

**A STUDY OF GLOBALIZATION MODEL WITH RESPECT TO ITS  
IMPACTS ON LABOUR MARKET OF PAKISTAN**



**Fraz Naveed Hassan**

**Bahria University Islamabad**

**Dissertation submitted to Bahria University Islamabad MS Department in partial  
Fulfillment of the Requirements for the Degree of MBA**

# DEDICATION

---

To Allah Almighty (SWT) and the great Prophet Muhammad (PBUH) and to my loveliest, caring and greatest Auntie Ms. Hamida Latif Hashmi whose moral and financial support always encouraged me whenever I felt caught in the jungle of hardships.

# ACKNOWLEDGEMENT

---

All praise to Allah Almighty, the most Beneficent, the most Merciful, the most Gracious and the Benevolent who bestowed upon us courage and patience to undertake and conclude this study. To Him be all praises for providing us, who are humble creatures, with the keen penetrating mental facility.

We offer our humblest and sincerest words of thanks to Holy Prophet Hazrat Muhammad (PBUH) who is forever a torch of guidance and knowledge for all humanity.

Special admiration goes to the supervisor Col. Imtiaz Ahmed Mohar for his support and constant supervision. His precious help of productive suggestions, comments and guidance throughout the thesis work have all contributed to the achievement of this research. To those who ultimately contributed in my research work, their considerations mean a lot to me.

I am also highly thankful to Ms. Attiya Kanwal, Ms. Anna Bashir, Ms. Hania Muzaffar, Ms. Iffat Javeed and Ms. Zoeya Naqvi, friends and family for their unforgettable co operations during my research work.

Finally I state thanks to my family for their encouragement and love. I have received so much special support from associates, friends, members of the church and particularly my home. Their attention and friendship kept me going on the journey of my research.

Thank you so much all!

Fraz Naveed Hassan

## Attestation

---

I understand the nature of plagiarism, and I am aware of the University's policy on this. I certify that this dissertation reports original work by me during my University project except for the following.

Signature

Date

## **ABSTRACT**

Economic globalization is intensely changing the macroeconomic fabric of the Pakistan's labour market. The aim of this study is to shed light on the effects of both trade and technology on Pakistan's labour market during the study period 2002-2012. Globalization is the independent variable and the dimensions of globalization in the study include; Female participation rate, Unemployment rate, Export & Import and Immigration. The dependent variable is Labour market which was measured by Wage difference between unskilled and skilled labour proxies AWE (Average Weekly Earnings) of the employed persons. The basic motivation of this study is to find out empirically whether the process of globalization, measuring through trade liberalization (effects of FPE and SS theorem) and the Marxian spectra of immigration, female labour force participation, labour saving technological modification and such other factors, contributed to the phenomena of widening wage disparity among skilled and unskilled labour and increasing unemployment rates in Pakistan. To empirically test the impact of globalization on

Pakistan's labour market, for the sample period 2000-2011, a database was compiled by using the electronic DX ABS (Pakistan's Bureau of Statistics) time series data sources (Econdata, 2011). This study uses multi-cointegration econometrics and unit root, general to specific modeling and encompassing tests to study the impact of trade liberalization and technical progress on Pakistan's labour market in terms of growing unemployment and widening of skill differentiated wage disparity. E-views (Econometric Views) were used for the data analysis through econometric model. The results of Granger causality tests were supported by FPE (Factor Price Equalization) and SS (Stolper-Samuelson) theorem worst impacts on Pakistan's labour market. Both import and exports competition for the reason of trade liberalization appears to have increased the wage disparity among skilled and unskilled labours. Moreover, Marx turns out to have strike over again by the shift of labour saving technology. The results of encompassing model which was not non-nested have supported the argument that labour saving technological growth had an impact on wage disparity in Pakistan. For that reason, globalization operating by technology and trade shift has increased the skill metricated wage arrangement and in addition increased unemployment rates among unskilled labours in Pakistan. The immiseration of labour by the rise in unemployment can have impact on the wage rigidity due to institutional factors.

