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Factors Affecting Employment Choices in Rural Northwest Pakistan

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Abstract

Using the multinomial logit model, this study explores the factors affecting occupational choices in rural northwest Pakistan. The study uses census data of 2825 households in six villages of Peshawar district Pakistan collected by an interdisciplinary research team of Goettingen University, Germany. The results comparing six distinct occupations versus non-farm informal activities suggest that asset endowment of households has a significant effect on households' head choice of employment. Livestock holding increases the odds of practicing farm related occupations relative to informal wage activities. Wealth, defined here as household per capita income, matter a lot in the likelihood of pursuing occupations other than informal activities in northwest Pakistan. Similarly, the likelihood increases for household with fairly younger and illiterate heads to engage in non-farm informal sector. Household size is positively and significantly related to all the occupational groups while an additional working member reduces the odds to work as farmer. Credit and farm land constraint also drive households into informal jobs. Finally, comparing the six villages in term of labour market, we find that business activities are significant in villages with better infrastructure. Due to lack of natural, financial and human capital more and more people in the study area have to find their livelihood in the informal casual sector. However, majority of these non-farm activities are survival oriented and have little to do with wealth accumulation. The implication of the study is that rural non-farm sector needs its due share in development policies as it has the potential to uplift the rural areas.

Keywords: Informal employment, multinomial logit, Northwest Pakistan, occupational choices