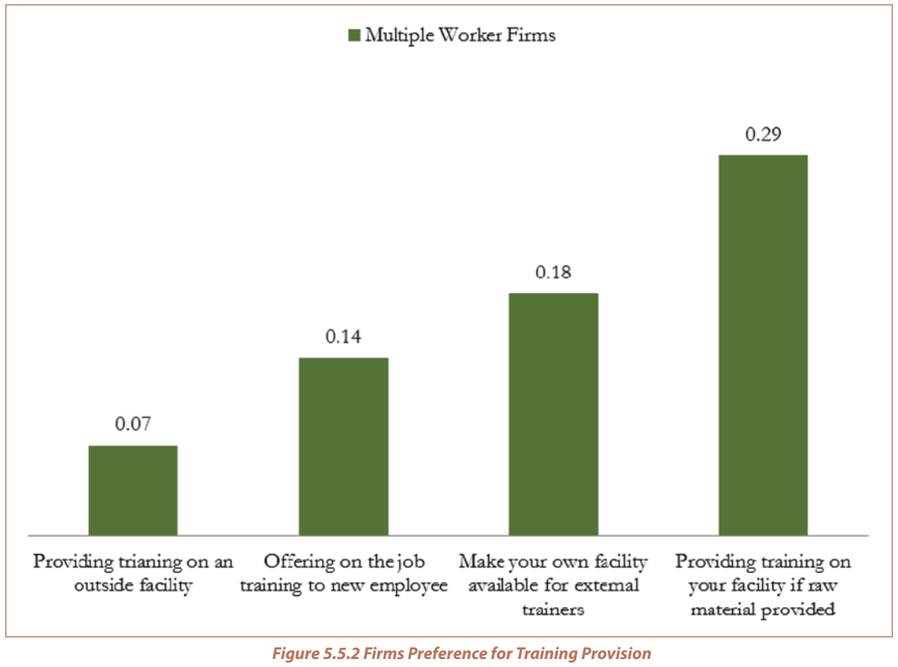


Figure 5.5.2 Firms Preference for Training Provision

They are willing to train on garment, craft and related trade work, shop and salesperson categories in the highest proportions as given in the table below. Our household survey suggests that the skills men would most likely want to acquire are related to agriculture (approximately 14%), and skills women would like to acquire are in the garment and related trade works (approximately 74%). This reflects a good match of the skills employers are willing to provide training for and those demanded by households (Figure 5.5.3).

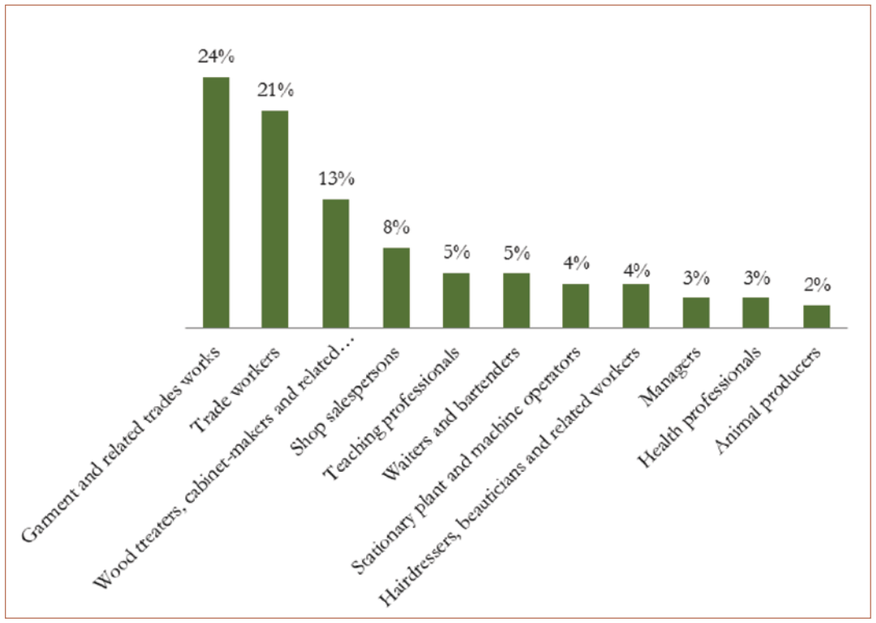


Figure 5.5.3 Skills They are Willing to Impart During the Training

5.5.3. THE COST AT WHICH THEY WOULD BE WILLING TO PROVIDE TRAINING

Among the firms which are willing to train people internally, they would do so for a compensation of 10,000 Rupees ($103) per month per trainee on average[6]. The average cost varies by districts as shown in Figure 5.4.5 below. Average training cost per trainee for a training provider with national certification is approximately 9,000 Rupees per month per trainee. (PSDF -11th Meeting of Board of Directors July 23, 2012). This reveals that provision of training internally by employers is a feasible option given the cost is close to what a provider is incurring.

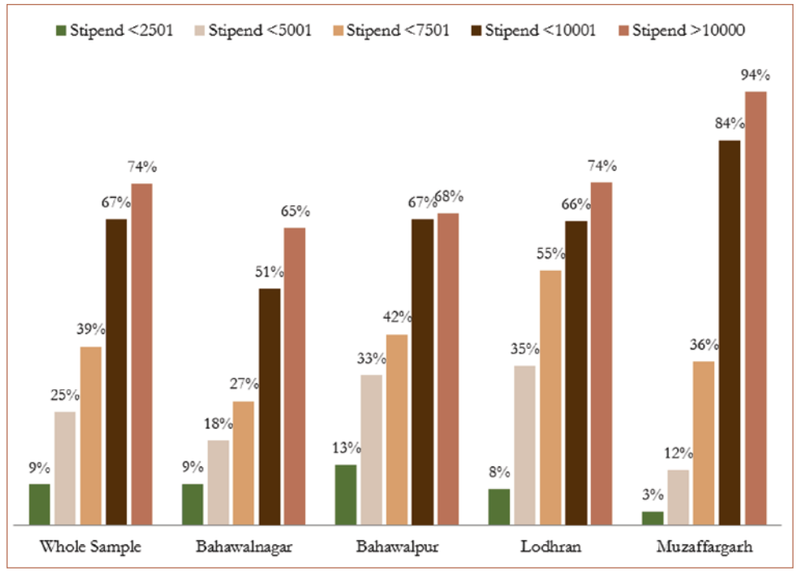


Figure 5.5.4 Cost per Worker at Which They are Willing to Provide Training

[6] *THE STIPEND AMOUNT SHOWN IN FIGURE 5.5.4 IS PAID TO THE EMPLOYER FOR THE TRAINING COST THEY WILL INCUR FOR PROVIDING TRAINING ON THEIR FACILITY AND THIS AMOUNT INCLUDES ESTIMATED LABOR AND MATERIAL COSTS.*

6

SINGLE EMPLOYEES FIRM

This section focuses on single-employees firms. Single-employee firms represent the majority of all economic activities in the four districts, since about 80% of our sample is composed of single-workers firms. As seen in section 4, about 30% of them are engaged in retail trade and 15% in manufacturing of wearing apparel.

6.1. OUTLOOK

A key question for the potential impact of PSDF programming is whether or not firms want to make use of additional skilled labor. The employer survey was particularly designed to capture firm's desires to expand, the types of constraints they perceive and the impact of the lack of skilled labor.

6.1.1. ARE FIRMS INTERESTED IN EXPANDING?

Roughly 70% of the single-worker firms surveyed said that they are smaller than they want to be.
Firms seem to have mildly optimistic views of the business environment, suggesting that such views are not what hold them back from expanding. Approximately 79% of firms declared that they expect their profits to increase moderately or substantially next year and 62% in two years (Figure 6.1.1).

