

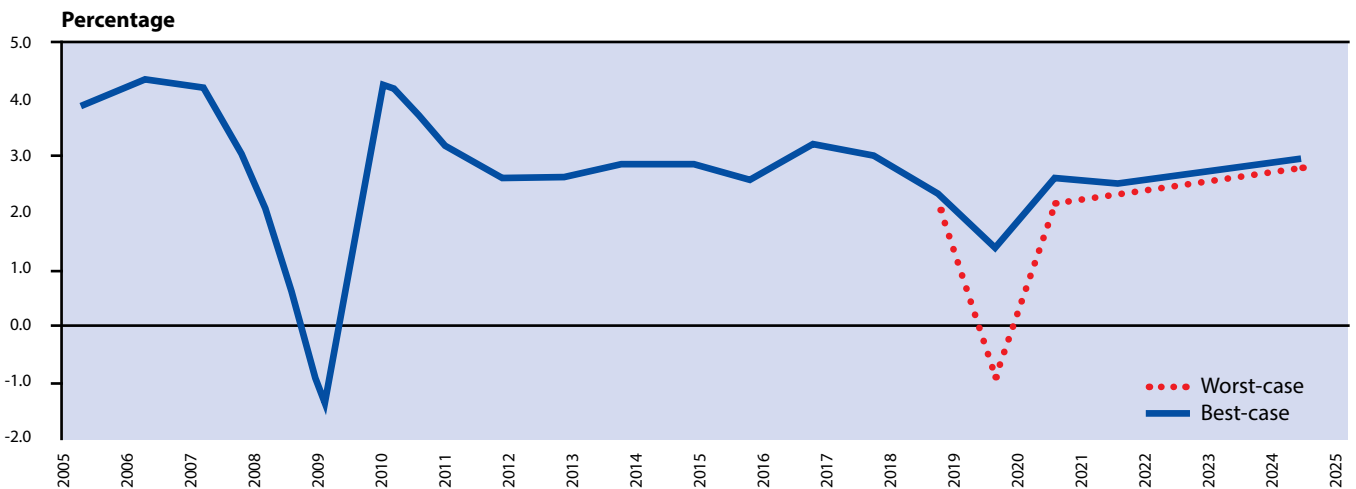
# VITAL ECONOMIC OPERATIONS MANAGEMENT (VEOM)

## PLANNING AND DEVELOPMENT DEPARTMENT, GOVERNMENT OF KHYBER PAKHTUNKHWA

Policy Brief - 001 | Date: 7th April 2020

- UN Department for Economics and Social Affairs (UN DESA) projects that the most likely economic scenario would result in 1% shrinkage of global GDP. This would have serious repercussions for the more vulnerable economies, which are already running significant fiscal deficits like Pakistan.

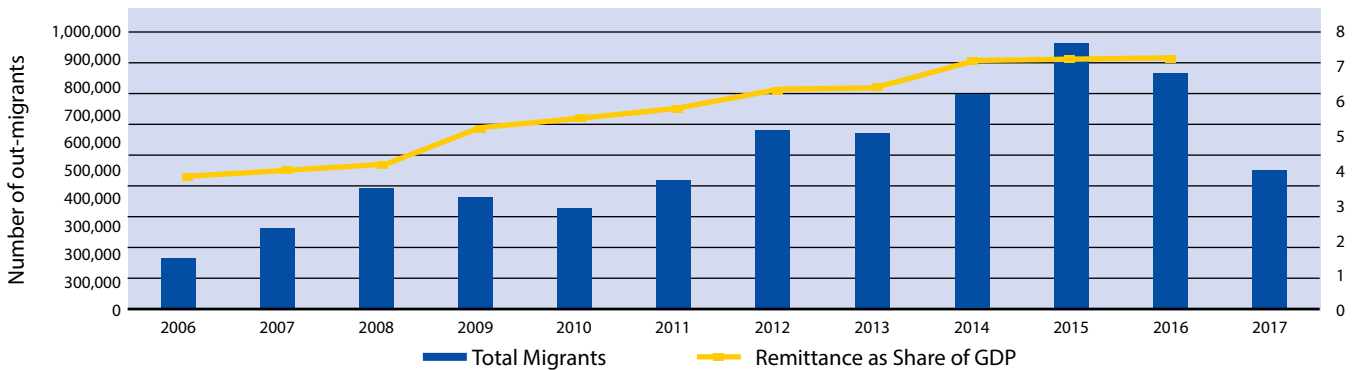
Figure 1: World growth outlook for 2020 in the best- and worst-case scenarios, as of late March 2020



Source: UN DESA

- Khyber Pakhtunkhwa (KP) is home to a significant number of migrant workers who work in other parts of the country and abroad especially in the Middle East. These workers and their families are usually not the beneficiaries of any assistance from the state. An estimated 200,000 workers (please see the table below - segregation based on KP % in total population) have been leaving KP each year for the past decade or so, most of them low skilled workers. With their jobs under threat how does the state provide for this segment?

