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**THE IMPACT OF CPEC & RELATED  
ROAD INFRASTRUCTURE PROJECTS  
ON EMPLOYMENT**

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# The Impact of CPEC and Related Road Infrastructure Projects on Employment

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**Abstract**-Infrastructure development is the building stone toward economic growth. Therefore, under CPEC the role of infrastructure projects is of immense importance. Initial investment allotted to infrastructure development under China Pakistan Economic Corridor is US \$ 13.58 billion out of US \$ 46 billion. The study examines the estimated number of direct employment generated through CPEC under related infrastructure projects, and calculates the number of Chinese and Pakistani human resource hired on these projects. The research is based on the primary data which has been collected from six road projects through questionnaires, which were filled by the project implementers. The results indicate that these projects are not only providing employment opportunities to the local community, but also enhancing the capacity of local human resource. The results show that approximately 52,000 direct jobs have been created through six CPEC and related road infrastructure projects. Furthermore, the average employment ratio of Chinese citizen to Pakistani citizen is 1:18. Which negates the impression that only the Chinese citizens are getting the employment opportunities in CPEC projects.

**JEL Classification:** H54, O18, E24, J21

**Key Words:** *Employment, FDI, Infrastructure, Investment*

## I. INTRODUCTION:

The fruits of globalization are numerous. It crushes long distances between countries, breaks down the border of nations, consequently, transforms the world into a global village. A substantial trend observed in the economies of twenty-first century is; an increasing interlinkage between countries and existence of an ongoing shift in global economic activity from developed to developing world. A secure and reliable approach to link global production network is to build “economic corridors”, which certainly is one of the most important mean of facilitating economic activity. The importance of infrastructure was first popularized by Singer (1950) who emphasized the significance of financing in infrastructure with venture in certain facilities, which are considered crucial for the improvement of a nations roots. This is because, appropriate infrastructure in terms of capacity and value builds an environment favorable for attracting a

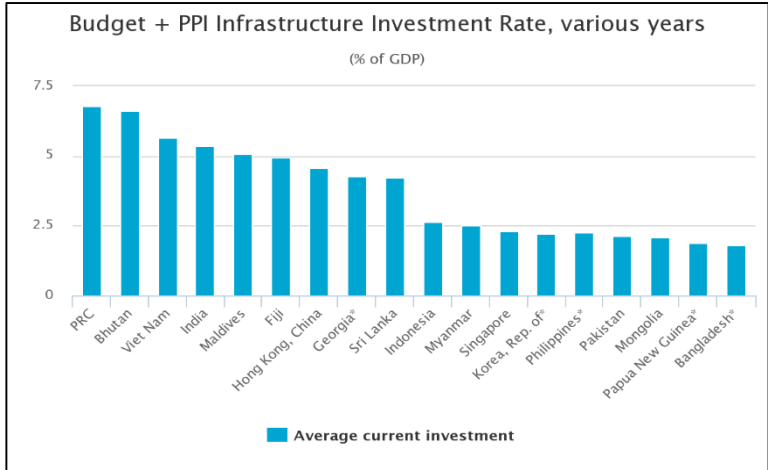
decent amount of investment for the country. Subsequently, infrastructure is not an end of economic activity rather it is a framework which makes economic goings-on possible. Infrastructure effects the society in a twofold aspect such as Economic aspects and Social aspects. The latter can be considered as the result of former as economic infrastructure is meant to oversee and arrange a structure for modern industrial activities while the social infrastructure focuses in providing opportunities to the society in enhancing and improving their social and human capital.

Across a broad concept of infrastructure, road connectivity holds immense importance, as economic growth in modern times is simply by “getting people connected”. The worth and significance of virtual connectivity with the new communication avenues cannot be overemphasized but still a good and reliable road network remains vital, as it is considered as the only mean to physically receive the desired products. The evidences suggest that road network helps in providing employment, facilitates the intercommunity migration and trade, improves physical and human productivity and hence, alleviates poverty.

An important appealing structural change of building road connectivity is the installation and construction of industrial units in small towns. Acknowledging the significance and importance of infrastructure, nations are intensified in adopting policies, to invest in infrastructure and considered it their liability. In Developing Asian countries, the investment is primarily executed by the public sector providing overall 90 percent of the region’s investment.