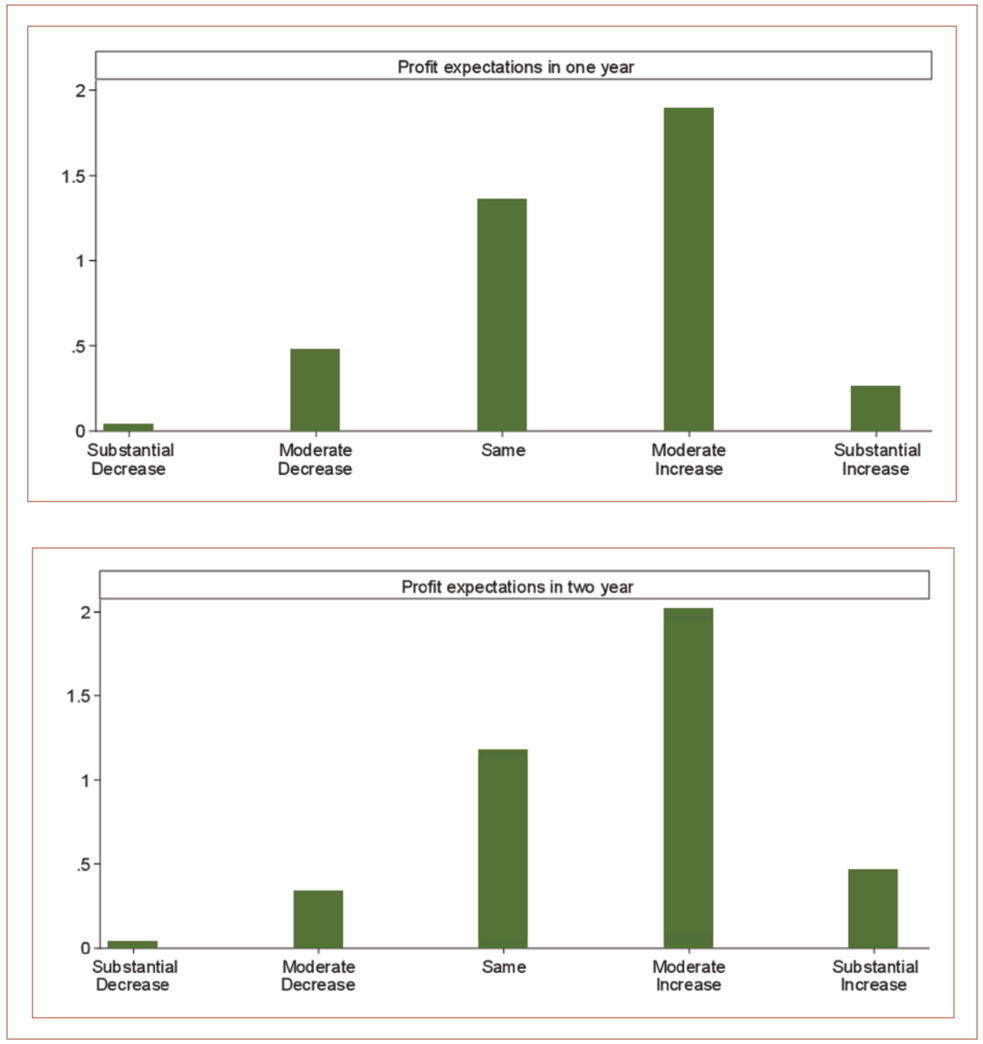


Figure 6.1.1 Profit Expectations

The rest of this section examines the constraints identified by the firms. First, we present the "structural" constraints, related to infrastructure and equipment, finance and the business environment. Second, we present the implied demand for skilled labor and the specific needs in terms of job-specific skills.

6.1.2. STRUCTURAL CONSTRAINTS

6.1.2.1. INFRASTRUCTURE AND EQUIPMENT

The major obstacles to growth reported by firms are infrastructure-related. Unsurprisingly, electricity shortages are seen as a very severe obstacle to growth for 44% of the single-worker firms (Figure 6.1.2).

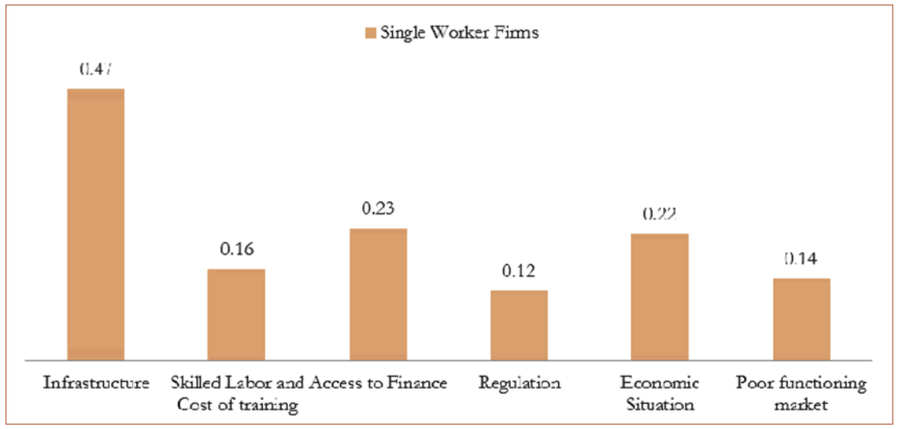


Figure 6.1.2 Very Severe Obstacles to Growth

When asked what the firms needed the most to improve its business, additional skilled employees was cited by many firms however this was not the primary obstacle. 51% of the single-worker firms need new machinery, while 63% need more credit, and 41% declared that they needed more land (Figure 6.1.3).

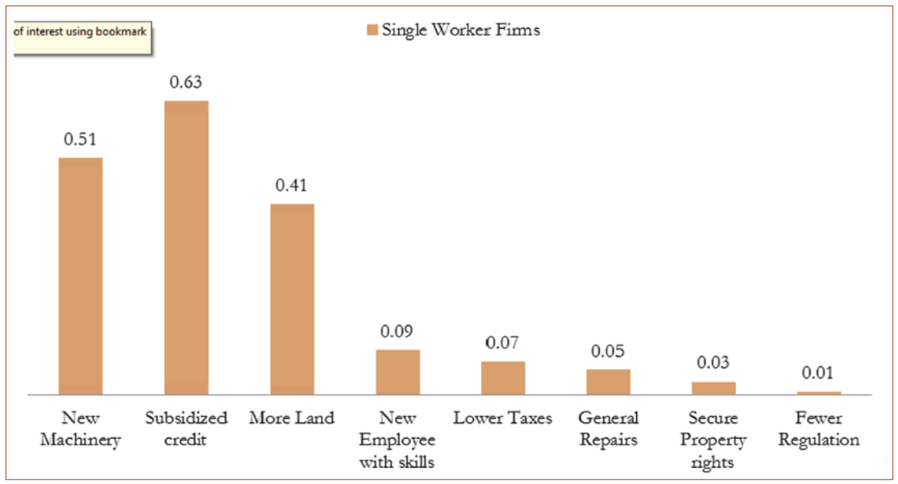


Figure 6.1.3 Two Things that you Need to Improve Your Business

6.1.2.2. ACCESS TO FINANCE

Another area of concern is the access to finance. Even though only 23% of firms reported that access to finance was a severe obstacle to the growth of their business (Figure 6.1.2), about 63% of the firms declared that they needed subsidized credit in order to improve their business (Figure 6.1.3). This suggests that the lack of capital is a serious barrier to the growth of businesses in the region.

This concern ties into later comments by firms that hiring additional employees would require substantial new capital investments and suggests that some combination of placement with the provision of financing could substantially ease constraints to expansion in the region, and thereby catalyze growth in employment.

6.1.2.3. BUSINESS ENVIRONMENT

The economic situation is seen as a severe obstacle to growth by approximately 22% of the firms (Figure 6.1.2). These firms cite the lack of key inputs to production, low demand, and uncertain economic conditions as key issues.

More firms, in fact, think that the business environment for their firm and in general has been getting worse during the past year.

Interestingly, while most firms think that government service delivery has been going down on average over the past three years, they seem to be optimistic about the trend over the next three years. About 40% of the firms expect the service delivery to be better in 3 years and another 40% expect it to stay the same.

6.1.3. THE LACK OF SKILLED LABOR

6.1.3.1. THE DEMAND FOR SKILLED LABOR

It is clear from the previous section that structural constraints are felt strongly by firms in the region. Given the manifest challenges of doing business in this region, skilled labor may not be a first-order issue for firms. Yet, fully 16% of the single-worker firms declared that the lack of skilled labor and cost of training were severe obstacles to growth.

