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ABSTRACTS

**Demographic Dividend or Demographic
Threat in Pakistan?**

DURR-E-NAYAB

Population growth and size have remained the focus of debate for centuries but the recent demographic transition in developing countries has made social scientists take note of the changing age structure of the population as well. As a result of declining population growth and consequent changes in age structure, the proportion of working-age population is increasing in most developing countries. An associated decline in the dependent age population offers a window of opportunity, referred to as the 'demographic dividend'. Pakistan is also going through the demographic transition, and is experiencing a once-in-a-lifetime demographic dividend as the working-age population bulges and the dependency ratio declines. This paper looks into the demographic dividend being offered to Pakistan and its implications for the country, mainly through three mechanisms: labour supply, savings, and human capital. For economic benefits to materialise, there is a need for policies dealing with education, public health, and those that promote labour market flexibility and provide incentives for investment and savings. On the contrary, if appropriate policies are not formulated, the demographic dividend might, in fact, be a cost, leading to unemployment and an unbearable strain on education, health, and old age security.

**Demographic Transition and Youth
Employment in Pakistan**

G. M. ARIF and NUSRAT CHAUDHRY

There is convincing evidence that Pakistan has entered the demographic bonus phase; child dependency is declining and youth share in the total population is rising. This paper has examined youth employment in the context of demographic transition evidenced since the early 1990s. Changes in the level of educational attainment have also

been analysed. The study has used the data from Pakistan Demographic Surveys and Labour Force Surveys carried out between 1990 and 2005. Findings of the study show that the benefits of demographic transition in terms of rising share of youth in the total population has partially been translated through development of their human capital and productive absorption in the local labour market. While the pace of human capital formation seems to be satisfactory in urban Pakistan, it is dismal in rural areas, particularly for females. High levels of both female inactivity across the education categories and unemployment for males as well as females urge a strong youth employment policy in Pakistan to reap the benefits of the ongoing demographic transition. Youth are a source of development, and a high priority may be placed on preparing them with the skills needed for their adjustment in the labour market.

Wheat Markets and Price Stabilisation in Pakistan: An Analysis of Policy Options

PAUL DOROSH and ABDUL SALAM

This article provides a quantitative analysis of the effects of Pakistan government domestic wheat procurement, sales, and trade policies on wheat supply, demand, prices, and overall inflation. Analysis of price multipliers indicates that increases in wheat procurement prices (one means of promoting domestic procurement) have relatively small effects on the overall consumer price index. Partial equilibrium analysis of wheat markets suggests that fluctuations in production, rather than market manipulation, are plausible explanations for price increases in recent years. Comparisons of domestic and international prices suggest that promoting private sector imports is one alternative for increasing supply and stabilising market prices, particularly in years of production shortfalls. Overall, this paper concludes that market forces play a dominant role in price determination in Pakistan, and that policies that promote the private sector wheat trade can both increase price stability and reduce fiscal costs.

Rural Labour Market Developments, Agricultural Productivity, and Real Wages in Bangladesh, 1950–2006

AKHAND AKHTAR HOSSAIN

This paper provides an overview of recent developments in rural labour markets in Bangladesh and also examines the trends and movements of agricultural productivity and real wages with annual data for the period 1950–2006. The paper links the movements of agricultural real wages to macroeconomic developments in general and agricultural development in particular. As part of empirical investigation, the paper develops a simple model of agricultural real wages that depend on agricultural productivity. In order to examine the long-run relationship between agricultural productivity and real wages, the paper applies the Autoregressive Distributed Lag Bounds testing approach. Empirical results suggest that there exists a long-run relationship between agricultural productivity

and real wages, and that agricultural productivity can be treated as a 'long-run forcing variable' in explaining agricultural real wages. In the dynamic specification of real wages, the coefficient on one-period lagged error-correction term bears the expected negative sign and is significant. The forecasting ability of the error correction model is satisfactory with respect to the level or the percentage change of real wages. The overall results are consistent with the findings of earlier studies that agricultural productivity is a key determinant of real wages in Bangladesh.