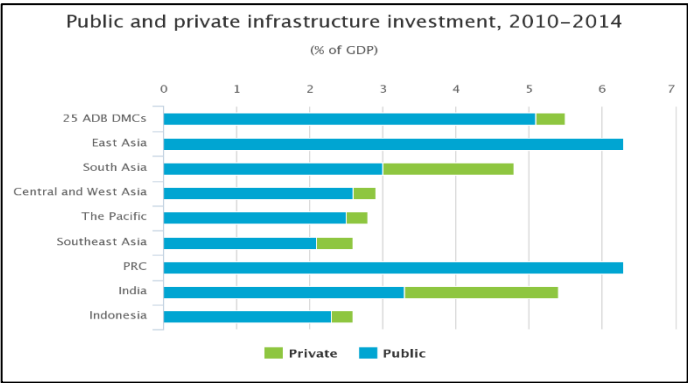
Figure 1 illustrates the percentage share of public and private sector in the investment of infrastructure. However, the private sector of India is aware of the advantages inherent in improving infrastructure, therefore a substantial amount of investment is managed by its private sector. The People’s Republic of China (PRC) is well-known for its investments in large infrastructure investments, which averaged 6.8 percent of GDP from 2010 till 2014. Bhutan, on the other hand is considered a small nation is the second top country investing 6.62 percent on average on infrastructure. While Pakistan has still took little notice upon it and invested only 2.4 percent to GDP on average, for enhancing its infrastructure which is even less then Myanmar and Indonesia. Whereas Bangladesh occupies the last position against its counterpart countries investing only 1.79 percent of GDP into its infrastructure which certainly is alarming for the prosperity of the region, especially when a noteworthy revolutionary transition of Bangladesh is under process. The whole nation economy is seeking to transform itself into EPZ, consequently, the relevance of EPZ in Bangladesh will gradually diminish. But its investment in infrastructure on the other hand, is negligible, which is a core reason in achieving the maximum benefit of EPZs. Figure 2 captures this picture in a precise manner.

Figure 2 Infrastructure Investment rate to GDP



Source: Asian Development Bank

FIGURE 1 PUBLIC AND PRIVATE INVESTMENT



Source: Asian Development Bank

The discussed figures of various countries are still not appealing, because the Developing Member Countries of ABD have altogether invested US\$ 881 billion in 2015, which is far more less than the estimated and required annual investment of US\$ 1.34 trillion for over a five-year period of 2016 to 2020, after adjusting the climate estimates, creating a gap of almost US\$ 460 billion.

China is known as one of the leading investor in infrastructure, it has invested over US\$ 686 billion in this sector while the required need of the economy is more than US\$ 830 billion creating a gap of almost US\$ 151 billion. Whereas in case of India the actual investment documented is US\$ 118 billion against the required amount of US\$ 261 billion annum. However, in case of Pakistan investment done in infrastructure is 355 billion, but the required amount 480 billion generating an investment US\$ 124 billion. Figure 3 illustrates required investment and actual investment, and the gap that need to in order to meet the desired results.

As discussed earlier, infrastructure the society in a twofold dimension, economically and socially. However, the current study strives to focus on the dimension effecting the job market in a positive way. In this the strongest dimension contributing infrastructural growth into an economy is through the inflow of FDI which in turn results in the construction of SEZs.

SEZs are intended to create a vast number of jobs in the market. Increased employment improves the conditions for economic growth paving the way toward elimination of poverty from the economy. Therefore, we can broadly state that if the infrastructure projects are handled eminently, the productivity will not only boost the GDP growth of the economy but will also escalate the overall welfare and happiness of the society for relatively an extended period of time.

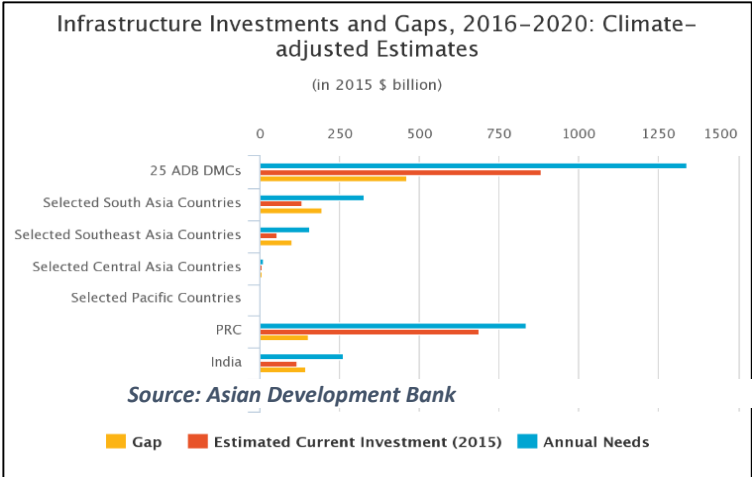
In case of Pakistan, the China Pakistan Economic Corridor (CPEC) is the best presentable example which connects China to Central Asia, West Asia and parts of South Asia. Apart from construction of infrastructure development other major part of this scheme comprise a number of projects related to energy as well as industrial sectors. The total investment put forward to make the projects function under CPEC is more than US\$ 45 billion, from which 30 percent (US\$ 13.58 billion) of the investment is attributed towards the construction of infrastructure.

Currently 6 road infrastructure projects are under construction in throughout different regions of Pakistan. These include the KKH Phase II (Thakot-Havelian Section) located in Gilgit Baltistan and KPK, Peshawar-Karachi Motorway, the Multan-Sukkur and Lahore-Multan section, in the Punjab and Sindh, up gradation of the D.I Khan (Yarik) – Zhob, N-50 Phase –I between Peshawar and Baluchistan, the remaining portion of KKH Thakot-Raikot N35 and finally the M-4 between Faisalabad and Multan in Punjab. Apart from the innumerable benefits and fruits enjoyed by the individuals within these regions, this study focuses on the effect of early harvest CPEC infrastructure projects on the employment trend of Pakistan, keeping in view the composition of labors with respect to nationality.