In addition, the absolute demand for new skilled labor is large, even if it is not first on the priority list of firms. Approximately 10% of single-worker firms cited additional skilled labor as one of their top two needs, which scales up to 48,587 firms expressing a desire to hire new skilled workers.

6.1.3.2. DESIRED JOB-SPECIFIC SKILLS

For single-worker firms, the top skills listed are: garment and related trades works; trade works; wood treaters, cabinet makers, and related trades; and shop sales persons. Many other industry-specific skills were mentioned in smaller numbers (Table 6.1.1).

	N	# of Firms That Want That Skill	% of Firms That Want That Skill	Mean Number of Worker Demanded	Median Number of Worker Demanded	Implied inframarginal demand in PEOP region
Managers	4,860	15	0.3%	1.73	1.00	2235
Health professionals	4,860	12	0.2%	2.50	1.00	5430
Other professionals	4,860	3	0.1%	4.67	3.00	534
Technicians and Associate Professionals	4,860	4	0.1%	1.00	1.00	294
Shop salespersons	4,860	80	1.6%	1.75	1.00	22181
Hairdressers, beauticians and related workers	4,860	30	0.6%	2.57	2.00	4402
Cooks	4,860	3	0.1%	1.33	1.00	1075
Subsistence crop farmers	4,860	2	0.0%	2.00	2.00	1201
Animal producers	4,860	2	0.0%	1.50	1.50	1470
Other Skilled Agricultural, Forestry and Fishery Works	4,860	3	0.1%	1.00	1.00	558
Craft Works	4,860	4	0.1%	6.25	2.00	757
Trades Works*	4,860	74	1.5%	2.22	2.00	18987
Garment and related trades works	4,860	101	2.1%	3.05	2.00	31600
Wood treaters, cabinet-makers and related trades workers	4,860	35	0.7%	2.20	2.00	4852
Food processing and related trades workers	4,860	11	0.2%	1.18	1.00	2491
Stationary plant and machine operators	4,860	10	0.2%	1.00	1.00	774
Other Elementary occupations	4,860	2	0.0%	2.50	2.50	942
Others	4,860	20	0.4%	1.75	1.50	3065

** TRADES WORK CATEGORY ENCOMPASSES A LARGE SET OF TECHNICAL VOCATION LIKE MECHANICS, CONSTRUCTION, ELECTRICIAN, GLODSMITH, WELDING, ETC.*

TABLE 6.1.1 SINGLE-WORKER FIRMS (25 SKILLS)

Skill Category	N	# of firms that want that skill	% of firms that want that skill	Mean number of worker de-mand ed	Median number of worker de-mand ed	Implied inframar ginal demand in PEOP region
Tailoring	4,860	94	1.9%	3.06	2.00	28237
Retail Sales Person	4,860	62	1.3%	1.32	1.00	15457
Hairdressing	4,860	24	0.5%	1.67	1.50	3611
Marketing and Sales	4,860	24	0.5%	2.42	1.00	6724
Other Specify	4,860	20	0.4%	1.75	1.50	3065
Furniture Crafts	4,860	18	0.4%	1.50	1.00	1142
Welding	4,860	18	0.4%	1.78	1.00	5069
Wood Carving	4,860	15	0.3%	2.67	2.00	3275
Beautician	4,860	13	0.3%	2.85	2.00	791
Embroidery and Needlework	4,860	12	0.2%	1.42	1.00	2987
Motor Cycle Mechanic	4,860	12	0.2%	1.83	2.00	1451
Plant and Machine Operation	4,860	9	0.2%	1.00	1.00	725
Bicycle Repair	4,860	8	0.2%	2.00	1.50	679
Mobile Repairing	4,860	8	0.2%	2.63	2.00	861
Auto Mechanic (Repair)	4,860	7	0.1%	3.14	2.00	3050
Electrician	4,860	7	0.1%	3.43	2.00	5228
Goldsmith / Silversmith	4,860	6	0.1%	1.83	2.00	442
Baking	4,860	5	0.1%	1.20	1.00	1502
Carpentry	4,860	5	0.1%	2.00	2.00	436
Dairy Farming	4,860	5	0.1%	1.00	1.00	0
Finance, Banking, Insurance	4,860	5	0.1%	2.80	2.00	397
Blacksmith	4,860	4	0.1%	1.50	1.50	1018
Business Strategy	4,860	4	0.1%	1.00	1.00	155
Para-medic	4,860	4	0.1%	1.00	1.00	129
Auto Electrician	4,860	3	0.1%	1.00	1.00	516
Cooking	4,860	3	0.1%	1.33	1.00	1075
Doctor	4,860	3	0.1%	5.67	8.00	4455
Hotel/Motel and Restaurant Services	4,860	3	0.1%	1.00	1.00	1226
Machinist	4,860	3	0.1%	1.00	1.00	152

Skill Category	N	# of firms that want that skill	% of firms that want that skill	Mean number of worker de-mand ed	Median number of worker de-mand ed	Implied inframar ginal demand in PEOP region
Pharmacy	4,860	3	0.1%	1.00	1.00	317
Accounting	4,860	2	0.0%	2.00	2.00	452
Computer Repair/Hardware Technician	4,860	2	0.0%	1.00	1.00	99
Farm Machinery Repair	4,860	2	0.0%	1.50	1.50	342
Farm Maintenance	4,860	2	0.0%	1.00	1.00	431
Farming	4,860	2	0.0%	2.00	2.00	1201
Midwifery	4,860	2	0.0%	1.00	1.00	129
Other Handicraft	4,860	2	0.0%	11.00	11.00	329
Weaving	4,860	2	0.0%	1.00	1.00	195
Animal Breeding	4,860	1	0.0%	2.00	2.00	989
Compounder	4,860	1	0.0%	1.00	1.00	0
Computer Graphics	4,860	1	0.0%	1.00	1.00	0
Computer Operator	4,860	1	0.0%	1.00	1.00	180
Computer Software	4,860	1	0.0%	10.00	10.00	134
Dodhi	4,860	1	0.0%	2.00	2.00	989
Education Management	4,860	1	0.0%	1.00	1.00	5
Engineer Electrical/Mechanical/Civil etc	4,860	1	0.0%	3.00	3.00	400
Fabric Printing	4,860	1	0.0%	1.00	1.00	180
Fish Farms	4,860	1	0.0%	1.00	1.00	127
Football Stitching	4,860	1	0.0%	1.00	1.00	409
Jewelry Design	4,860	1	0.0%	1.00	1.00	22
Laundry	4,860	1	0.0%	4.00	4.00	533
Paint Polish	4,860	1	0.0%	1.00	1.00	180
Plumbing	4,860	1	0.0%	1.00	1.00	15
Pottery	4,860	1	0.0%	2.00	2.00	406
Poultry	4,860	1	0.0%	1.00	1.00	481
Shoemaking	4,860	1	0.0%	1.00	1.00	48
Veterinary	4,860	1	0.0%	3.00	3.00	400

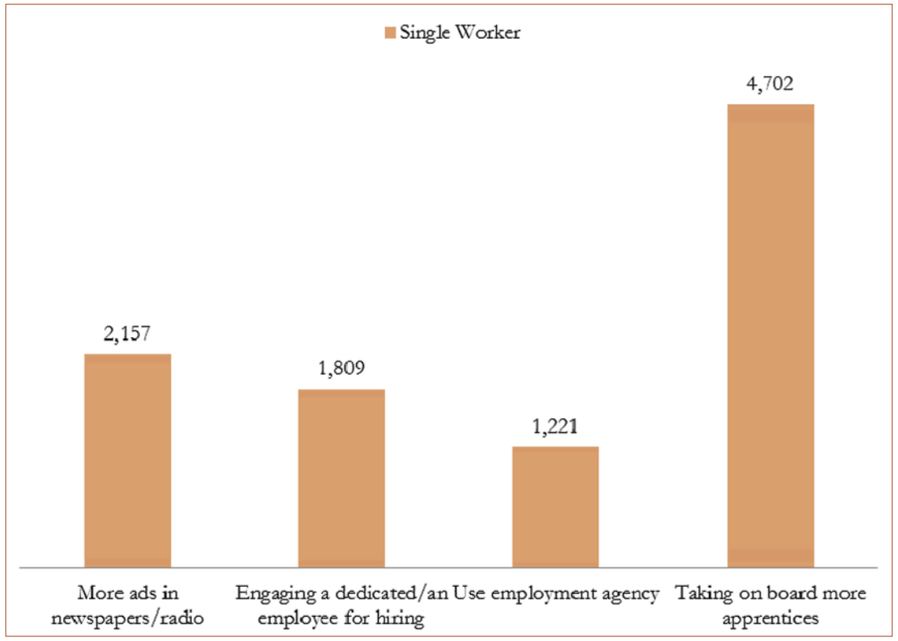
TABLE 6.1.2 DEMAND FOR SKILLS BY SINGLE-WORKER FIRMS (117 SKILLS)

6.2. HIRING PRACTICES

While single-workers firms do not have employees, their preferences about hiring practices are similar to the ones of multiple-workers firms.

