

THE ECONOMIC IMPACT OF CPEC ON THE LOCAL EMPLOYMENT IN PAKISTAN (2015-2024)

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ABSTRACT

The CPEC, launched in Pakistan in 2015, has been widely regarded by politicians, policy makers, national and international analysts as a transformative economic project for Pakistan. It was launched as a project of China's broader Belt and Road Initiative. This paper/assignment evaluates the impact of CPEC on local employment in Pakistan. Especially between 2015-2024. The framework of Keynesian Economics, particularly the Multiplier Effect, is used to analyze the impact. On the basis of the secondary data, Government reports, and academic literature, the study finds that while CPEC has significantly generated short-term, direct, and infrastructure-led economic activity and employment in Pakistan, its long term impact on sustainable employment remains mixed due to structural issues such as skill gaps, regional inequality, and reliance on foreign labor.

Keywords: Direct employment, Indirect Employment, Macroeconomics, Keynesian economics.

INTRODUCTION

The China-Pakistan Economic Corridor (CPEC) is a multibillion-dollar, multi-phase project aimed at enhancing regional connectivity between China and Pakistan through a network of highways, railways, pipelines, and energy projects. It acts as a flagship for China's Belt and Road initiative (BRI), connecting Gwadar Port to Xinjiang, promoting industrialization, and regional Trade. The corridor runs for approximately 2700 km starting from Kashgar in China and ending at Gwadar port. Initially it was valued at approximately \$46 billion and later expanded to over \$60 billion.

One of the central promise of CPEC had been employment generation. Early projections of this project suggested that almost 700k jobs would be created by 2030. However, the actual employment outcome between 2015 and 2024 remains highly debated.

This assignment addresses the research question: What has been the economic impact of CPEC on the local employment in Pakistan between 2015 and 2014?

Theoretical Framework

This study is grounded in the Keynesian economics theoretical model. It is a macroeconomic theory developed by J. Maynard Keynes in 1930s, arguing that active government intervention is necessary to stimulate economic activity.

According to this theory, active government intervention is necessary to stabilize economies and manage "boom and Bust" cycles. Unlike the classical economics, Keynesian theory suggests that market do not automatically correct themselves. Thus, during the downturns of market, government intervention becomes necessary. The

economy's health is determined by the total spending by consumers, businesses and government. With more investment the production cycle of state increases along with increase in demand. This further generates employment.

The Keynesian multiplier effect is a key concept here, it suggests that the investment leads to multiple rounds of income and job creation, meaning the initial injection of spending- such as government stimulus- leads to a larger final increase in national income (GDP).

Methodology

This assignment adopts a qualitative approach using secondary data sources which include government reports, academic research and NEWS articles.

The study compares employment trends before and after the CPEC (2015-2024) and incorporates case-based observations.

Overview of the CPEC projects

The CPEC projects could be divided into components like Infrastructure development, energy projects and industrial development.

Infrastructure and transport development includes roads, motorways, railways, and urban transport systems. Projects like Multan-Sukkur motorway, Hakla-D.I. Khan motorway, Havelian-Thakot KKH, and Lahore Orange Line metro train, etc. Gwader is the heart of CPEC. Key projects for Gwadar are the expansion of Gwadar port. Gwadar International Airport, Gwadar Free Industrial Zone, and multiple other projects. The Railway ML-1 like from Karachi to Peshawar is also part of the project.

Energy was the top priority to overcome Pakistan's electricity crisis. Key projects include

- Suki Kinari Hydropower Project
- Karot Hydropower Project
- Quaid-e-Azam Solar Park
- Thar Coal Power Projects
- Wind Farms in Jhimpir and Gharo.

Under the industrial development goals, Special Economic Zones are also part of this project, like

- Rashakai SEZ KPK
- Allama Iqbal Industrial City

- Dhabeji SEZ Sindh
- Gwadar Free zone

Agricultural development and communication & Digital Connectivity etc are also part of long term CPEC projects. The second phase of CPEC was officially launched on 26 september, 2025. This assignment deals with the economic impact of phase one of CPEC.

