Estimating the Middle Class in Pakistan

DURR-E-NAYAB

The middle class is primarily an urban phenomenon generally associated with professional occupations, service sector and salaried jobs. Yet despite a general acceptance of the important economic, political and social role that the middle class plays in society, the term itself remains ambiguous and arbitrary. In much of recent literature the middle class is equated with middle income which does not reflect what ‘class’ refers to in classical writings. The present paper takes a multidimensional approach to measure the middle class in Pakistan through a weighted composite index that takes into account all possible factors associated with the concept, including income, occupation, education, housing and lifestyle. Using the Pakistan Social and Living Measurement Survey (PSLM) 2007-08, the magnitude of the middle class in the country, as represented by the ‘expanded middle class’, is estimated at around 35 percent of the total population. The proposed measure of the middle class has a sense of stability attached to it, making it less susceptible to sudden inflationary shocks than an income-based measure.

JEL classification: Z13, R20, A14
Keywords: Pakistan, Middle Class, Multidimensional

Interlinked Factor Markets and Allocative Efficiency:
Evidence from Rural West Bengal, India

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The issue of the implication of interlinkage of factor markets on the allocative efficiency level of the farm households deserves a special attention in the light of the
controversy among two distinct schools of thought: the Neoclassical and the Marxist. An attempt has been made in the paper to measure allocative and cost efficiencies of the interlinked holding vis-à-vis a comparable group of non-interlinked holding in the framework of Data Envelopment Analysis. Empirical evidence establishes the Neoclassical proposition that interlinked factor markets can be considered as one of the “efficiency improving institutional change” in rural agrarian economy.

**JEL classification:** D61, C87, Q14.

**Keywords:** Interlinkage, Allocative Efficiency, Rural Credit, Data Envelopment Analysis

### Corporate Governance and Firm Performance:
**An Analysis of Family and Non-family Controlled Firms**

**Qaiser Rafique Yasser**

The aim of this study is to scrutinise the impact of corporate governance mechanism on the performance of family and non-family controlled firms in Pakistan. It has been found that a corporate governance structure influences the performance of both family and non-family controlled companies significantly. However, all corporate governance mechanisms are not significant as the significant variables differ between family and non-family controlled companies. Thus, regulators need to be cautious in setting codes for different companies.

**JEL classification:** G34, L21, L25

**Keywords:** Corporate Governance, Firm Performance

### Formal Participation in a Milk Supply Chain and Technical Inefficiency of Smallholder Dairy Farms in Pakistan

**Abid A. Burki and Mushtaq A. Khan**

This paper provides empirical evidence on the impact on technical inefficiency of smallholder dairy producers when they formally participate in a milk supply chain. Here the stochastic production frontier and technical inefficiency effects model are estimated based on the data gathered from 800 smallholder dairy farms in Pakistan. The results suggest that the technical inefficiency of the participating farms is significantly reduced. A strong impact of the supply chain is also detected in reducing technical inefficiency of farms that are located in remote areas and on those that have larger herd-size. Experienced farmers up to the age of 36 years have the advantage of reducing technical
inefficiency. The remaining differences in relative inefficiency of dairy farms are accounted for by severe long-term depressive disorders.

**JEL classification:** D24, Q12, Q13, Q18

**Keywords:** Agri-food Supply Chain, Production Frontiers, Dairy Efficiency, Food Policy, Pakistan
Challenges for Youth Employment in Pakistan: Are They Youth-Specific?

Xiaohui Hou

This paper analyses the patterns of and the challenges for youth employment in Pakistan, and examines whether these challenges are youth-specific. Using the 2005-2006 labour Force Survey (LFS), the analysis includes determinants of unemployment, determinants of working in the formal sector, rate of return on education, and determinants of working hours. The paper finds that many of the challenges to youth employment in Pakistan are not youth-specific. Policies should thus emphasise broader labour market reforms, even in the context of tackling youth employment issues. Still, some challenges are youth-specific, such as a higher youth unemployment rate and insufficient returns to better-educated youth. To address these challenges, more youth-specific interventions are needed.

*JEL classification:* J13, D01, O12
*Keywords:* Youth Employment, Labour Market, Poverty, Pakistan

Relational Contracting in Pakistan’s Surgical Instrument Cluster: An Empirical Study

Theresa Thompson Chaudhry

This paper tests an idea from relational contracting theory [Macauley (1963); North (1990); Greif (1994); Kranton (1996)] that informal relationships can substitute for formal contract enforcement through the judicial system, from the analysis of a new survey of the surgical instrument cluster in Sialkot, Pakistan. Inter-firm trust is thought to lead to reduced transaction costs (a passive benefit of a cluster). Considered here are exchanges of goods between clustered suppliers and their customers, who are either members of the cluster or firms that interact frequently with it. Inter-firm trust is measured as the amount of trade credit offered to customers. The results show that suppliers are more likely to offer trade credit when they believe in the effectiveness of formal contract enforcement and when they participate in business networks (proxied by inter-firm communication). There is also some evidence that customer lock-in helps to develop inter-firm trust since firms give more credit when relationships are of longer duration, and as locked-in customers are less able to find alternate suppliers.

*JEL classification:* O12, L14
*Keywords:* Microeconomic Analyses of Economic Development, Transactional Relationships, Contracts and Reputation, Networks
Pakistani Bureaucracy and Political Neutrality: A Mutually Exclusive Phenomenon?

Maryam Tanwir and Shailaja Fennell

This paper examines the reasons for the early dominance of the bureaucratic élite in Pakistan and the downsizing that was brought about by the administrative reforms of 1973. The perceptions of bureaucrats and ministers indicate that loyalty to political establishment is now regarded a crucial requirement in a bureaucrat. This shift from the principle of political neutrality to the practice of political allegiance has affected both the development agenda as well as the institutions of the country.

*JEL classification:* H11, D73
*Keywords:* Bureaucracy, Political Neutrality, Politicisation, Governance, Weber