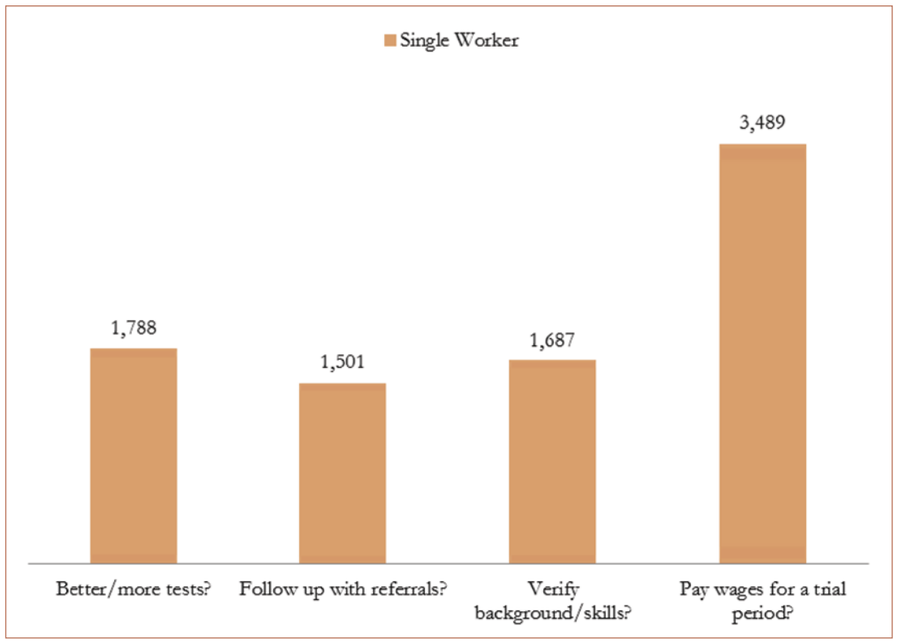
6.2.1. WHAT DO THEY SAY ABOUT HOW THEY WOULD LIKE TO HIRE

We elicited employee search preferences by asking firms how they would spend 10,000 Rupees to enhance their labor pool. Most said they would allocate the majority of these funds to taking more apprentices on board (Figure 6.2.1).



NOTE: *HEIGHT OF BARS REPRESENTS THE AMOUNT OF MONEY AN AVERAGE MULTIPLE- AND SINGLE-WORKER ENTERPRISE WOULD BE WILLING TO SPEND ON ENHANCING ITS LABOR POOL IF IT WAS GIVEN 10,000 RS.*

Figure 6.2.1 How Firms will Spend 10,000 Rupees to Enhance Labor Pool



NOTE: *HEIGHT OF BARS REPRESENTS THE AMOUNT OF MONEY AN AVERAGE MULTIPLE- AND SINGLE-WORKER ENTERPRISE WOULD BE WILLING TO SPEND ON IMPROVING ITS EMPLOYEE SELECTION METHOD IF IT WAS GIVEN 10,000 RS.*

Figure 6.2.2 How Firms will Spend 10,000 Rupees on Improving Selection Methods

Moreover, if firms had to choose how to spend 10,000 Rupees on improving their selection method, they would spend most of it on paying worker wages for a trial period (Figure 6.2.2).

Firms' widespread interest in employing people for trial periods suggests an immediate avenue for PSDF interventions on the placement front. A month or more of placement in one of these firms would effectively amount to extended job training and is very likely to help in job placement either with that firm itself or within its network.

6.3. TRAINING PRACTICES

6.3.1. WHETHER OR NOT THEY WOULD LIKE TO RECEIVE MORE TRAINING?

Local training is clearly favored. Only a third of the firms would be willing to allow employees to travel for more than an hour to get to the training center (Figure 6.3.1).

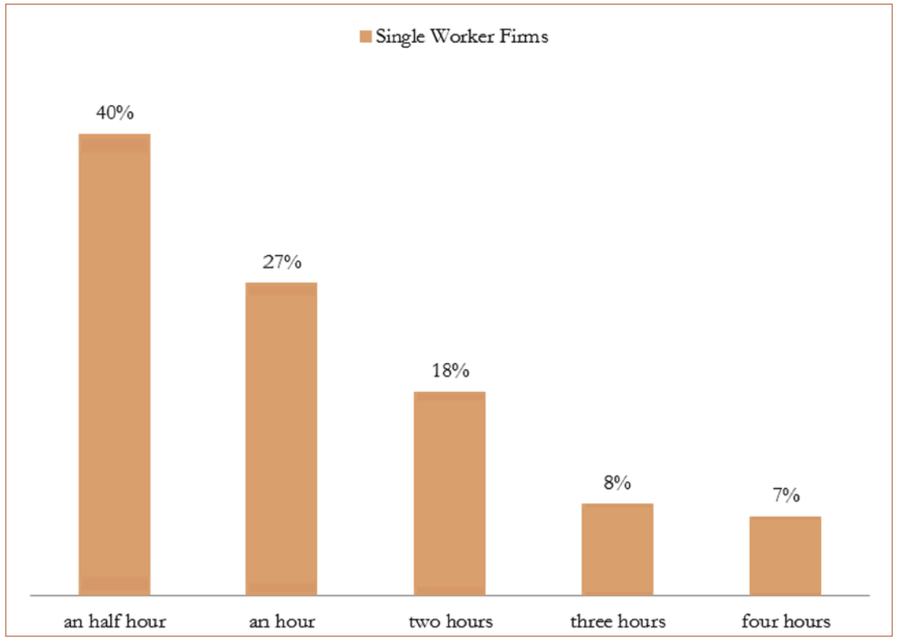


Figure 6.3.1 How Much can Workers Commute

Government training institutions are also favored over private, informal, and NGO training institutions (Figure 6.3.2).

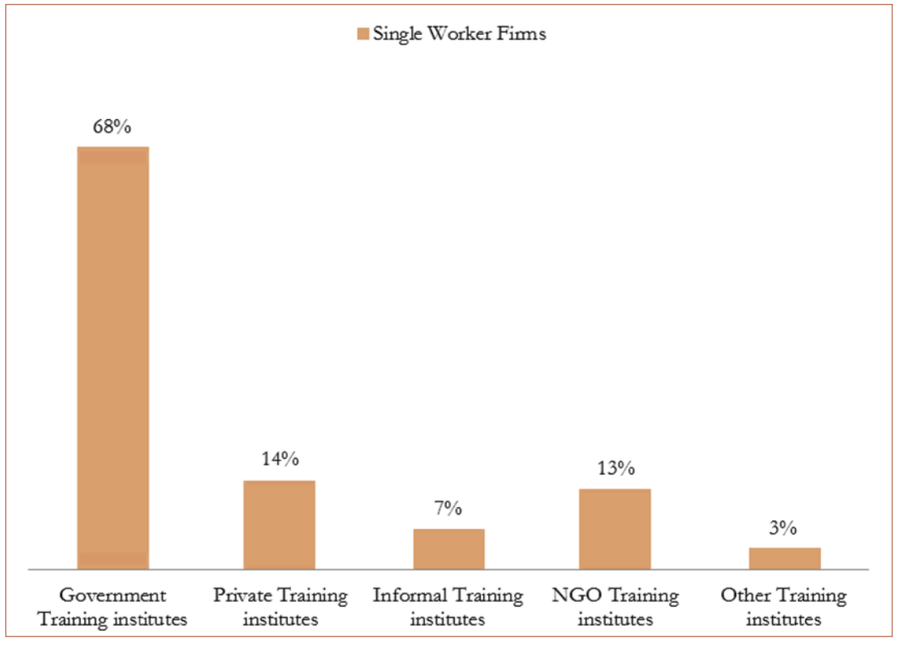


Figure 6.3.2 Most Preferred Training Source

A quarter of the firms would send someone to a free training with no stipend. For firms which would want some stipend for allowing their employees to get training, the costs are generally quite low, especially compared to what they wanted to be paid to do the training themselves, and varied little across districts as Figure 6.3.3 illustrates.