## II. LITERATURE REVIEW

The economic impact of infrastructure has been crucially analyzed in a number of studies since the last two decades on academic and on parliamentarian levels. Infrastructure upsurges the development of a country

FIGURE 3 INFRASTRUCTURE INVESTMENTS AND GAPS



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by creating positive externalities for other sectors especially industrial development. This sector in turn helps an economy in enhancing its productivity and therefore contributing in the well-being of households. Keeping this in view domestic or foreign investors are more focused towards the development strategies of a country which essentially includes the percentage share of investment in infrastructure. In this manner the failure in achieving adequate growth and development inherent in the lack of favorable infrastructure for which many examples exists.

The OECD countries along with its massive oil production, during 1970s and 1980s experienced deteriorating growth in GDP due to the negligence of the policy makers towards the development of infrastructure. However, less developed European Union countries including Spain, Greece, Portugal and Ireland, in the same period persuaded strategies and policies on projects involving public infrastructure investment at large which helped the European countries to raise their GDP growth. However, in case of Africa, the whole continent has pushed itself into the swamp of poverty because of the absence of infrastructure.

**FIGURE 4 PESHAWAR-KARACHI MOTORWAY**



Source: <https://www.mansoor.com.pk/projects/project/33>

However, less developed European Union countries including Spain, Greece, Portugal and Ireland, in the same period persuaded strategies and policies on projects involving public infrastructure investment at large which helped the European countries to raise their GDP growth. However, in case of Africa, the whole continent has pushed itself into the swamp of poverty because of the absence of infrastructure.

In this regard the report of World Bank FY2012-2015 focused on the infrastructure has signified its importance and provided evidences of transformation of countries through this phenomenon. For instance, the electrification

program launched in the rural area of South Africa have increased the employment rate of women by nearly 10 percent within 5 years without effecting the jobs of male. Same is the case of Indonesia where the common individuals were deprived from access due to inadequate infrastructure. Only the access to electricity has significantly increased the employment of domestic labors shifting their standards of living upwards. Currently the region is more focused toward the provision of water and sanitation, energy, and transportation. The action plan of the Bank is giving huge considerations towards a broader phenomenon “infrastructure”, to tackle down the global issues and concerns like employment, poverty, human resource development, health, education etc.

Estache and Garsous (2012), discussed the argument of International Labour Organization (ILO) that the provision of infrastructure in poor countries can offer numerous incentives to the destitute in form of employment and standard of living. Studies regarding the provision of employment from the renewable energy aspect of infrastructure illustrates satisfactory potentials of job creation. Wei et al. (2010), is observed as a pioneer study in this respect. They argue that the total number of jobs-years per GWh range from as high as 1.4 for solar PV (0.87 on average) to as little as 0.11 for gas or coal.

Similar figures have been drawn from the roads related infrastructure projects. It has been argued by ILO (2011) that if labor intensive road construction is promoted it ensures creation of twice as many if compared to capital-intensive road construction projects.



In a recent report published by World Bank in 2012, which focused on the employment generation under MENA infrastructure projects, including construction and services, documented that one fifth of the regional workforce which is equivalent to 18.2 million people, out of which 7.5 million people are involved in infrastructure related projects. The report also expresses that every Billion of US\$ if specifically invested into the infrastructure has the potential of creating 110,000 infrastructure related jobs in oil importing countries, 26,000 jobs in Gulf Cooperation Council (GCC) and 49,000 jobs in oil exporting countries. Keeping all the aforementioned in mind, the direct jobs under this investment can constitute 2.0 million jobs and 2.5 million infrastructure related jobs.

The overview of the literature capturing the impact of infrastructure development on employment is summarized as under: -

- Investment in infrastructure undeniably increases and creates jobs
- The nature of job creation under such projects comprises direct or within the project as well as indirect jobs by generating jobs in other sectors which can potentially facilitate new investors to initiate their businesses. In this manner the jobs can increase in exponential rate
- A pertinent point to note here is that the investment in infrastructure alone is not sufficient to provide permanent jobs or cannot be considered as the root cause to eliminate unemployment from the economy.
- The generation of employment is subject to the intensity of the effect of infrastructure on the GDP growth of the economy. Therefore, if an infrastructure project fails to improve and enhance the GDP of a country will necessarily not generate employment.
- To maximize the volume of employment the undertaken projects should be biased towards labor-intensive techniques to engage more and more workforce.