Employment Impact of CPEC:

The Global Times says in 2023 that Data from the Chinese Embassy in Pakistan shows that the China-Pakistan Economic Corridor (CPEC) has created a total of 236,000 jobs in Pakistan till the end of 2022. As currently, CPEC is in its phase II, and job creation is projected to increase significantly.

The Employment Outlook of China Pakistan Economic Corridor: A Meta-Analysis by DR. Shahid Rashid, Muhammad Muzammil Zia, and Shujaa Waqar projects that the number of direct total employment in Pakistan by 2030 would reach 1.2 million. They also gave the data for each year which is as follows

- 2013-2014 direct jobs created 0
- 2014-2015 direct jobs created 400
- 2015-2016 direct jobs created 16,344
- 2016-2017 direct jobs created 34,429
- 2017-2018 direct jobs created 5,649
- 2018-2019 direct jobs created 71,886
- 2020-2021 direct jobs created 64,950
- 2021-2022 direct jobs created 89,675,
- 2022-2023 direct jobs created 104,446
- 2023-2024 direct jobs created 135,032

The job creation was seen mostly in infrastructure, energy, and services sectors with positions such as construction labor, engineers and administrative positions. The creation of the job by the CPEC project each year aligns with the Keynesian Multiplier effect.

Sector wise job creation from 2015-2024:

As CPEC is a multi-sectorial project we can use the Data provided by the Centre of Excellence China-Pakistan Economic Corridor Under PIDE (Pakistan Institute of Development Economics) a think Tank for Ministry of Planning, Development and reforms. The report by DR.

Shahid Rashid, Muhammad Muzammil Zia, and Shujaa Waqar in Employment Outlook of China Pakistan Economic Corridor: A Meta-Analysis is one of the major source for the overall number of employment in each sector for each year.

Energy Sector

The energy sector had been one of the major contributors to job creation in the early years of CPEC. From 2015-2017 the numbers of job created were very high, almost 10,348 in 2015-2016 and 4100 in the following year. 2018-2020 marked peak construction employment in energy sector. The a gradual decline from 2020-2024 occurred in job creation. Because during this period, more skilled and stabilized jobs, basically of operational nature were created in market and need for construction saw a decline. Thus, from 2015-2020 energy sector was in construction phase and demand for labor was high so large no. of labor-intensive employment was created. From 2020-2024 energy sector gained some momentum, so it needed skilled workers for operational purposes which decreased the overall numbers of employments but created jobs for highly skilled labour. The energy sector created bulk of initial employment. However, those were temporary and linked to project lifecycle. Energy sector created a short-term direct employment system.

Infrastructure Sector

The infrastructure sector has been one of the major job creating sector especially in the initial phases the report shows that from 2015-2019 they were the strong contributors especially in road construction. Major road projects like motorways and KKH Phase-II contributed to 22000 jobs in 2016-2017. And during this 2015-2024 it created a total of 51,580 no. of workforce. Roads were the largest infrastructure employer. The ML-1 railway project expected to start in 2026 is also estimated to create approximately 12000 jobs and Fiber Optics project of 820 KM also contributed to employment the jobs created under this are 12000 but are stable and steady. Infrastructure jobs are front-loaded meaning high in early years and a sharp decline is observed after the construction is complete. But it is true for the direct jobs. The

indirect jobs created by them are very high and their number gradually increases. Infrastructure sector could be called as early-stage (direct) employment driver.