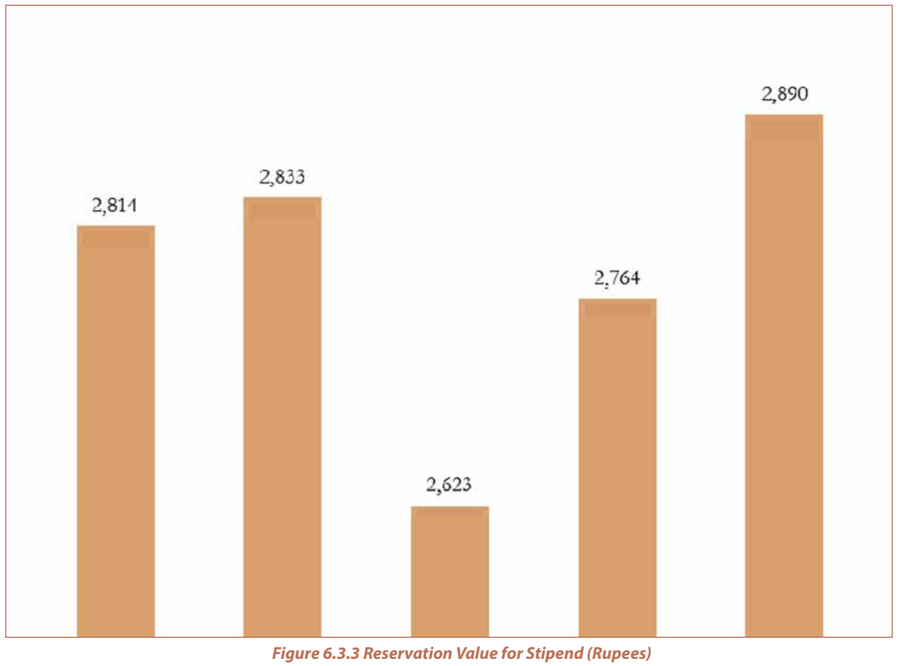


Figure 6.3.3 Reservation Value for Stipend (Rupees)

Firms have a strong preference for internal training. When firms were asked how they would invest 10,000 Rupees. to enhance their workers' skill levels, multiple-worker firms chose to allocate approximately 41% to on-the-job training in core skills, 34% to on-the-job training in job-specific skills, and the remaining 25% to external training (Figure 6.3.4).

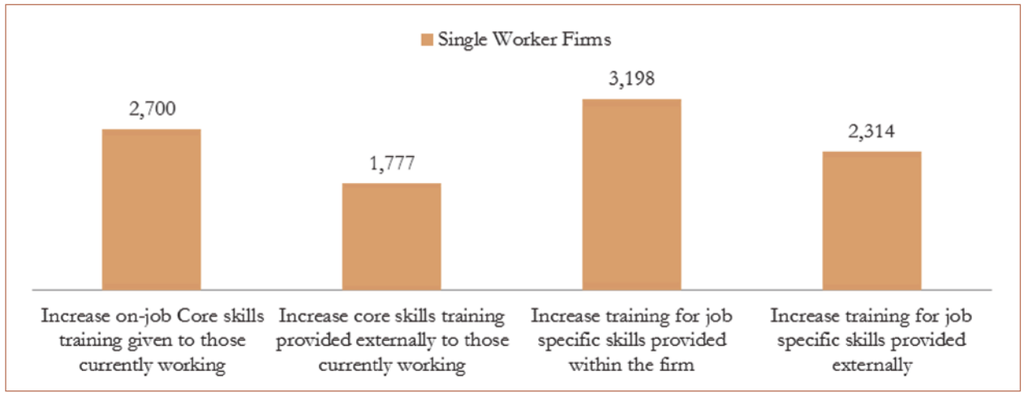


Figure 6.3.4 How to Invest 10,000 to Enhance Worker's Skill Levels

6.4. WILLINGNESS TO SERVE AS A PROVIDER

One of the key challenges for PSDF is in providing training locally. Initial results from the current evaluation of the SFM training suggest that locating training in villages yields huge increases in uptake, particularly for women. Scaling up the village-based training model is a challenge given the constraints on providers' capacities to work in multiple locations. We therefore studied the ability and willingness of firms in the PEOP region to serve as training providers. As this section shows, the results are encouraging.

6.4.1. CAN FIRMS SERVE AS TRAINING PROVIDERS?

More than 70% of the single-worker are willing to serve as training providers. Scaling up to the total population of the four districts, this represents about 183,021 multiple-workers firms that are willing to train internally (Table 6.4.1). This represents a very large pool of firms with experience in running a business who can train other.

	Willing To Train Internally
Bahawalnagar	33575
Bahawalpur	35835
Lodhran	25941
Muzaffargarh	87669
All District	183021

TABLE 6.4.1 NUMBER OF FIRMS WILLING TO TRAIN INTERNALLY

For those which refused, the constraint does not seem to be monetary compensation because only an additional 3% would accept if they were compensated. Rather, time constraints were cited as the main reason (Figure 6.4.1). These constraints can be relieved by providing external training to the employees. However constraints like lack of facilities and the lack of requisite skills will be more difficult to relieve.

Figure 6.4.1 Reasons Why They are Unwilling to Provide Training

The bottom line, though, is that there appears to be widespread willingness to provide training among small firms in the region.

6.4.2. HOW WOULD THEY LIKE TO SERVE A TRAINING PROVIDER

Single-worker firms are willing to train about 4 people for around 7 months. Owners seem to be very reluctant to use their time to provide training outside the firm. They most prefer to provide training if raw materials are provided (27%), or prefer to make their own facility available for external trainers (Figure 6.4.2).

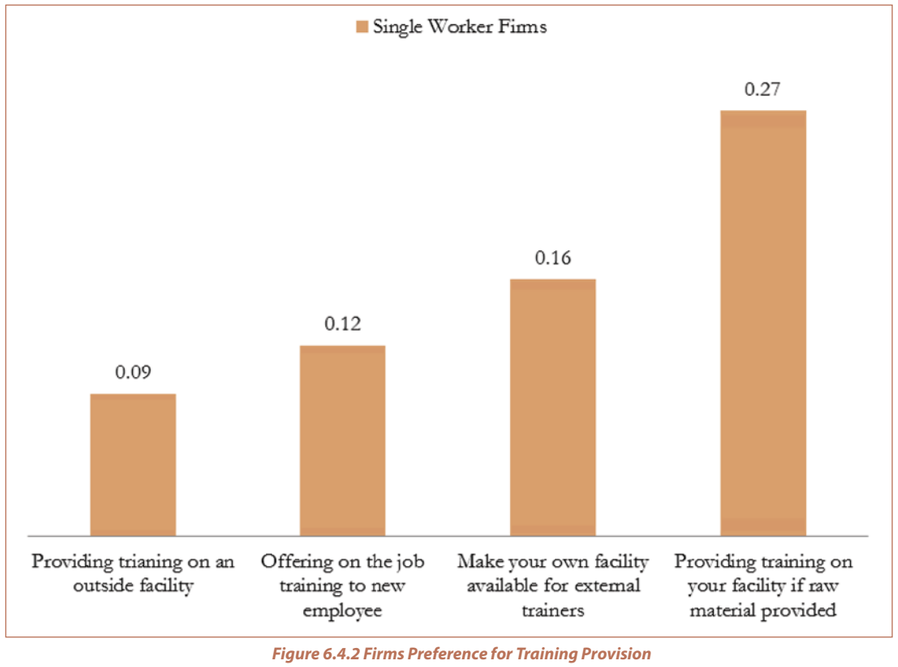


Figure 6.4.2 Firms Preference for Training Provision

They are willing to train on garment, craft and related trade work (28%), shop and salesperson (17%) and trade works (17%) in the highest proportions as given in the Figure 6.4.3. Our household survey suggests that the skills men would most likely want to acquire are related to agriculture (approximately 14%), and skills women would like to acquire are in the garment and related trade works (approximately 74%). This reflects a good match of the skills employers are willing to provide training for and those demanded by households.