**FIGURE 5 KKH PHASE-II (THAKOT-HAVELIAN**

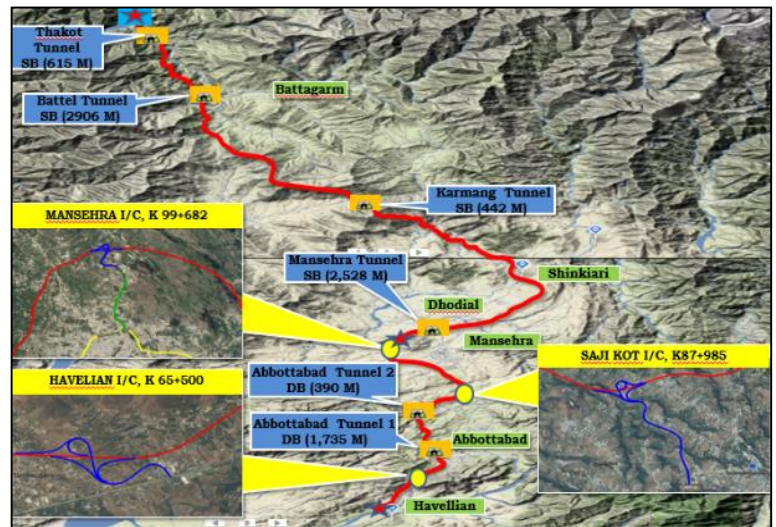


<https://www.mansoor.com.pk/projects/project/39>

*The Six Early Harvest CPEC Infrastructure Projects*  
*KKH Phase II (Thakot -Havelian Section)*

Covering a length of around 440km, with the documented total investment of US\$1,366 Million. The KKH Phase II links the regions of Gilgit Baltistan and KPK with the capital city of Pakistan. It includes the construction of bridges, culverts and other allied facilities under the responsibility of proposing ministry (ministry of communication), the implementing ministry (National Highway Authority NHA), Supervising Agency (Ministry of Communication and Government of Pakistan) and finally the Contractors (CRBC and CCCC). It is a 4 year project initiated during September, 2016 and will be finalized till March 2020, while the areas and cities in dire need of this project will be entertained after May, 2018. These regions include Havelian, Abbottabad and Mansehra covering a distance of almost 40km.

**FIGURE 6 KKH PHASE II (THAKOT-HAVELIAN**



*Source: National Highway Authority*

*Peshawar-Karachi Motorway (Multan-Sukkur and Lahore-Multan Section)*

This section of the motorway links Punjab to Sindh covering a distance of 392km with an estimated budget of US \$ 2,980 Million. The roads consist of 6-lane access of road connectivity with a total length of 1,100 Km. It originates from Karachi motorway Through M-9 and covers 136 Km toward Hyderabad. From Hyderabad, It further covers a distance of 345 Km toward Sukkur. Further, Multan-Sukkur section follows alongside the left bank of River Indus., which then connects Multan to Khanewal and eventually Lahore at M-4.

*Up-gradation of D.I Khan (Yarik-Hakla), Phase I to V*

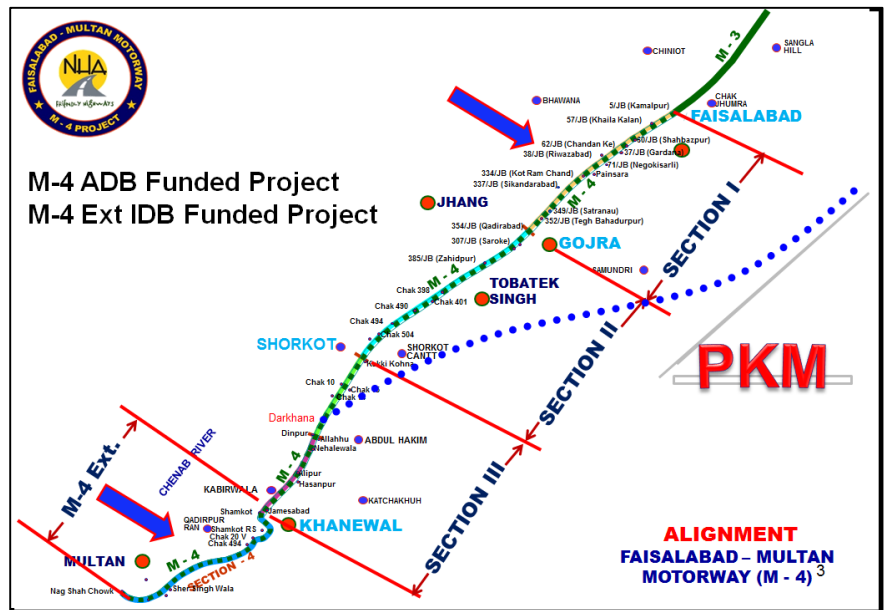
The up-gradation of D.I Khan route, which connects Peshawar and Baluchistan through Hakla (Near fateh Jhang), focuses on the western alignment portion of the economic corridor. The estimated cost to complete the project is around US\$ 120 Million. It covers a total length of 290Km, which initially connects the Peshawar-Karachi Motorway. Currently, Executive Committee of the National Economic Council (ECNEC) has approved the PC-1 and the framework agreement has been forwarded to the Ministry of Commerce (MOC). Furthermore, the land acquisition is under process. However, many jobs have already been created under this project.