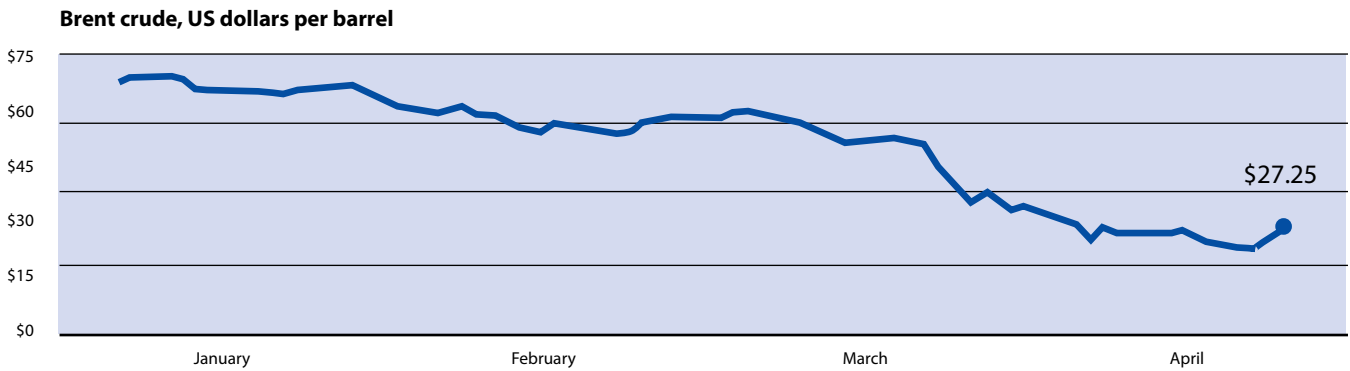
### Total flow of Migrants from Pakistan over time



Source: Bureau of Emigration and Overseas Employment. & World Bank Global Knowledge Partnership on Migration

- The drop in oil prices will have direct bearing on the employment opportunities for the migrant workers in the Middle East, since the Middle Eastern economies depend heavily on oil. The dramatic drop in oil prices (please see the table below) and slowing down of economic activities may create a situation where a large number of these workers lose their jobs and forced to return to KP.

## Oil price in 2020



**Source:** Bloomberg, 02 April 2020, 09:30 GMT

- DAWN reported on 5th April, 2020 that an estimated 30,000 workers in the mining sector working in various parts of Pakistan (but mostly in Baluchistan) and belonging to KP have returned home.

- <https://twitter.com/IvanWerning/status/1246043601454403585?s=20>

The above Twitter link leads to a study entitled "Macro economic implications of COVID-19", which concludes by saying that payments to workers would be the best strategy to mitigate risks. The payments to workers, one would assume would fall under the purview of Provincial Governments as opposed to Federal Government in case of Pakistan.

- A viewpoint that is increasingly being put forward by some of the leading minds in economics like Noble Laureate Paul Krugman and published in an article in New York Times on 6th April, 2020 suggests unemployment benefits as the best remedy for economies as opposed to public spending on infrastructure projects. The excerpts from the article follow:

“What’s striking is that this is the answer coming even from Keynesian economists like Larry Summers, Olivier Blanchard, and yours truly, who generally favor fiscal stimulus in the form of spending to fight slumps, and have been urging the U.S. to take advantage of low interest rates to do a lot more public investment. You might have expected this gang of nerds to use the current slump as an excuse to pursue their (our) favorite policy. «But hard thinking about the nature of the current crisis says that infrastructure spending, however desirable it may be, doesn’t address the immediate issues. Enhanced unemployment benefits and aid to small businesses do get at the heart of the current problem. So that’s what serious economists are recommending, and Democrats in Congress have mostly come around to the same view.”

### Policy Implications for KP

Any social safety initiative; current or new, would require estimations on unemployment. Following actions are required.

- Assessment of unemployment due to COVID-19 crisis.
- Estimation of unemployment among permanent residents working in other provinces or abroad.
- Ascertain policy choices to minimize the effects of loss of employment in the local and expat labour market.