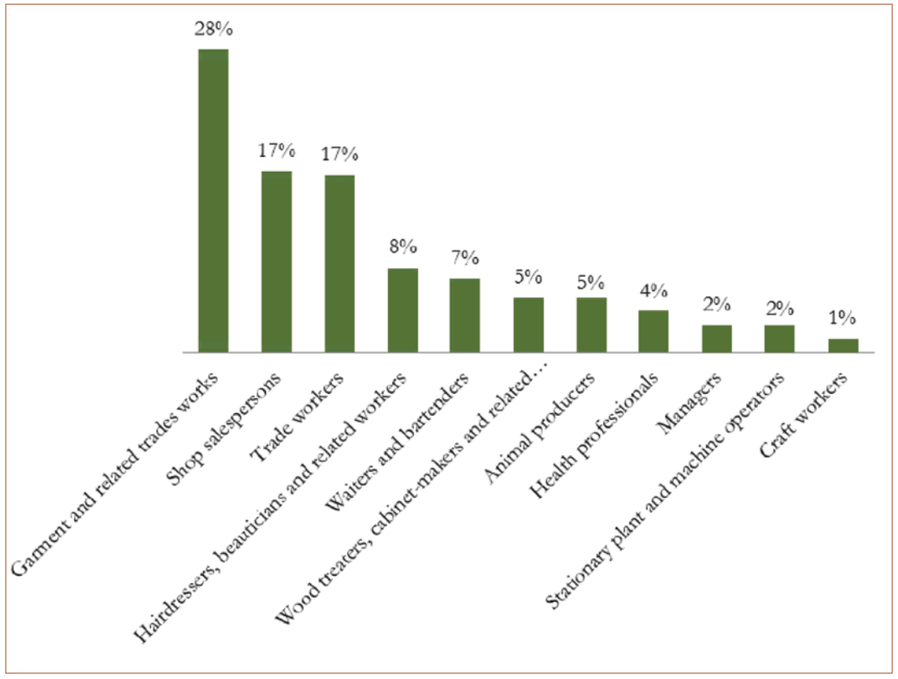


Figure 6.4.3 Skills They are Willing to Impart During the Training

6.4.3. THE COST AT WHICH THEY WOULD BE WILLING TO PROVIDE TRAINING

Among the firms which are willing to train people internally, they would do so for a compensation of 10,000 Rupees ($103) per month per trainee on average (Figure 6.4.4). The average cost varies by districts as shown in the figure below. Average training cost per trainee for a training provider with national certification is approximately 9,000 Rupees per month per trainee. (PSDF -11th Meeting of Board of Directors July 23, 2012). This reveals that provision of training internally by employers may be feasible on a cost per trainee basis.

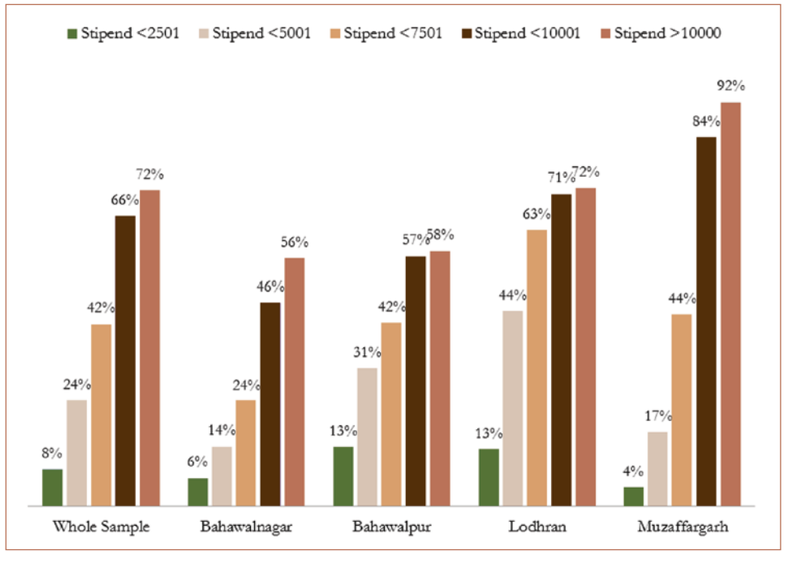


Figure 6.4.4 Cost per Worker at Which They are Willing to Provide Training

7

PROMINENT EMPLOYERS (PSU Mapping)

In this section, we describe the main characteristics of the prominent employers identified by village/neighborhood leaders in terms of their labor force, their demand for skills, their hiring practices and their willingness to train.

7.1. PROMINENT EMPLOYERS SAMPLE

7.1.1. SAMPLING STRATEGY

RCONS collected a list of all main nearby employer firms during focus groups in the sample PSUs. The objective was to be sure to include in our analysis the main employer firm in the region that a random sampling would have left out. This PSU mapping exercise produced a list of 2,743 firms, located within the PSU in majority (2,348 firms). The exact proportions are 85.6% in PSU, 8.3% outside the PSU but in Union Council (UC), 4.5% outside UC but in PEOP, 1.39% outside PEOP within country and 0.15% outside country. The firms located in the village were verified to check that they were not already included in the sample from the BOS.

CERP selected a list of 238 firms to survey based on the original list. The drawing was stratified by sectors (Manufacturing; Services; Trade; Agricultural Processing; Other (including livestock); and Other2 (crop farming)) and the employer's location (whether the employer was located (i) In the PSU; (ii) Outside the PSU but inside union council; (iii) Outside union council but inside PEOP districts).

These firms were surveyed at the same time as the BoS firms. While not a representative sample, these firms inform us on the needs and hiring practices of firms locals perceive to be the main employer in the region and thus the ones that PEOP trainees are most likely to turn to. The next section describes the main characteristics of the prominent firms.

7.1.2. PROMINENT FIRMS DESCRIPTION

As expected these firms have been in activity for much longer than the typical multiple-worker firms. The median prominent firm is 20 years old, compared to 9 years old for the average multiple-worker firm. These firms are also much larger than the average BoS multiple-worker firms. The median prominent firm employs 8 people and a quarter of them employ more than 25 people.

Table 7.1.1 shows that most of these prominent employers are active in the agricultural sector (81%). They are no more likely to be seasonal than typical firms. While sole proprietorship is also the most prominent ownership structure for these firms, they are slightly more likely to be partnerships than the average multiple-worker firm (17% compared to 8%).

Prominent Firm Characteristics	PSU Mapping		Multiple-Workers Firms BoS Only	
	Sample Average	Sample Standard Deviation	Sample Average	Sample Standard Deviation
FIRM DESCRIPTION				
Age of Firm	21.95	12.91	10.95	8.82
No. of Owners	1.30	0.82	1.17	0.53
No. of Employee	19.11	29.35	3.99	7.11
No. of Irregular Helpers	0.66	3.49	0.23	1.31
No. of Employee	19.11	29.35	3.99	7.11
SECTOR				
Production	0.11	0.31	0.43	0.49
Retail	0.03	0.18	0.20	0.40
Services	0.05	0.21	0.32	0.47
Agriculture	0.81	0.39	0.06	0.23
CURRENT LEGAL STATUS				
Sole Proprietorship	0.83	0.37	0.91	0.29
Partnership	0.17	0.37	0.08	0.28
Other	0.00	0.00	0.01	0.10
Business Seasonal	0.12	0.33	0.09	0.28

TABLE 7.1.1 FIRM CHARACTERISTICS

7.2. LABOR FORCE MAKEUP

Given the overrepresentation of the agricultural sectors in this sample, it is not surprising that their labor force is composed largely of agricultural, forestry and fishery labourers (63%), with a smaller number of drivers and mobile plant operators (19%), as well as labourers in mining, construction, manufacturing (16%) as shown by Figure 7.2.1.