### *Faisalabad-Multan Motorway (M4), Package II and III*

The construction under this project is funded by the ADB Bank. The route covers an overall distance from Gojra to Khanewal. It is divided into two main sections. The first section covers a distance of 61Km while the other section covers a distance of 65km. The project is under construction, and is expected to be completed in March 2018 with the help of two contractors Xinjian Beixin and China Railway Group. Figure 4 specifies the area covered under this project.

**FIGURE 7 FAISALABAD-MULTAN MOTORWAY (M4)**



*Source: National Highway Authority*

### *KKH Thakot-Raikot N35 remaining portion*

KKH Thakot-Raikot project is of immense importance as it starts from the Gilgit Baltistan Karakoram Highway and reaches till Thakot interchange. It connects the upper region to the western alignment of the road. This highway covers a total distance of 136Km, with an estimated investment of US\$ 700 million to finalize the project. Currently, the feasibility of the project and the PC-1 has been approved. Moreover, the report has been forwarded to the Chinese officials to initiate the project.

## **III. METHODOLOGY**

### *Sampling Technique*

To meet the requirement and objectives of the study, the sampling technique utilized was purposive in nature, classified under non-probability approach. Therefore, specifically only those projects were visited which were under consideration and of prime importance to analyze the total jobs created under these projects as well as the composition of labors. The primary data collected comprises the existing six infrastructure projects namely, KKH Phase II (Thakot -Havelian Section, Peshawar-Karachi Motorway (Multan-Sukkur and Lahore-Multan Section), Up-gradation of D.I Khan (Yarik-Hakla), Phase I to V, Faisalabad-Multan Motorway (M4), (Package II and III) and KKH Thakot-Raikot N35 remaining portion, all of which are located in different regions of Pakistan.

At present the data captures the number of direct jobs created under these projects along with the composition of labors to acknowledge the total number of Domestic and Foreign workers providing their services in the mentioned projects.

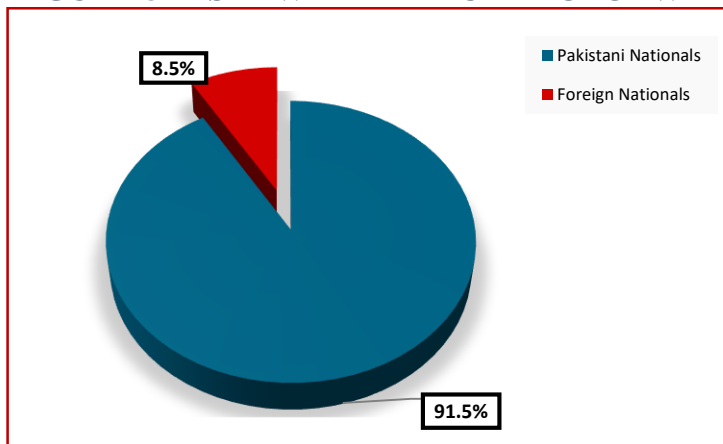
### Empirical Findings

#### Peshawar-Karachi Motorway (Multan-Sukkur Section)

The Multan-Sukkur Section of Peshawar-Karachi Motorway is considered as the largest transportation infrastructure project under CPEC. It will connect the southern port city of Karachi with the northwestern city of Peshawar, through a dense area of Sindh and Punjab, cutting down a large distance of 463km to 392km. Therefore, saving 4 hours of travelling without hassles. The project would consist of 10 flyovers, 11 interchanges, 426 underpasses, and 54 bridges. It is expected to be completed by 2019. The total number of jobs created under this project up till now are 15,174. Out of which only 8.5% (1,293) of the labors are hired from China while the remaining 91.5% (13,881) of the workers are hired from within Pakistan. The estimated investment specified for this project is US\$ 2.94 billion from which the released funds are almost US\$ 6,250 million. This amount has created 15,174 number of labor

intensive jobs. It certainly indicates the significance and importance of investing in the infrastructure sector of Pakistan as a vast number of employment can be generated directly as well as indirectly. Figure (9) represents the composition of the total labor employed from both Pakistan and China.

**FIGURE 8 PESHAWAR-KARACHI MOTORWAY**



*Source: Author's Own Findings*

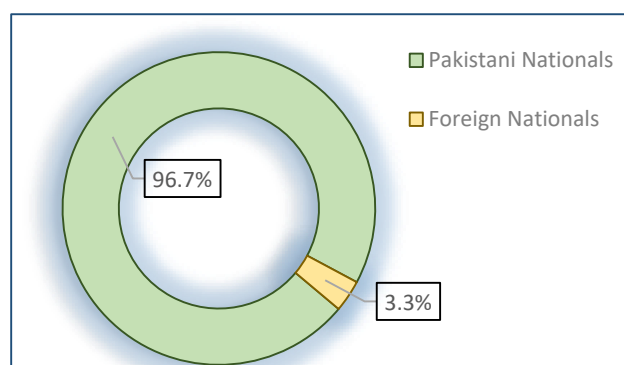
#### Peshawar-Karachi Motorway (Lahore-Multan Section)