Some challenge that trade liberalization and import penetration from the west has increased the immiseration of unskilled labours. Developing policies and training programs to re-skill and re-train immiserised unskilled labour for more creative jobs that generate positive externalities in a way prefigured in endogenous growth models can trigger off good cycles and economy-wide "*lifting-of-all boats*" impacts . The new

government labour market re-skilling and training programs can be inspired by Swedish model and might be geared to overcome the failures of market. In the last, the study concludes with a number of policy perspectives on labour market deregulation in Pakistan. The research obtained few major findings; among these findings there was a positive relationship between export and WD (Wage difference of unskilled and skilled labour), positive relationship between import and WD and another positive relation between high rate of unemployment and WD. But female participation and immigration do not show any significant relationship with WD. The results of the current study would not only help the mining and retail sector but other organizations also to cope with the rapid change in the environment by bringing labour market laws, thus enabling them to perform better.

## Table of Contents

ABSTRACT ..... 5

### [CHAPTER 1](#)

Introduction..... **Error! Bookmark not defined.**

    Objectives of study ..... **Error! Bookmark not defined.**

    Research question ..... **Error! Bookmark not defined.**

    Organization of study ..... **Error! Bookmark not defined.**

*Chapter 1* ..... **Error! Bookmark not defined.**

*Chapter 2* ..... **Error! Bookmark not defined.**

*Chapter 3* ..... **Error! Bookmark not defined.**

*Chapter 4* ..... **Error! Bookmark not defined.**

*Chapter 5* ..... **Error! Bookmark not defined.**

CHAPTER 2 ..... **Error! Bookmark not defined.**

    Literature Review ..... **Error! Bookmark not defined.**

        Technology and trade effects of Stolper-Samuelson Theorem ..... **Error! Bookmark not defined.**

        Female participation rate and Wage disparity between skilled and unskilled labour **Error! Bookmark not defined.**



Unemployment and Wage disparity between skilled and unskilled labour	Error! Bookmark not defined.
CHAPTER 3	Error! Bookmark not defined.
Theoretical framework	Error! Bookmark not defined.
Operationalized definitions of variables	Error! Bookmark not defined.
1. Female participation rate	Error! Bookmark not defined.
2. Unemployment rate	Error! Bookmark not defined.
3. Immigration	Error! Bookmark not defined.
4. Export	Error! Bookmark not defined.
5. Import	Error! Bookmark not defined.
6. Trade liberalization	Error! Bookmark not defined.
<i>Labour market</i>	Error! Bookmark not defined.
1. Wage disparity between skilled and unskilled labour	Error! Bookmark not defined.
Methodology	Error! Bookmark not defined.
Research design	Error! Bookmark not defined.
Data collection	Error! Bookmark not defined.
Data analysis techniques	Error! Bookmark not defined.
Globalization wage disparity casual nexus	Error! Bookmark not defined.
Unit root econometrics	Error! Bookmark not defined.
Table 1: KPSS and APS unit root test results	Error! Bookmark not defined.
Multicointegration Econometrics	Error! Bookmark not defined.
Modeling of wage disparity among skilled and unskilled labour (general to specific)	Error! Bookmark not defined.
Table 2: Results of Johansen-Juselius multicointegration test	Error! Bookmark not defined.
Model 1	Error! Bookmark not defined.
Granger causality empirics	Error! Bookmark not defined.
Table 3: Granger causality tests on wage disparity among skilled and unskilled labour	Error! Bookmark not defined.
Labour immiseration and technology	Error! Bookmark not defined.
Model 2	Error! Bookmark not defined.
Table 4: Encompassing outcomes of model 1 and 2	Error! Bookmark not defined.
Recommendations	Error! Bookmark not defined.
Limitations and Future research	Error! Bookmark not defined.
GLOSSARY	Error! Bookmark not defined.
Average Weekly Earnings	Error! Bookmark not defined.