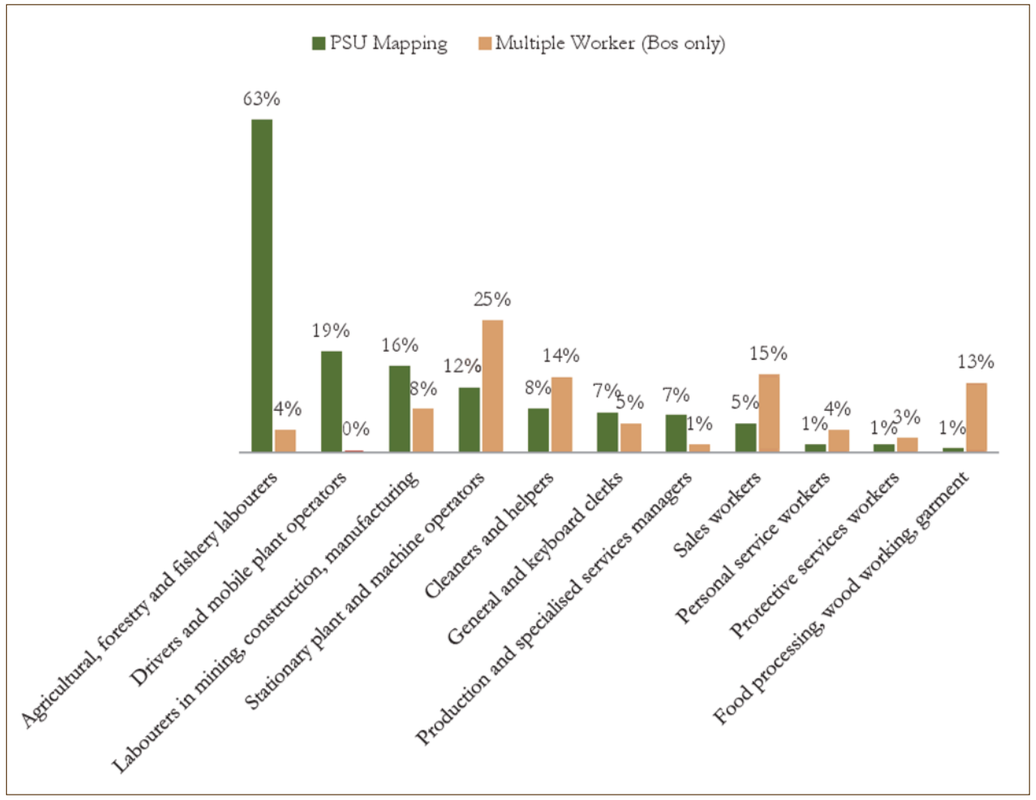


Figure 7.2.1 Labor Force

This is a very different labor force profile compared to the typical multiple-worker firm. Those firms mostly employ stationary plant and machine operators (25%), sales workers (15%), cleaners and helpers (14%), food processors (13%), and metal machinery and related trade workers (13%).

Since these prominent firms rely mostly on elementary occupations which do not require any specific skills, we would expect these firms to be more satisfied with their workforce and this seems to be the case. Agriculture labourers at these firms, for example, stay for 8 years on average and these firms are more likely to report that 100% of their workforce is fully proficient (Figure 7.2.2).

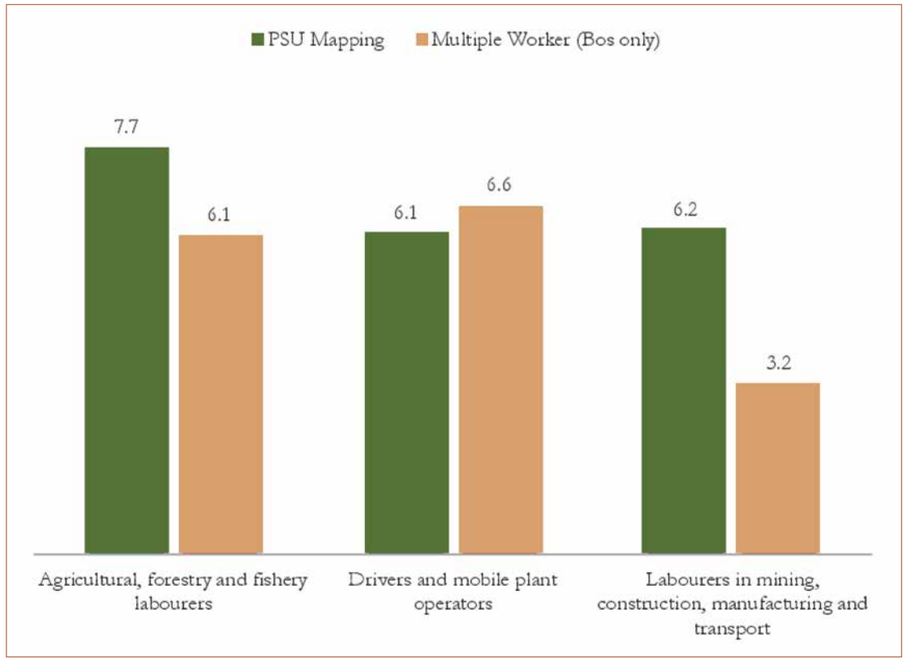


Figure 7.2.2 Average Length of Employment in Years

7.3. SKILLS DEMAND

Because of their very different profile, these firms (that employ a larger workforce) are likely to have different needs both in terms of skills and the level of skills. Since they mostly employ people in the elementary occupations job category, their demand for skills is likely going to be smaller.

Only 24% of these firms said they need someone with a specific skill, while 38% the multiple-worker firms did so in the full sample. As expected the skills they need are also different. 12% of these firms said that they need skills relevant to subsistence crop farming (Figure 7.3.1).

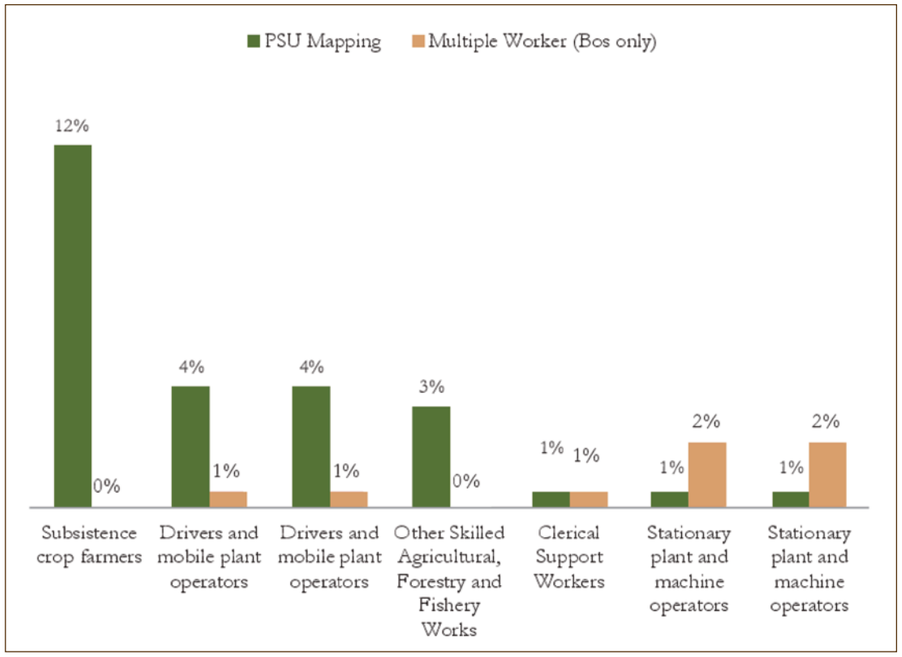


Figure 7.3.1 Demand for Skills

7.4. HIRING PRACTICES

Not surprisingly, these firms are more active in hiring. Almost all of them wanted to hire someone (96%) last year. The median PSU mapping firm tried to hire 5 people and a quarter tried to hire 25 people or more.

These firms are in general less likely to declare that they are smaller than they want, that they want to increase labor force (3%) or foresee a change in labor force (1%) than the average firm. This is consistent with the fact that they are much larger on average and appear to be more fully established.

On average these firms fill their position faster, 1.85 weeks on average compared to 2.41 for average firms, but the proportion of firms that had at least one unfilled position is identical (10%). Consistent with the fact that these firms are larger, only 25% said that they would need to buy new equipment if they hired an additional employee. This is much lower than for the average multiple-worker firms, 56% of whom said they would need new equipment to bring in new workers (Table 7.1.1).