This section of the motorway is also known as M-3 Lahore-Abdul Hakeem Motorway, it also connects Lahore M-2 to Abdul Hakeem. The significance of this road project can be observed by the link it establishes between the southern and northern areas of Pakistan. Part of this motorway which is 230km long is considered as the part of Karachi-Lahore motorway as well. To make the project functional on full potential, the total estimated investment at present is almost US\$ 1,506 Million. The project will comprise of 8 interchanges, 35 over canal bridges, and 8 over the road bridges over the major roads, while 6 underpasses and almost more than 300 culverts.

17,246 jobs have been created under this project from which 96 percent (16,676) of the workers possess the nationality of Pakistan. However, in contrast to the sum of only 570 workers, which only constitutes 3.3 percent of workers belong to China. The project is expected to be completed by April, 2018. Currently, the project has consumed 57.4 percent (US\$ 865 million) of the total investment creating 17,246 number of jobs, which resulted in the improvement of the standard of living of the region. The remaining investment is promised create

a thousand more. Figure (10) represents the total labor force employed from both Pakistan and China in this project.

*Figure 9 Peshawar-Karachi Motorway (Lahore-Multan Section)*

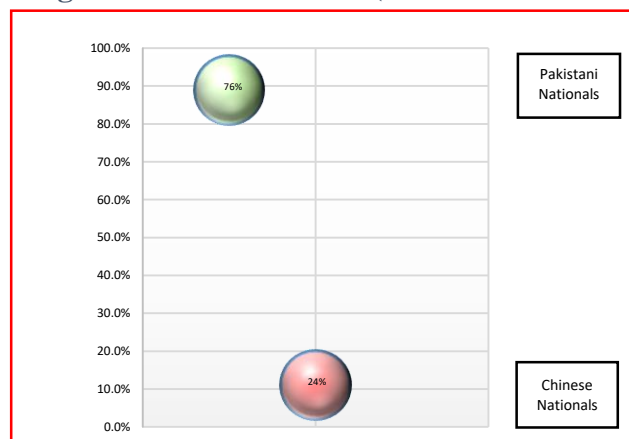


*Source: Author's Own Findings*

### *KKH Phase II (Thakot -Havelian Section)*

The project KKH Phase II inaugurated on 28<sup>th</sup> of April, 2016, expected to be completed in March, 2020, joins the Gilgit Baltistan to the Capital of Pakistan. 90 percent of the project has been funded from the China Exim bank while the remaining 10 percent will be funded by Pakistan. It comprises of three interchanges within 39km between Havelian, Abbotabad and Mansehra, 5 tunnels within the region of Abbotabad, Karmong, Battal and Mansehra. Currently, only the 30% of the total investment (US \$ 409 Million) of US \$ 1.366 Million has created an estimated of 7800 direct jobs. Out of these a huge portion of 76% (6000 jobs) is attributed toward Pakistani job market, while a few amount of labors are hired from China of around 1800 (24 percent). The first section covering 39km of the total project will open in May, 2018. The figure (11) illustrates the composition of labors.

**Figure 10 KKH Phase II (Thakot-Havelian**



Source: Author's Own Findings

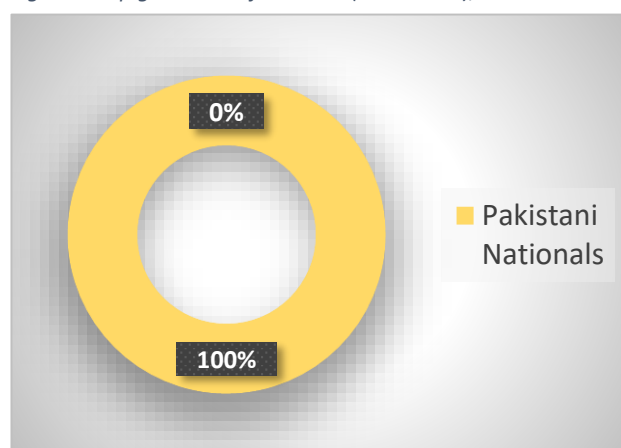
### *Up gradation of D.I Khan (Yarik-Hakla), Phase I to V*

In the southern end of the new Hakla-Yarik Expressway, the existing N-50 will also be upgraded between Zhob (Baluchistan) and Dera Ismail Khan (KPK). The first section of this up gradation of 81km between Zhob and Mughal Kot began in January, 2016 and is expected to finalize by the year 2018 utilizing US\$86 million (44 percent) of the total investment of US\$ 195 million. These figures illustrates that this project has the capacity of increasing more direct jobs until the completion and many indirect jobs afterwards.