Gwadar Development

The overall contribution pattern by development in Gwadar in 2015-2017 were minimal and a gradual increase has been seen between 2018-2024. Almost 1100 direct initial jobs were created and over all construction employment could go as high as 100k. the employment opportunities are mostly for construction, port operation and in services sector. The start is slow but pattern of higher multiplier effect is visible. Gwadar could be called as long-term strategic employment sector

Industrial Sector

It industrial sector includes Special Economic Zones. A total of 9 SEZS were to be built under CPEC agreement. The impact of industrial sector on employment creation before 2018 was almost negligible by saw a rapid expansion after 2020. By 22 it became the dominant sector for job creation. Under Multiplier effect a total estimate of direct as well as indirect employment creation is project about 0.8-1 million. Especially by 2030. A sharp rise onward 2020 and 2021 was seen in industrial sector reaching about 135k in 2024. The employment here is driven by SEZ development and Industrial activity and under the multiplier effect it would lead to long term employment in Pakistan. It marks the transition of employment from construction working labor to Industrial jobs. The employment in this sector are sustainable and long-term. SEZs are the core of job creation in industrial sector.

Social Sector

It basically includes tourism, educational exchange and cultural programs. This sector had very limited contribution for employment creation. So for few hundred jobs have been created. Its overall impact over economy is indirect, it has supporting but minor role.

Integrated Sectoral Trend

We can call 2015-2017 as early phase marked by development of roads and energy sector, 2018-2020 as expansion phase with infrastructure in multiple domains and energy being dominant sectors, 2020-2022 as transition phase with energy and industrial zone dominant and last 2022-2024 as industrial phase dominated by SEZs

Positive Economic Impacts

Following are some of the positive economic development of CPEC:

Direct Employment

Large scale employment opportunities have been created each year under this project. The direct employment has been in construction and infrastructure sector. Large no. of poor laborers all across Pakistan got the opportunity to earn for their living. It has provided jobs to engineers, technicians and laborers. CPEC included MEGA projects like roads, power plants, and Gwadar port which require massive manpower, leading to direct employment opportunities, especially during the construction Phase.

Indirect employment

The construction of motorways, railways, and ports not only create immediate employment but also support future job growth. Improved infrastructure attracts investments, which leads to new industries, business expansion and public-private initiatives.

Skill Development

To improve the output and for operational purposes the training programs have improved workforce capacity. New opportunities for skilled labor have emerged especially in logistics trades, services and hospitality industry. As Pakistani workers were exposed to Chinese technology and projects they learn new technical skills which has improved employability

Opportunities for underdeveloped regions

The economic activity increased in underdeveloped regions especially in Balochistan. The CPEC proved to be a source of income for

people from far flung areas. As motorway passes through remote areas it proves to be fruitful for employment in those regions.

Negative Impact over employment

Following are the criticisms and negative implications of CPEC over employment in Pakistan.

Skill Gaps and limited local participation

Many high level skilled jobs are filled by the Chinese workers instead of Pakistanis. Pakistani workforce lacks technical skills which results in local mostly getting low-skilled jobs like laborers and high paying jobs go to foreigners.

Temporary nature of jobs

Most jobs, especially which Pakistani get are linked to construction phase only and once the project is complete the jobs decline significantly. And the operational phase requires few workers. This means CPEC is creating short term, non-permanent employment.

Displacement of local Communities

Infrastructure projects require land acquisition. This results in people losing their homes and livelihoods like fishermen in Gwadar. This creates unemployment in traditional sectors

Weak labor Rights and Working Conditions

Lack of transparency exists in contracts and labor protections. Workforce may face unsafe working conditions and lack of legal protection.

Discussion: A keynesian Interpretation

CPEC Functions as a Keynesian stimulus through large-scale investment. Evidences Show that increased investment created opportunities leading to more employment. The jobs, per year as data shows, increased from 0 in 2015 to 135k almost in 2024. This resulted in expansion of economic activity. However economic leakages, lack of skilled labor and institutional weaknesses have reduced the long-term multiplier effect.

Conclusion

This study has found the CPEC has had a significant but uneven impact on employment in Pakistan. CPEC created strong short term jobs, proved a positive economic stimulus, but resulted in weak long-term employment sustainability.

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