Hiring Practices	PSU Mapping		Multiple-Workers Firms BoS Only	
	Sample Average	Sample Standard Deviation	Sample Average	Sample Standard Deviation
Wanted to Hire Someone Last Year	0.95	0.21	0.86	0.34
Total positions they tried to fill last year	14.39	19.41	2.61	5.04
Want to Increase Labor Force	0.03	0.16	0.13	0.33
Foresee an Increase in the Labor Force in Next Two Years	0.01	0.12	0.10	0.30
Time to Fill a Position (Weeks)	1.85	1.76	2.41	5.67
Indicator for At Least One Position not Filled Last Year	0.10	0.29	0.10	0.31
Would Need to Buy New Equipment if Hire Someone	0.25	0.43	0.56	0.50

TABLE 7.4.1 FIRMS HIRING PRACTICES

These firms hire predominantly from within the village where they are located, as does the average firm, but in slightly higher proportions (about 80% of the most recent employees were hired locally). Importantly, prominent employers are less likely to recruit workers from within their personal networks; only 27% of their most recent hires compared to 57% of those in the average multiple-worker firm.

Finally, Figure 7.4.1compares how these prominent employers would spend money to improve search with how the average firm in the region would.

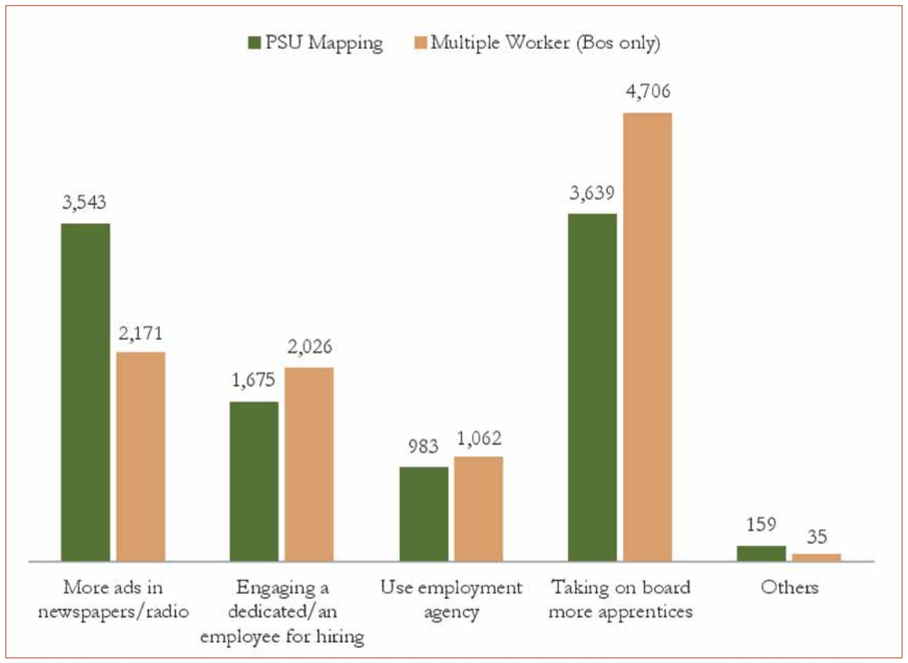


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Figure 7.4.1 Investing 10,000 to Improve Employee Search

These prominent firms are less likely to want to pay wages for a trial period to help select employees and spend less on it, if asked how they would spend a fixed amount of money to enhance selection (Figure 7.4.2). They are more apt to spend money on searching through advertisements and to evaluate workers through pre-employment testing, than the average firms.

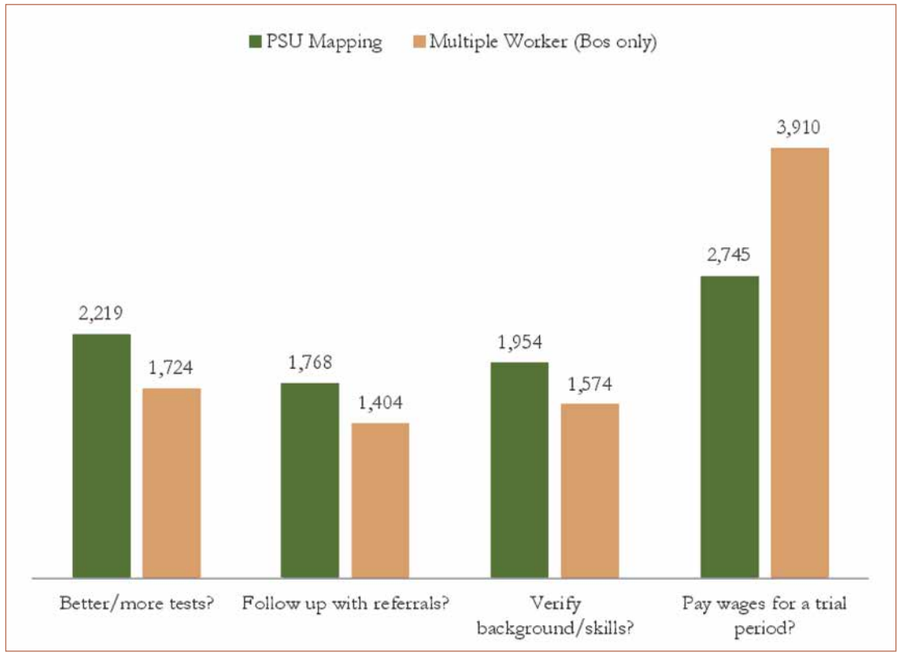

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Figure 7.4.2 Investing 10,000 to Improve Evaluation

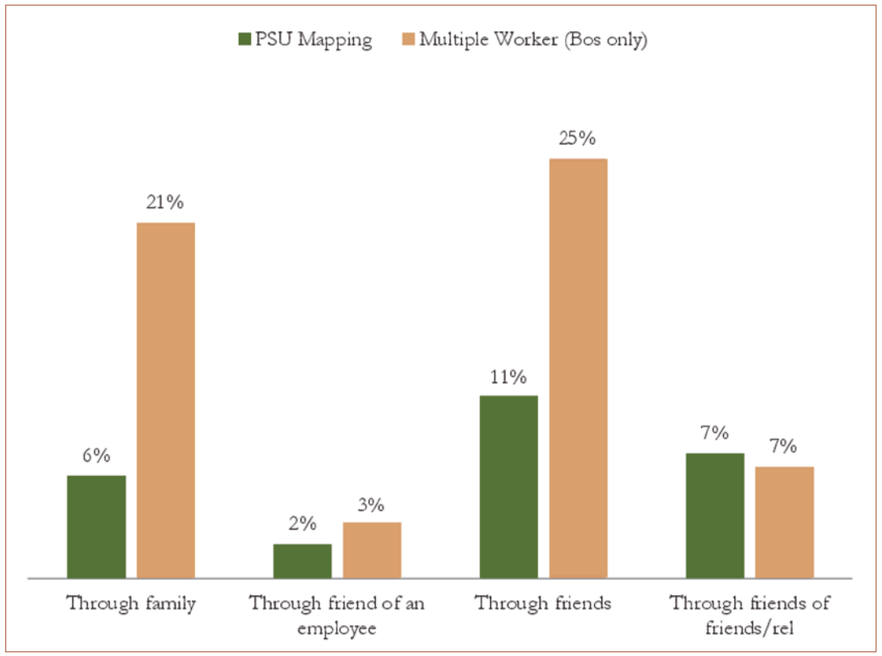

Figure 7.4.3 How Firms Recruit their Employees

Figure 7.4.3 above shows the social networks through which firms recruit their employee.

7.5. WILLINGNESS TO GET EMPLOYEES TRAINED

Even though, they employ mostly unskilled workers, these prominent firms are just as likely to want to send someone to training as the average multiple-worker firm. Interestingly they are much less willing to have their workers commute; 86% said that the worker could only commute half an hour for training. As a result, while prominent firms are as likely to want to send someone for training as other firms, they seem to value training less (or be more concerned by employee travel) in that they are less likely to allow their workers to travel for training.

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