This project is divided into 5 phases. The first phase from Yarik to Rehmani covering an area of 55km, and creating around 450 jobs. In the second phase from Rehmani to Kot Balian (70km), 2500 Pakistani individuals have been recruited. Similarly, 500 in Phase III from Kot Balian till Tarap (52.5km), 1,300 in Phase IV from Tarap to Pindigheb (50km) and finally 1,950 from Pindigheb to Hakla (63km). Altogether this project has generated employment at a large scale.

It is pertinent to note here that total employment generated (6,700) under these projects were recruited from Pakistan, increasing the employment rate and the living standards of domestic labors.

*Figure 11 up gradation of D.I Khan (Yarik-Zhob), N-50 Phase I*



Source: Author's Own Findings

### *Faisalabad-Multan Motorway (M4) (Package II and III)*

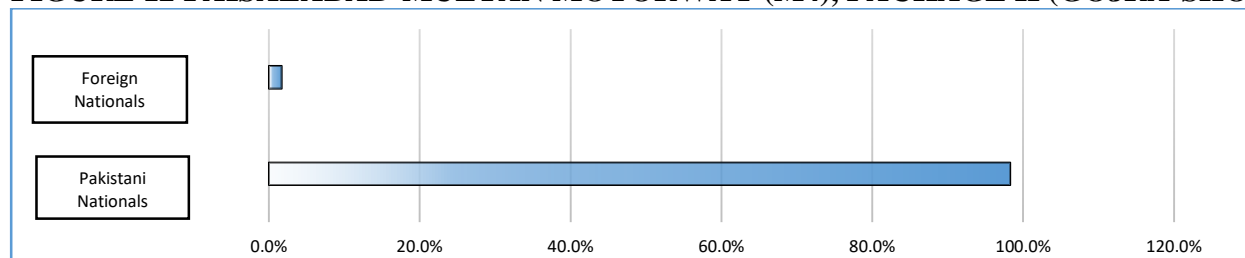
Faisalabad-Multan M-4 is considered to be a backbone of development for the northern and southern region of Pakistan. It will eventually become a part of the massive motorway network. It compromises of 5 sections with a total covered distance of 286 Km.

The sections connects Gojra to Jamani (31km), then Jamani to Shorkot (30km), Shorkot to Dinpur (31km), Shorkot to Khanewaal (64km) and finally from Din pur to Khanewal (34km) consecutively. A total number of employment generated under this project are 3,640. Breakdown of the total employment is as under: - 599 are employed in section 2A from Gojra to Jamani out of which 574 as domestic labor and 25 Chinese labor. Section 2B Jamani to Shorkot, has employed a total of 1,330, employing 1,312 domestically and 18 from China. Similarly 1066 from Shorkot to Dinpur. 1042 from which are employed from within Pakistan while 24 from China. Finally a total number of 645 worker have been hired for section 3B Din pur to Khanewal employing 30 from China and 615 from Pakistan.

The work progress on this project is swiftly underway, and is expected to be completed in March, 2018 by creating around 200 junctions and interchanges.

After the completion of more than 200 Km from Pindi Bhattian till Multan the travelling time will be cut down by 2 hours of time. The total employment generated under this project is 3,640. Employing 3,543 labors from Pakistan and only 97 labors from China. The following figure shows the composition of labors with respect to Pakistani and Chinese nationalities.

**FIGURE 12 FAISALABAD-MULTAN MOTORWAY (M4), PACKAGE II (GOJRA-SHORKOT)**



Source: Own Findings

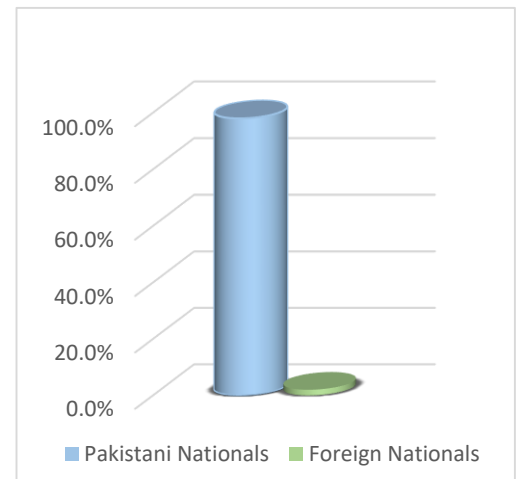
### *E-35 (Expressway)*

E-35 Expressway is also known as Hazara Expressway

It covers a distance of about 180 Km, starting from Burhan to Hasan Abdal, Linking the province of Punjab with KPK by imbridging a route between Hasan Abdal and Haripur, Havelian, Mansehra, Abbotabad, eventually Battagram and Thakot. This project is being financed by the Asian Development Bank and the funds provided by the United Kingdom. It will lessen the total time of travel from Havelian to Islamabad to just 30 minutes.

The project was designed to be a 4-Lane project, but later was planned to be extended to a 6-Lane project. A total number of employment generated by the project are 1,020. From which 1,000 (98 percent) of the people are employed from Pakistan while only 20 (2 percent) have been hired from China.

**FIGURE 13 E-35 (EXPRESSWAY)**

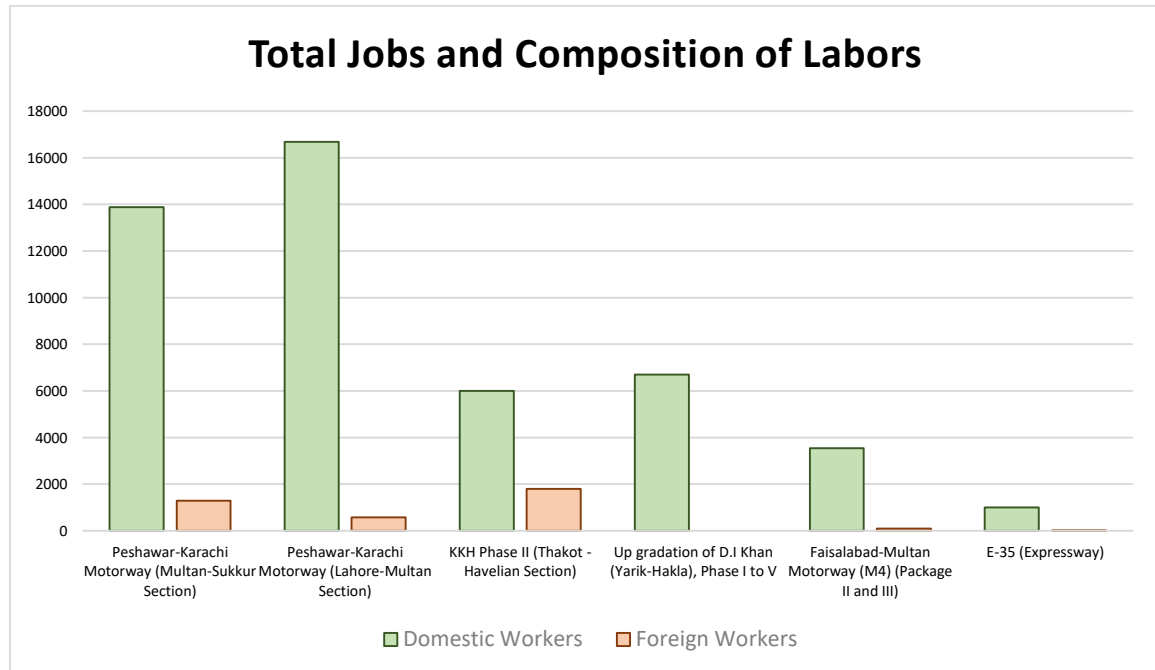


*Source: Author's Own Findings*

### *Job Creation under Infrastructure Projects*

According to the abovementioned empirical findings the sampled projects under consideration are discussed briefly. They signal and emphasize on the role of overall infrastructure development in Pakistan, and its impact on the job market. Furthermore, apart from the positive outlook, we also experience criticism regarding the job market of Pakistan, yet most of the figures quoted are fabricated and are under influenced, while the real picture is consistently camouflaged. It is argued that the job market will be hijacked by foreigners while leaving the domestic labor as destitute. Figure (15) illustrates the real picture of these projects highlighting the effect of only road construction from a very broad concept of infrastructure on the job market of Pakistan.

**FIGURE 14 TOTAL JOB CREATION UNDER INFRASTRUCTURE PROJECTS**



*Source: Author's Own Findings*



## CONCLUSION

The concept of infrastructure encompasses all the main segment and components of development. The growth of GDP per capita is not only focused on the nominal growth of the economy, rather it is the overall development of the society focusing toward a steady growth and transformation toward stabilized industrialized and civilized society. In the present era, this can only be achieved by adopting the policies of globalization, and by increased interaction between nations. Further, stimulating the transfer of knowledge, technologies and essential goods in which the nations have comparative advantage. In order to achieve this goal, a prerequisite requirement is to give a serious attention towards the development of infrastructure. A substantial and considerable trend observed in the twenty-first century economies is to increase the interlinkages between countries, and existence of an ongoing shift in global economic activity from developed to developing countries. A secure and reliable approach to link global production network is to build “economic corridors”, which certainly is one of the most important mean which of facilitating economic activity.

In this association, Pakistan has signed a contract with China to overcome this issue under CPEC which connects China to Central Asia, West Asia and parts of South Asia. This project aims to focus on both of the aspects of development namely, infrastructure and establishment of industrial sector, investing US\$ 13.58 billion in the infrastructure and almost US\$ 32 billion in the industrial sector of Pakistan. As the objective of the study is to empirically evaluate the total number of jobs created under six infrastructure road projects and the composition of labors with respect to Pakistani and Chinese nationality holders. The data collected provides that only 7 percent (3,780) of the total jobs created is attributed to Chinese nationals while 93 percent (47,800) of the workers are from Pakistan. Therefore, the criticisms of hijacking job market by Chinese nationals and acquisition of lands which are usually based on perception and political statements should be overlooked and should be converted and focused towards the long-term and sustainable development, growth and prosperity of Pakistan.

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